

# STATE OF LOUISIANA

## **Follow-up Study on Previously Issued Performance Audits and Staff Studies** Baton Rouge, Louisiana

March 2004



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**LEGISLATIVE AUDITOR**

**DIRECTOR OF PERFORMANCE AUDIT**

**David K. Greer, CPA, CFE**

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

March 10, 2004

The Honorable Don Hines,  
President of the Senate  
The Honorable Joe R. Salter,  
Speaker of the House of Representatives

Dear Senator Hines and Representative Salter:

This report gives the results of our follow-up study on previously issued performance audits and staff studies. The study was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

The report contains the implementation status of the recommendations and matters for legislative consideration made in 21 performance audits and staff studies issued from July 2000 through June 2003. I hope this report will benefit you in your legislative decision-making process.

Sincerely,

A handwritten signature in cursive script that reads "Grover C. Austin".

Grover C. Austin, CPA  
First Assistant Legislative Auditor

GCA/dl

[FOLLOW-UP04]



# Office of Legislative Auditor

## **Follow-up Study on Previously Issued Performance Audits and Staff Studies Executive Summary**

This study reviews 21 performance audits and staff studies issued by our office from July 2000 through June 2003. The purposes of the study were to determine whether the agencies covered in the reports have implemented the recommendations we made and whether the legislature has addressed the matters for legislative consideration contained in the reports. The 21 reports contain a total of 322 recommendations and 69 matters for legislative consideration. The results of the study are as follows:

### **Recommendations Implemented** *(See pages 3 through 13 of the report.)*

- Agencies have either fully or partially implemented at least 52.8% of the 322 recommendations.
- We could not determine whether agencies implemented 12.4% of the recommendations because some agencies did not provide us with sufficient documentation or did not respond to our inquiries or because of time constraints.

### **Legislative Activity** *(See page 13 of the report.)*

- The legislature has addressed 15.9% of the 69 matters for legislative consideration. The legislature has passed 2 laws, amended 11 laws, and repealed 2 laws related to the matters for legislative consideration.

### **Problems Identified in State Government Operations** *(See pages 14 through 16 of the report.)*

- We identified 22 types of problems in the 21 reports covered by this study. These problems impact the overall effectiveness and efficiency of state government operations. More than 75% of the problems identified can be categorized into the following seven areas:
  - (1) inadequate policies and procedures;
  - (2) inadequate oversight and monitoring;
  - (3) inadequate data and documentation;
  - (4) inadequate internal management controls;
  - (5) noncompliance with laws, rules, regulations, and policies;
  - (6) inadequate planning; and
  - (7) inadequate coordination of efforts/services.



# Introduction

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## Study Initiation and Objectives

The Legislative Audit Advisory Council approved this study in July 2003. The study reviews 21 performance audits and staff studies issued by the Legislative Auditor's Office from July 2000 through June 2003. The purposes of the study were to determine whether:

- Agencies have implemented the recommendations made in the reports
- The legislature has addressed the matters for legislative consideration contained in the reports

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## Requirements of and Authority for Performance Audit Program

Louisiana Revised Statute (R.S.) 24:522 requires a schedule of performance audits to ensure that one such audit is completed on each executive branch department in the seven-year period beginning with the 1997-1998 fiscal year. This law created a statewide performance audit program to evaluate and audit the functions and activities of the agencies of state government. To accomplish this mandate, the law provides that the legislative auditor may, in part:

- Evaluate the basic assumptions underlying state agencies and the programs and services provided by the state
- Identify overlapping functions, outmoded programs, areas needing improvement, and/or programs amenable to privatization
- Evaluate the impact, efficiency, effectiveness, and cost-effectiveness of state agencies
- Evaluate the methods used by state agencies in the estimation, calculation, and reporting of their performance and evaluate the actual outcomes of each agency's performance with regard to its performance indicators

In accordance with this law, the Performance Audit Division of the Legislative Auditor conducts various types of audits and staff studies. In conducting our work, we use the U.S. General Accounting Office's (GAO) *Government Auditing Standards*.

## **Types of Reports Issued by Performance Audit Division**

The Performance Audit Division has conducted economy and efficiency audits, program audits, and staff studies in accordance with R.S. 24:522. Economy and efficiency audits determine if entities are acquiring, protecting, and using resources economically and efficiently; the causes of inefficiencies or uneconomical practices; and if entities are complying with applicable laws and regulations on matters of economy and efficiency. Program audits determine the extent to which the desired results or benefits established by authorizing bodies are being achieved; the effectiveness of organizations, programs, activities or functions; and whether entities are complying with applicable laws and regulations. Staff studies differ from performance audits in that they are generally studies of limited scope and/or are follow-up studies on previously issued performance audits or staff studies.

## **Follow-up Studies**

The Performance Audit Division of the Legislative Auditor periodically conducts follow-up studies to determine whether agencies have implemented our recommendations and whether the legislature has acted on our suggestions to enact, amend, or appeal legislation made in previously issued reports. This follow-up report is the third such study we have conducted.

Our first follow-up study was issued in July 1996 and covered 21 reports issued from July 1992 through July 1995. Those 21 reports contain a total of 126 recommendations and 56 matters for legislative consideration. The follow-up study noted that the agencies covered in the reports had fully implemented 40% and partially implemented 29% of the recommendations made in the reports. The agencies had not implemented 31%. The report also noted that the legislature had adopted 45 legislative instruments that addressed several of the matters for legislative consideration included in the 21 reports.

Our second follow-up study was issued in October 2001 and covered 42 reports issued from August 1995 through June 2000. Those 42 reports contain a total of 542 recommendations and 147 matters for legislative consideration. The follow-up study noted that the agencies covered in the reports had fully implemented at least 36% and partially implemented at least 32% of the recommendations made in the reports. The agencies had not implemented at least 10%. We could not determine whether 22% of the recommendations had been implemented. The study also noted that the legislature had addressed 19.7% of the matters for legislative consideration.

For the results of this third follow-up study, see the following section of this report titled *Action Taken on Recommendations and Matters for Legislative Consideration*.

# Action Taken on Recommendations and Matters for Legislative Consideration

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**Have agencies implemented the recommendations made in the 21 reports covered by this study?**

**Has the legislature addressed the matters for legislative consideration included in the 21 reports?**

**Conclusions:** Agencies have either fully or partially implemented at least 52.8% of the recommendations made in reports issued from July 2000 through June 2003. They have not implemented about 34.8%. We were unable to determine whether the agencies have implemented 12.4% of the recommendations.

The legislature has addressed 15.9% of the matters for legislative consideration included in the reports. We identified eight relevant legislative instruments that the legislature adopted in connection with the matters for legislative consideration. These legislative instruments enacted 2 laws, amended 11 laws, and repealed 2 laws.

The information in this study can be used by policy makers and program officials to help improve effectiveness, efficiency, and accountability in state government. We identified 22 types of problems in the 21 reports covered by the study. These problems impact the overall effectiveness and efficiency of state government operations. Although many of these problems have been addressed, others have not because some entities have not implemented certain recommendations. It is possible that some recommendations and matters for legislative consideration that have not yet been acted upon may receive action in the future.

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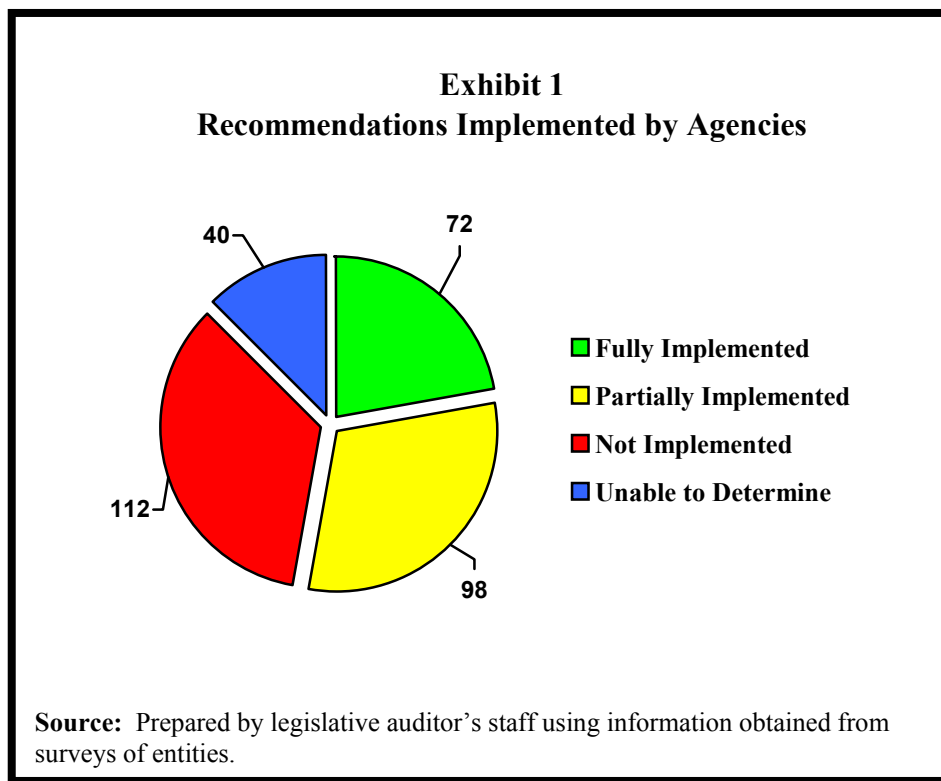
## Agencies Have Fully or Partially Implemented Most Recommendations

We identified 322 recommendations in the 21 performance audits and staff studies issued from July 2000 through June 2003. These recommendations were addressed to various state and local government entities, including some boards and commissions. Our study shows that the agencies fully implemented at least 22.4% (72) of the recommendations and partially implemented at least 30.4% (98). They did not implement 34.8% (112) of the recommendations.

We were unable to determine whether the agencies had implemented 12.4% (40) of the recommendations either because some entities did not provide sufficient evidence to support their responses to our inquiries or did not respond to our inquiries or because time constraints prevented us from conducting further work. In some cases, less than a year had elapsed between the issuance of the reports and this follow-up study. Therefore, some of the recommendations and matters for legislative consideration that have not been implemented or acted upon may be addressed in the future. These recently issued reports are as follows:

- University of Louisiana System (February 2003)
- Louisiana Community and Technical College System (April 2003)
- Assessment Practices for Businesses Claiming Industrial Property Tax Exemptions (April 2003)
- Residential Tax Assessment Practices (April 2003)
- Louisiana Public Service Commission (April 2003)

Exhibit 1 shows how many of the 322 recommendations covered by this study have been implemented.



A summary of the survey responses and our evaluation of whether the recommendations were implemented, which is titled *Supplement to Follow-up Study on Previously Issued Performance Audits and Staff Studies*, is available at [www.la.state.la.us/perform.htm](http://www.la.state.la.us/perform.htm).

Following is a brief description of each of the 21 reports covered by this study, along with an explanation of the implementation status of the recommendations contained in the reports.

## **Department of Justice Selection of and Authorized Rates for Legal Services Contractors Used in Civil Cases and Personal Injury Claims Against the State December 2000**

The Attorney General is the chief legal officer of the state and the administrative head of the Louisiana Department of Justice. To fulfill his duties, the Attorney General may appoint legal services contractors to represent the state and state agencies. The vast majority of these appointments are to represent the Office of Risk Management in personal injury claims against the state. The purpose of this performance audit was to determine the following:

- How did the Department of Justice decide to hire contractors for legal services?
- Did the Department of Justice's process for selecting legal services contractors result in contracts being awarded to the highest qualified persons?
- Were contractor performance evaluations useful to the selection process?
- Were the Department of Justice's billing rates for legal services contractors fair and reasonable to the state?

The report contains six recommendations directed to the Department of Justice and the Office of Risk Management. The department and office fully implemented one (16.7%) recommendation and did not implement five (83.3%) recommendations.

## **Water Quality in Louisiana January 2001**

Louisiana has an abundance of water resources. State law charges at least five state departments with protecting these resources:

1. Department of Environmental Quality
2. Department of Health and Hospitals (Office of Public Health)
3. Department of Agriculture and Forestry
4. Department of Natural Resources
5. Department of Transportation and Development

The purpose of this audit was to determine how these departments monitor and enforce water quality regulations. The report contains 37 recommendations directed toward the five state departments. The departments fully implemented 18 (48.6%) recommendations, partially implemented 8 (21.6%) recommendations, and did not implement 4 (10.8%) recommendations. We were unable to determine the implementation status of seven (18.9%) recommendations because the Department of Agriculture and Forestry did not respond to our survey and because of time constraints.

**Department of Economic Development  
Office of Financial Institutions  
A Review of the Louisiana CAPCO Program  
January 2001**

The primary purpose of the Louisiana Capital Companies Tax Credit Program is to provide assistance in the formation and expansion of new businesses that create jobs in the state. Capital companies also provide financing assistance to qualified Louisiana businesses that need capital to survive, expand, or develop new products. The audit reviewed the program to determine whether the use of investment capital is consistent with the primary purpose outlined in the statutes creating this program. The report contains five recommendations directed toward the Office of Financial Institutions and the Department of Economic Development. The department and office fully implemented one (20%) recommendation, partially implemented two (40%) recommendations, and did not implement two (40%) recommendations.

**Louisiana Department of Agriculture and Forestry  
Review of Construction and Purchasing Efforts  
Through the Louisiana Agricultural Finance Authority  
February 2001**

The Louisiana Department of Agriculture and Forestry is headed by the Commissioner of Agriculture and Forestry. In addition, the commissioner is a member of the Louisiana Agricultural Finance Authority, which was established to alleviate the severe shortage of capital and credit available at affordable interest rates for investment in agriculture. We limited our audit work to the Louisiana Department of Agriculture and Forestry's construction, leasing, and purchasing practices through the Louisiana Agricultural Finance Authority. The report contains six recommendations directed toward the department and finance authority. We were unable to determine the implementation status of all six (100%) of the recommendations because the Louisiana Department of Agriculture and Forestry did not respond to our survey although we made several attempts to obtain a response.

**Department of Culture, Recreation and Tourism  
Office of Tourism  
March 2001**

The Louisiana Office of Tourism is primarily responsible for promoting tourism through various marketing activities, including out-of-state advertisement. This performance audit reviewed the validity of the Louisiana Office of Tourism's performance indicators, tourism promotion spending in other South Central Region states, and the cost-effectiveness of the office's marketing efforts. The report contains 11 recommendations directed toward the Louisiana Office of Tourism. The department partially implemented two (18.2%) recommendations and did not implement nine (81.8%) recommendations.

## **Department of Transportation and Development Feasibility of Bond Financing for the Remaining TIMED Projects August 2001**

The Transportation Infrastructure Model for Economic Development (TIMED) Program was established by Act 16 of the 1989 First Extraordinary Session of the Louisiana Legislature. This legislation created Louisiana Revised Statutes 47:820.1 through 47:820.5, which established a 4 cent per gallon fuel tax and earmarked this tax revenue for 16 major projects. This staff study reviewed certain aspects of plans by the Department of Transportation and Development to finance the completion of the remaining TIMED projects. The report contains two recommendations directed toward the department. The department fully implemented one (50%) recommendation and partially implemented one (50%) recommendation.

## **Department of State Records Management September 2001**

The primary purpose of the Archives and Records Program within the Department of State is to provide a statewide system of managing and preserving government records and to do so efficiently and economically. This audit concentrated on the areas of records management, operations of the Records Center, the microfilm section, and electronic imaging of records. The report contains nine recommendations, all directed toward the Department of State. The department fully implemented three (33.3%) recommendations, partially implemented one (11.1%) recommendation, and did not implement five (55.6%) recommendations.

## **Department of Education State Activities January 2002**

We conducted this performance audit on the Department of Education's State Activities budget unit, which accounts for the administrative positions and functions in the department. The objectives of the audit were to determine the current administrative structure of State Activities in terms of positions, salaries, and functions and to determine if the local school systems, as State Activities customers, are satisfied with the services rendered by State Activities. The report contains 14 recommendations directed toward State Activities. The department fully implemented five (35.7%) recommendations, partially implemented four (28.6%) recommendations, and did not implement five (35.7%) recommendations.

## **Department of Health and Hospitals CommunityCARE Program January 2002**

The Department of Health and Hospitals oversees Louisiana's only Medicaid managed care program, CommunityCARE. This performance audit reviewed the annual monitoring of providers, projected cost-savings, and the quality/appropriate use of services provided through the CommunityCARE program as compared to traditional Medicaid services. The report contains five recommendations directed to the department. The department fully implemented two (40%) recommendations and partially implemented two (40%) recommendations. We were unable to determine the implementation status of one (20%) recommendation because of insufficient documentation provided by the department.

## **Louisiana Tax Commission Ratio Studies February 2002**

This audit focused on the Louisiana Tax Commission's oversight of residential and commercial property taxation. We focused our efforts on the Tax Commission's ratio study function, which measures the level and uniformity of property tax assessments in each parish. The audit objectives were to determine if the Tax Commission's annual ratio studies help to ensure that residential and commercial property taxes are equitably assessed and to determine whether there were administrative changes the Tax Commission could make to improve its oversight of assessors. The report contains 14 recommendations directed to the Louisiana Tax Commission. The commission fully implemented one (7.1%) recommendation, partially implemented five (35.7%) recommendations, and did not implement six (42.9%) recommendations. We were unable to determine the implementation status of two (14.3%) recommendations because of insufficient documentation provided by the commission.

## **Department of Environmental Quality March 2002**

The Louisiana Department of Environmental Quality is the primary state agency concerned with environmental protection and regulation. This performance audit focused on the Offices of Environmental Services and Environmental Compliance in regard to the four main media: water, air, hazardous waste, and solid waste. For each media, we focused on the department's activities related to the following functions:

- Permitting
- Monitoring and Surveillance (inspections)
- Enforcement
- Complaints and Incidents

The report contains 16 recommendations directed toward the Department of Environmental Quality. The department fully implemented two (12.5%) recommendations, partially implemented seven (43.8%) recommendations, and did not implement four (25%) recommendations. We were unable to determine the implementation status of three (18.8%) recommendations because of insufficient documentation provided by the department.<sup>1</sup>

### **Governor's Office of Women's Services March 2002**

This audit focused on the contracts between the Louisiana Department of Labor and the Governor's Office of Women's Services and was conducted at the request of the Performance Review Subcommittee of the Joint Legislative Committee on the Budget. In the audit, we addressed overall programs, services, and activities that the office conducts. The report contains three recommendations directed toward the office. The office did not implement any of the recommendations, but the problems associated with each recommendation were corrected through Act 668 of the 2003 Regular Session, which restructured the office and renamed it the Governor's Office on Women's Policy.

### **Department of Economic Development Business Tax Incentives May 2002**

In this audit, we focused on the tax incentives administered by the Business Incentives Division, which is located in the Resource Services Section of the Office of Business Development in the Department of Economic Development. We concentrated our work on the Industrial Property Tax Exemption Program and the Enterprise Zone Program. We also reviewed economic development factors for Louisiana and other states. The report contains 26 recommendations directed toward the department. The department fully implemented 1 (3.8%) recommendation, partially implemented 12 (46.2%) recommendations, and did not implement 13 (50.0%) recommendations.<sup>2</sup>

### **Department of Labor Training Activities October 2002**

This performance audit was conducted at the request of the Performance Review Subcommittee of the Joint Legislative Committee on the Budget. Specifically, the subcommittee asked us to include training activities found under the Workforce Investment Act, the Incumbent Worker Training Program, and Welfare to Work. The audit identifies and reviews training activities administered through the Louisiana Department of Labor. The report contains 13 recommendations directed toward the Louisiana Department of Labor and the Louisiana

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<sup>1</sup> The percentages listed do not total 100.0% because of rounding.

<sup>2</sup> The percentages listed do not total 100.0% because of rounding.

Workforce Commission. These departments fully implemented seven (53.8%) recommendations and did not implement six (46.2%) recommendations.

### **Louisiana Office of Student Financial Assistance Tuition Opportunity Program for Students (TOPS) Review of Student Eligibility October 2002**

The Louisiana Office of Student Financial Assistance administers the state's Tuition Opportunity Program for Students (TOPS). TOPS offers qualified students merit-based tuition assistance to pursue post-secondary education at any eligible Louisiana college. The office is responsible for determining student eligibility and making award payments. This audit focused on the office's ability to determine initial and continuing eligibility of students for TOPS awards based on information received from high schools and colleges. Attention was given to the accuracy of student information the office receives from high schools and colleges as well as its policies and procedures. The report contains 13 recommendations directed toward the Louisiana Office of Student Financial Assistance and the Louisiana Student Financial Assistance Commission, which is the oversight body of the office. These agencies fully implemented 12 (92.3%) recommendations and partially implemented one (7.7%) recommendation.

### **Executive Department Grant Programs November 2002**

The Executive Department consists of the Executive Office and 17 other entities with separate budget units. We focused this performance audit on grants that were awarded by the Executive Department during fiscal years 2000 and 2001. We defined "grant" as any money paid by an Executive Department entity to an individual, business, or public or quasi-public entity for a public undertaking. A "grant program" is any state and/or federal funding stream established in law for the purpose of awarding grants. We also examined five cooperative endeavor agreements we identified that were executed by the Office of the Governor during fiscal years 2000 and 2002. These agreements were entered into for the purpose of providing services to the public and are similar to our definition of "grant" as noted above. The report contains four recommendations directed toward the Governor's Office of Rural Development and the Executive Department. The department did not implement one (25%) recommendation. We were unable to determine the implementation status of three (75%) recommendations because of insufficient documentation provided by the department and time constraints.

## **University of Louisiana System February 2003**

This audit focused on the management activities of the University of Louisiana Board of Supervisors and system office staff. The audit covered fiscal years 2001 and 2002. Specifically, the audit addressed the following areas:

- Roles and functions of the board and system office staff
- Satisfaction of universities with the services provided by the board and system office staff
- Procedures for ensuring that board members, system office staff, and university presidents are qualified to manage and supervise
- Procedures for ensuring that board members and system office staff are aware of the financial condition and stability of the universities they manage
- Purchasing practices that could reduce costs
- Accessibility of data for those within the system

The report contains 29 recommendations directed toward the Board of Supervisors and the system office staff. The board and office fully implemented 10 (34.5%) recommendations, partially implemented 12 (41.4%) recommendations, and did not implement 5 (17.2%) recommendations. We were unable to determine the implementation status of two (6.9%) recommendations because of insufficient documentation provided by the system.

## **Louisiana Community and Technical College System April 2003**

This audit identifies the roles and functions of the Louisiana Community and Technical College System Board of Supervisors and office staff. It also reviews the system's management of certain areas. The audit covers fiscal years 2001 and 2002. In some cases, we expanded the scope to show trends and to obtain information vital to evaluating certain activities. The report contains 33 recommendations directed toward the Board of Supervisors and the system office staff. The board and office fully implemented 4 (12.1%) recommendations, partially implemented 21 (63.6%) recommendations, and did not implement 7 (21.2%) recommendations. We were unable to determine the implementation status of one (3.0%) recommendation because of time constraints.<sup>3</sup>

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<sup>3</sup> The percentages listed do not total 100.0% because of rounding.

## Assessment Practices for Businesses Claiming Industrial Property Tax Exemptions April 2003

This study was performed as a limited examination of Assessment Practices for Businesses Claiming Industrial Property Tax Exemptions for 12 of the 70 tax assessors in the state. The examination focused on the assessment practices of 11 parish tax assessors and one of the seven assessors in Orleans Parish as follows:

- Ascension
- Bossier
- Cameron
- East Baton Rouge
- Evangeline
- Lafayette
- Morehouse
- Natchitoches
- Orleans Third Municipal
- St. Tammany
- West Carroll
- West Feliciana

The report contains 29 recommendations addressed to the Louisiana Tax Commission and the individual assessors. The commission fully implemented 1 (3.4%) recommendation, partially implemented 13 (44.8%) recommendations, and did not implement 15 (51.7%) recommendations.<sup>4</sup> We did not survey the 12 assessors to determine the implementation status of recommendations directed toward them because of time constraints.

## Residential Tax Assessment Practices April 2003

This study was performed as a limited examination of Residential Tax Assessment Practices for 12 of the 70 tax assessors in the state. The examination focused on the assessment practices of the same 12 assessors that were covered in the previous report. In addition, the report includes information about specific issues that came to our attention in Winn and St. John the Baptist parishes. The report contains 19 recommendations addressed to the Louisiana Tax Commission and the individual assessors. The commission partially implemented one (5.3%) recommendation and did not implement six (31.6%) recommendations. We were unable to determine the implementation status of 12 (63.2%) recommendations because of insufficient documentation provided by the tax commission and time constraints. We did not survey the 12 assessors to determine the implementation status of recommendations directed toward them because of time constraints.<sup>5</sup>

<sup>4</sup> The percentages listed do not total 100.0% because of rounding.

<sup>5</sup> The percentages listed do not total 100.0% because of rounding.

## Louisiana Public Service Commission April 2003

We focused this performance audit on the Louisiana Public Service Commission's regulation of electric and gas utility companies and state-commissioned Mississippi River pilots. The audit reviewed the adequacy of the processes used by the commission to set electricity and gas utility rates as well as pilot fees and rates. The audit also focused on the commission's management oversight activities. The report contains 28 recommendations, all directed toward the Louisiana Public Service Commission. The commission fully implemented 3 (10.7%) recommendations, partially implemented 6 (21.4%) recommendations, and did not implement 16 (57.1 %) recommendations. We were unable to determine the implementation status of three (10.7%) recommendations because of insufficient documentation provided by the commission.<sup>6</sup>

### Legislature Has Acted on Some Matters for Legislative Consideration

The 21 performance audits and staff studies covered by this study contain 69 matters for legislative consideration. Our study shows that the legislature has addressed 15.9% of the matters for legislative consideration. For the period through the 2003 Regular Legislative Session, we identified eight relevant legislative instruments (acts) that were adopted by the legislature after we reported these matters. The legislative instruments enacted 2 laws, amended 11 laws, and repealed 2 laws. In addition, several state entities reported that they plan to propose legislation in the future to address certain matters for legislative consideration. Exhibit 2 presents the total number of state laws that were enacted, amended, and repealed after we reported the 69 matters for legislative consideration.

Exhibit 2 Legislative Activity Related to Matters for Legislative Consideration		
Laws Enacted	Laws Amended	Laws Repealed
2	11	2
<p><b>Note:</b> The legislative activity presented in this exhibit addressed 15.9% of the 69 matters for legislative activity covered by this study.</p> <p><b>Source:</b> Prepared by legislative auditor's staff using information obtained from survey responses and legal research.</p>		

A summary of all relevant legislative instruments that were adopted, proposed, or planned is included in the document titled *Supplement to Follow-up Study on Previously Issued Performance Audits and Staff Studies* and is available at [www.la.state.la.us/perform.htm](http://www.la.state.la.us/perform.htm).

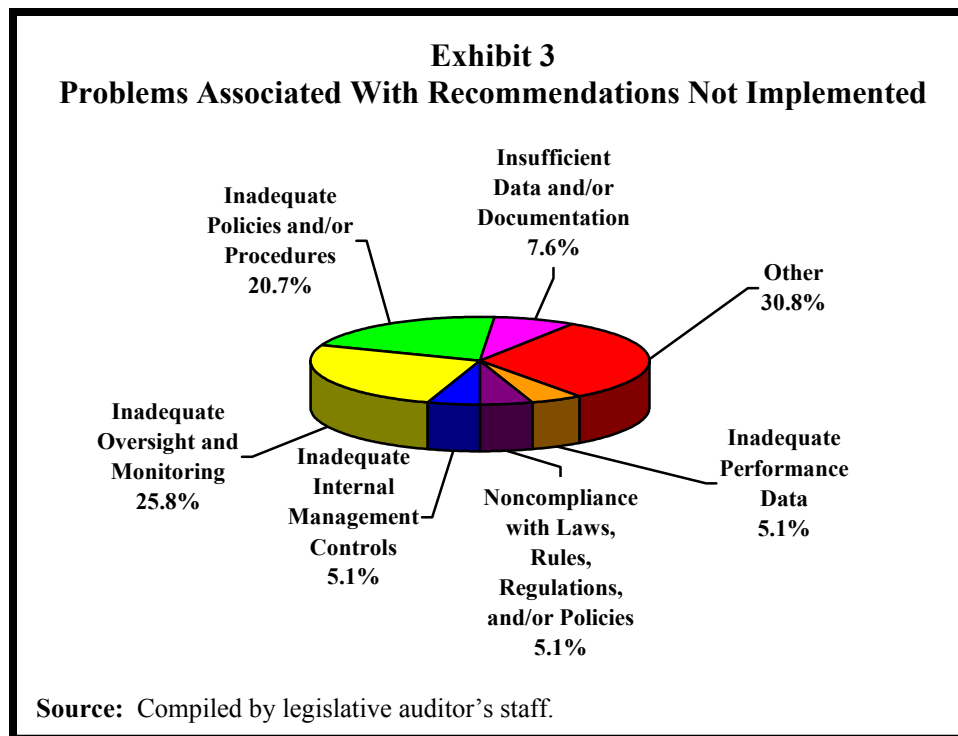
<sup>6</sup> The percentages listed do not total 100.0% because of rounding.

## Problems Identified in State Government Operations

We identified 22 types of problems addressed by the recommendations and matters for legislative consideration in the 21 performance audits and staff studies covered by this study. Identifying these problems provides policy makers and program officials with information to help improve effectiveness, efficiency, and accountability in state government. The seven most commonly noted types of problems are:

1. Inadequate policies and procedures (24%)
2. Lack of oversight and monitoring (23%)
3. Insufficient data and documentation (10%)
4. Inadequate internal management controls (7%)
5. Noncompliance with laws, rules, regulations, and policies (5%)
6. Inadequate planning (4%)
7. Inadequate coordination of efforts/services (4%)

Several of the problems we identified have not been addressed because some entities have not implemented certain recommendations. Most (70%) of the recommendations that were not implemented relate to problems with oversight and monitoring; policies and procedures; data and documentation; performance data; noncompliance with laws, rules, regulations, and policies; and internal management controls. Exhibit 3 is a graphic representation of the problems associated with the recommendations that have not been implemented.<sup>7</sup>



<sup>7</sup> The percentages listed do not total 100.0% because of rounding.

Exhibit 4 lists the types of problems that were addressed in the recommendations and matters for legislative consideration in the 21 performance audits and staff studies covered by this study.

<b>Exhibit 4</b>	
<b>Problems Identified in Performance Audits and Staff Studies July 2000 Through June 2003</b>	
<b>List of Problems Identified</b>	
<b>Problems Identified</b>	<b>Reports (See page 16 for report titles.)</b>
Inadequate internal management controls	1, 2, 8, 10, 11, 12, 13, 14, 17, 18, 19, 20, 21
Inadequate oversight and monitoring	1, 2, 3, 5, 9, 10, 11, 13, 14, 17, 18, 19, 20, 21
Inadequate planning	4, 6, 7, 11, 13, 15, 17, 18, 21
Inadequate performance data (missions, goals, objectives, performance indicators)	5, 8, 9, 11, 12, 13, 14, 15, 16
Inadequate data and/or documentation	1, 2, 3, 4, 5, 9, 10, 11, 13, 14, 15, 17, 18, 19, 20, 21
Inadequate policies and/or procedures	1, 2, 3, 4, 5, 7, 8, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21
Inadequate resources	2, 6, 7, 8, 11, 13, 15, 18, 19
Inadequate training	2, 7, 8, 10, 15, 17, 18, 21
Inadequate use of technology	2, 7, 10, 11, 18, 19, 20
Inadequate use of programs and services	1, 2, 8, 13, 18
Inadequate employee compensation and benefits	8, 21
Outmoded functions and unfunded activities	13, 19
Duplicative and overlapping efforts and services	5
Inadequate coordination of efforts and services	1, 2, 5, 7, 8, 13, 11, 17, 19
Services not effective	8, 17, 18
Services not cost effective/efficient	1, 2, 5, 7, 11, 18, 21
Inadequate agency commitment	7, 11
Unclear, cumbersome, and restrictive laws	10, 13, 15, 17, 19, 21
Inadequate laws, rules, and regulations	5, 13, 15, 17, 19, 21
Noncompliance with laws, rules, regulations, and/or policies	1, 4, 5, 7, 11, 13, 15, 16, 19, 20, 21
Costly laws and policies	13, 19, 21
Need for alternative provision of services	1, 15, 20
<b>Source:</b> Prepared by legislative auditor's staff using information obtained from reports covered by this study.	

<b>Exhibit 4 (Continued)</b>	
<b>Problems Identified in Performance Audits and Staff Studies July 2000 Through June 2003</b>	
<b>List of Report Titles</b>	
<b>Number</b>	<b>Report Title</b>
1	Department of Justice: Selection of and Authorized Rates for Legal Services Contractors Used in Civil Cases and Personal Injury Claims Against the State
2	Water Quality in Louisiana
3	Department of Economic Development - Office of Financial Institutions: A Review of the Louisiana CAPCO Program
4	Louisiana Department of Agriculture and Forestry: Review of Construction and Purchasing Efforts Through the Louisiana Agricultural Finance Authority
5	Department of Culture, Recreation and Tourism: Office of Tourism
6	Department of Transportation and Development: Feasibility of Bond Financing for the Remaining TIMED Projects
7	Department of State: Records Management
8	Department of Education: State Activities
9	Department of Health and Hospitals: CommunityCARE Program
10	Louisiana Tax Commission Ratio Studies
11	Department of Environmental Quality
12	Governor's Office of Women's Services
13	Department of Economic Development: Business Tax Incentives
14	Department of Labor: Training Activities
15	Louisiana Office of Student Financial Assistance - Tuition Opportunity Program for Students (TOPS): Review of Student Eligibility
16	Executive Department Grant Programs
17	University of Louisiana System
18	Louisiana Community and Technical College System
19	Assessment Practices for Businesses Claiming Industrial Property Tax Exemptions
20	Residential Tax Assessment Practices
21	Louisiana Public Service Commission

**Source:** Compiled by legislative auditor's staff.

# Appendix A

## Scope and Methodology

# Scope and Methodology

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We identified all performance audits and staff studies issued by the Performance Audit Division of the Office of Legislative Auditor between July 2000 and June 2003. We reviewed each of those reports and selected the 21 reports that contained recommendations and/or matters for legislative consideration. We reviewed the recommendations and matters for legislative consideration contained in those reports to determine the types of problems that have been occurring in state government operations. This information can be found in Exhibit 4 on pages 15 and 16 of this report.

To achieve the first objective of determining the implementation status of the recommendations, we sent 27 surveys to individuals representing the state and local entities addressed by the recommendations. We did not survey the 12 assessors regarding the recommendations suggesting that the Louisiana Tax Commission work with tax assessors because of time constraints.

We asked each survey recipient to assess the entity's level of implementation for each recommendation that pertained to that entity. We also requested documentation supporting their assessments. In addition, we asked the survey recipients to rank the level of implementation for each recommendation as fully implemented, partially implemented, or not implemented. If an entity's assessments conflicted with its rankings, we contacted the agency by phone and/or e-mail to obtain further clarification and/or documentation. We also visited two state entities to obtain additional information.

We reviewed and evaluated the survey responses and supporting documentation to determine whether we agreed or disagreed with the entities' assessments of their levels of implementation. For those recommendations that are directed toward multiple entities, we averaged our evaluations of each entity's assessment to arrive at an overall evaluation. We included our evaluations of the survey responses in a publication titled *Supplement to Follow-up Study on Previously Issued Performance Audits and Staff Studies*, which can be found at [www.la.state.la.us/perform.htm](http://www.la.state.la.us/perform.htm). We also asked the survey recipients to determine the impact (monetary or otherwise) that the implementation of the recommendations has had on the entities. None of the entities provided this information, and we did not conduct any further analysis in this area.

To achieve the second objective of determining the status of the issues addressed by the matters for legislative consideration, we included a section in the surveys asking the survey recipients to note whether they were aware of any adopted, proposed, or planned legislation related to the matters for legislative consideration included in the reports. We also asked them to provide supporting documentation, which we reviewed to verify that the legislation addressed the matters for legislative consideration. In addition, we researched current state laws using the *LexisNexis* research system Internet site and the Louisiana State Legislature's Internet site. The adopted, proposed, and planned legislation we found through the survey responses and our legal research are included in the publication titled *Supplement to Follow-up Study on Previously Issued Performance Audits and Staff Studies*.



Supplement to Follow-up Study on  
Previously Issued Performance  
Audits and Staff Studies

March 2004

The Performance Audit Division of the Office of Legislative Auditor conducted a study to follow-up with state and local entities on the implementation status of recommendations and matters for legislative consideration included in 21 reports issued from July 2000 through June 2003. A complete copy of the study, titled *Follow-up Study on Previously Issued Performance Audits and Staff Studies*, is available on this Web site.

This document contains the entities' assessments of the level of implementation for each recommendation made in the reports, our evaluations of those assessments, and a summary of the legislative activity relating to the matters for legislative consideration included in the reports.

*Department of Justice*  
*Selection of and Authorized Rates for Legal Services Contractors Used in Civil Cases and Personal Injury Claims Against the State*  
 December 2000

The objectives of this audit were to determine:

- How the Department of Justice decided to hire contractors for legal services
- If the Department of Justice's process for selecting legal services contractors resulted in contracts being awarded to the highest qualified persons, and if contractor performance evaluations were useful to the selection process
- If the Department of Justice's billing rates for legal services contractors are fair and reasonable to the state

Recommendations	Entity's Response	Auditor's Evaluation
1. The Department of Justice should develop and fully implement written policies and procedures governing the process for determining whether to use legal services contractors or Department of Justice staff. These policies and procedures should include (in addition to a listing of acceptable reasons for using legal services contractors, which the department already has) a requirement for written cost-benefit analyses and a requirement for retaining documentation that supports the department's decisions.	<b>Fully Implemented</b>	<b>Disagree:</b> The Department of Justice has not developed and fully implemented any written policies and procedures governing the process for determining whether to use legal services contractors or Department of Justice staff. This recommendation was <b>not implemented</b> .
2. The Department of Justice should conduct a formal long-term cost-benefit analysis to determine if it would be more cost-effective to hire additional staff and reduce or eliminate the use of legal services contractors because of staffing shortages. If the analysis indicates that hiring additional staff would be more cost-effective, the department should request additional positions in its next budget request.	<b>Partially Implemented</b>	<b>Disagree:</b> The Department of Justice has not conducted a formal long-term cost-benefit analysis to determine if it would be more cost-effective to hire additional staff and reduce or eliminate the use of legal services contractors because of staffing shortages. This recommendation was <b>not implemented</b> .
3. The Department of Justice should develop and fully implement written policies and procedures governing the process for selecting legal services contractors. These policies and procedures should include, at a minimum, methods to ensure that only contractors who meet established minimum qualifications are selected; criteria and methods to evaluate candidates and to determine the most qualified; a requirement to document why particular contractors are selected over other candidates; a requirement to prepare performance evaluations on the legal services contractors that the department monitors; a requirement to use prior performance evaluations (both those prepared by the department and those prepared by the Office of Risk Management) in subsequent selection decisions; and a requirement to publish the appointment procedure annually in the Louisiana Bar Journal.	<b>Partially Implemented</b>	<b>Disagree:</b> The Department of Justice has not developed and fully implemented written policies and procedures governing the process for selecting legal services contractors. This recommendation was <b>not implemented</b> .

<p>4. The Office of Risk Management should ensure that all performance evaluations accurately and completely reflect contractors' performance and that all performance evaluations it prepares are forwarded to the Department of Justice.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>5. The Department of Justice should develop and fully implement written policies and procedures for setting hourly contract rates that are fair and reasonable to the state of Louisiana. The policies and procedures should include provisions for reviewing and updating the rates periodically and for retaining documentation that supports the department's rate setting decisions.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The Department of Justice has not developed and fully implemented written policies and procedures for setting hourly contract rates. This recommendation was <b>not implemented</b>.</p>
<p>6. The Office of Risk Management should develop and fully implement written policies and procedures for setting hourly contract rates that are fair and reasonable to the state of Louisiana and that are at or below the rate maximums set by the Department of Justice. The policies and procedures should include provisions for reviewing and updating the rates periodically and for retaining documentation that supports its rate setting decisions.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The Office of Risk Management has not developed and fully implemented written policies and procedures for setting hourly contract rates. This recommendation was <b>not implemented</b>.</p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to consider amending Louisiana R.S. 39:1497 to state that the agency making the decision to hire a contractor should prepare the cost-benefit analysis and certify to the Office of Contractual Review that it has been done. In addition, the legislature may wish to specify the format and content of the cost-benefit analysis.</p>	<p><b>None</b></p>	
<p>2. The legislature may wish to consider reviewing the results of the long-term cost-benefit analysis in Recommendation 2. If the analysis indicates that hiring additional staff within the department's Risk Litigation Division would be cost-effective, additional positions could be authorized. The money to pay for the additional staff would not require additional funding but could come from the money currently appropriated to pay for legal services contractors.</p>	<p><b>None</b></p>	

***Water Quality in Louisiana***  
January 2001

The objectives of this audit were to determine if:

- Individual state regulatory programs meet or exceed minimum EPA standards for drinking water and surface water
- Louisiana has an effective monitoring program for drinking water and surface water
- Louisiana applies corrective actions effectively when it comes to water quality
- Louisiana's water quality programs are fragmented

<b>Recommendations</b>	<b>Entity's Response</b>	<b>Auditor's Evaluation</b>
<b><u>Department of Environmental Quality (DEQ) recommendations:</u></b>		
1. Recommendation II-1: DEQ should ensure that its inspectors conduct all inspections at the frequency required by its policies and procedures.	<b>Fully Implemented</b>	<b>Unable to determine due to time constraints for further audit work to be performed</b>
2. Recommendation II-2: DEQ should at least spot check self-monitoring data for minor facilities. DEQ could also implement a priority system for reviewing self-monitoring data for facilities that are consistently out of compliance. When resources allow, DEQ should begin entering more permit limits on minor facilities into the Permit Compliance System.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
3. Recommendation II-3: DEQ should implement electronic submission of discharge monitoring reports. This may result in a more efficient review of self-monitoring data.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
<b><u>Office of Public Health (OPH) recommendations:</u></b>		
4. Recommendation II-4: OPH should implement a centralized structure with regional and district staff reporting directly to the Central Office.	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>
5. Recommendation II-5: The assistant secretary should facilitate the sharing of best management practices among districts, if the office is not restructured.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>

6. Recommendation II-6: The Central Office in Engineering Services should develop a standard policies and procedures manual for the district and regional offices to help promote standardization.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
7. Recommendation II-7: OPH's Engineering Services should provide training to the district and regional offices on the importance of maintaining the Safe Drinking Water database.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
8. Recommendation II-8: OPH district and regional staff should ensure that the correct numbers of samples are collected.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
9. Recommendation II-9: OPH's Engineering Services New Orleans District should issue monitoring violations to those public water systems that do not collect the correct samples.	<b>Fully Implemented</b>	<b>Unable to determine due to time constraints for further audit work to be performed</b>
10. Recommendation II-10: OPH's Engineering Services Lafayette District should continue its efforts to train the parish sanitarians in sample collection techniques.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
11. Recommendation II-11: The Laboratory Certification program should require nonstate owned laboratories to use the same forms that the state laboratories use or use forms that contain the same information as the state forms. In addition, results should be reported for each sample collected; not just summary totals.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
12. Recommendation II-12: OPH should continue striving to meet the sanitary survey goals in the EPA work plan.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
<b><u>Department of Natural Resources (DNR) recommendations:</u></b>		
13. Recommendation II-13: DNR should ensure that inspectors conduct all required inspections in accordance with its policies and procedures.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
14. Recommendation II-14: DNR should amend its regulations to include a policy on the frequency of inspections and Mechanical Integrity Pressure Tests for facilities with Class II commercial wells.	<b>Fully Implemented</b>	<b>Disagree:</b> While DNR follows an unwritten policy regarding frequency of inspections, this policy has not been formally adopted. This recommendation was <b>not implemented</b> .

15. Recommendation II-15: DNR should implement electronic submission of self-monitoring reports. This may help to reduce the two-year backlog in reviewing those reports.	<b>Not Implemented</b>	<b>Agree: Not Implemented;</b> however, the backlog has been corrected through alternate action by DNR.
16. Recommendation II-16: DNR should begin reviewing the injection pressure in addition to the annulus pressure on the monthly reports.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
17. Recommendation II-17: DNR should include an attestation on all monitoring forms that informs operators of penalties for submitting false information. R.S. 30:17 allows penalties of not more than \$5,000 for false entries on reports.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
18. Recommendation II-18: DNR should review a sample of operators' records during inspections and compare an annual report against operators' records to determine if an injection pressure greater than the maximum reported on the annual report was recorded.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
19. Recommendation II-19: DNR should ensure that the most current surface injection pressure is accurate in its database.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
<b><u>Department of Agriculture and Forestry (DAF) recommendations:</u></b>	<b>No Response from Department of Agriculture and Forestry</b>	<b>Unable to determine due to DAF's failure to respond</b>
20. Recommendation II-20: DAF should modify its electronic database to track inspections by type to ensure that its policy of conducting record review inspections annually is met.	<b>No Response from Department of Agriculture and Forestry</b>	<b>Unable to determine due to DAF's failure to respond</b>
21. Recommendation II-21: DAF should develop formal written policies to replace its informal ones.	<b>No Response from Department of Agriculture and Forestry</b>	<b>Unable to determine due to DAF's failure to respond</b>
22. Recommendation II-22: DAF should develop a standardized form on which applicators can record pesticide application information.	<b>No Response from Department of Agriculture and Forestry</b>	<b>Unable to determine due to DAF's failure to respond</b>
<b><u>DEQ recommendations:</u></b>	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
23. Recommendation III-1: DEQ should develop a policy that requires facilities to formally respond to discrepancies found during inspections. It should also update the Enforcement Management System document to reflect this policy.		

24. Recommendation III-2: DEQ should track facilities with poor compliance records more closely.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
25. Recommendation III-3: DEQ should issue enforcement actions as close to when violations occur as possible.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
26. Recommendation III-4: <b>(A)</b> DEQ should develop additional requirements for beneficial environmental projects, including requiring that facilities submit actual costs of the project and ensuring that the project costs at least as much as the original penalty. <b>(B)</b> In addition, DEQ should inspect the projects once they are complete to verify satisfactory completion or have project beneficiaries submit a letter certifying that projects are completed and satisfactory.	<b>Not Implemented (Part A)</b> <b>Fully Implemented (Part B)</b>	<b>Disagree:</b> DEQ has not developed additional requirements for beneficial environmental projects, including requiring that facilities submit actual costs of projects and ensuring that projects cost at least as much as the original penalties. This recommendation was <b>partially implemented</b> .
<b><u>OPH recommendations:</u></b> 27. Recommendation III-5: OPH regional engineering staff should review sample analysis results carefully to determine if a Maximum Contaminant Level violation has occurred and to ensure that all violations receive an enforcement action.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
28. Recommendation III-6: OPH should take enforcement action against water systems that fail to issue public notification.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
29. Recommendation III-7: OPH should begin issuing enforcement actions for failure to correct significant deficiencies identified by sanitary surveys.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
30. Recommendation III-8: OPH should implement a policy that requires follow-up when sanitary surveys show significant deficiencies.	<b>Fully Implemented</b>	<b>Disagree:</b> DHH has not yet implemented a policy that requires follow-up when sanitary surveys show significant deficiencies. However, all violations can be entered into the SDWIS database along with enforcement follow-up actions by the enforcement unit. This recommendation was <b>partially implemented</b> .

31. Recommendation III-9: The Enforcement Unit should be given access to the database by the Central Office in order to enter enforcement codes for actions it initiates.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
<b><u>DNR recommendations:</u></b>		
32. Recommendation III-10: DNR should develop formal, written criteria for enforcement actions or a penalty matrix similar to other regulatory agencies.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
33. Recommendation III-11: DNR should maintain documentation that shows how it determines what enforcement action to take.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
34. Recommendation III-12: DNR should establish procedures to have checks sent directly to its Accounting Section. The Accounting Section can then notify the Enforcement Section when funds have been received.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
<b><u>DAF recommendations:</u></b>		
35. Recommendation III-13: DAF should consider prior warning letters when determining the severity of the enforcement action and penalty in accordance with its Enforcement Response Policy.	<b>No Response from Department of Agriculture and Forestry</b>	<b>Unable to determine due to DAF's failure to respond</b>
36. Recommendation III-14: DAF should ensure that its database includes historical data on pesticide applicators. DAF should also develop an integrated system that includes data on complaints, violations, inspections, certificates, and other compliance information. This would allow DAF to keep more accurate totals for EPA reporting instead of manually tracking this information.	<b>No Response from Department of Agriculture and Forestry</b>	<b>Unable to determine due to DAF's failure to respond</b>
<b><u>Department of Health and Hospitals/OPH recommendations:</u></b>		
37. Recommendation IV: The Drinking Water Revolving Loan Fund Program and the Safe Drinking Water Program should be combined into one program.	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>

<b>Matters for Legislative Consideration</b>	<b>Summary of Related Legislative Instruments</b>
1. The legislature may wish to amend R.S. 30:2011(22)(a) to also include accreditation of noncommercial laboratories. This would help ensure that data submitted from these laboratories are more reliable and accurate.	<b>None</b>
2. The legislature may wish to consider repealing R.S. 40:5.6, which prohibits OPH from charging public water systems a fee for regulatory activities.	<b>None</b>
3. The legislature may wish to consider whether water quality programs should be consolidated into fewer departments. If consolidation is not feasible, the legislature may wish to enact legislation requiring DEQ and OPH to formally work together on the approval of sewage treatment plants.	<b>None</b>

*Department of Economic Development - Office of Financial Institutions,  
A Review of the Louisiana CAPCO Program  
January 2001*

The objectives of this audit were to determine:

- How many Louisiana jobs were created or retained by qualified businesses after receiving financing assistance from Certified Louisiana Capital Companies (CAPCOs)
- Whether the dollar amounts of certified capital invested into CAPCOs were accurately reported by the Office of Financial Institutions and the Department of Economic Development
- Whether the amounts of tax credits granted to investors were accurately reported by the Office of Financial Institutions and the Department of Economic Development
- How the CAPCO program operates

<b>Recommendations</b>	<b>Entity's Response</b>	<b>Auditor's Evaluation</b>
<p>1. If the legislature wishes to track the number of jobs created and retained through the CAPCO program, the Office of Financial Institutions and the Department of Economic Development should amend their regulations to require that CAPCOs collect and submit documentation of the jobs created or retained in the businesses in which they have made qualified investments. Such documentation could include, for instance, quarterly Louisiana wage statements or affidavits executed by the businesses periodically.</p>	<b>Fully Implemented</b>	<b>Disagree:</b> CAPCOs must now do more reporting of jobs than before, but there was no indication that CAPCOs are required to obtain documentation or evidence from the businesses concerning the creating of jobs. This recommendation was <b>partially implemented.</b>
<p>2. If the legislature wishes to have more detail on jobs impacted by the CAPCO program, the Office of Financial Institutions and the Department of Economic Development should further amend their regulations to require that CAPCOs collect from the businesses in which they have made qualified investments and submit to the Office of Financial Institutions the following information:</p> <ul style="list-style-type: none"> <li>• The types of jobs created and retained after receiving qualified investments</li> <li>• How long the jobs have been in existence</li> <li>• Whether any of the businesses failed after receiving the qualified investments and the dates these businesses ceased operations</li> </ul>	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>

<p>3. If the legislature thinks that contract employees have sufficient economic impact to merit tracking the number of these jobs created or retained in businesses that receive qualified investments from CAPCOs, the Office of Financial Institutions and the Department of Economic Development should amend their regulations to require that CAPCOs collect and submit supporting documentation on the number of such jobs. This documentation could include, for instance, affidavits executed by the businesses periodically or some other credible type of documentation.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>4. To help examine acquisitions more closely, the Office of Financial Institutions and the Department of Economic Development should establish other methods to use in addition to current criteria for determining whether acquisitions will further economic development in Louisiana. These additional methods could include acquiring definitive evidence that the acquired businesses would move out of state or reduce employment if CAPCO financing does not assist in the acquisitions.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>5. If the legislature does not provide statutory rules for the recapture and forfeiture of tax credits as discussed in Matters for Legislative Consideration 2 and 3, the Office of Financial Institutions and the Department of Economic Development should promulgate rules to address these situations.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to consider whether it would be appropriate to amend R.S. 51:1923(5)(b) concerning qualified investments by Business and Industrial Development Corporations to prevent situations like the one involving the tax-free bonds from counting toward the requirements necessary to retain tax credits.</p>	<p><b>None</b></p>	
<p>2. The legislature may wish to consider amending R.S. 51:1927 (C) to provide rules regarding the recapture and forfeiture of income tax credits for investment pools that have met the three-year (30%) but not the five-year (50%) investment rules.</p>	<p><b>None</b></p>	
<p>3. The legislature may wish to consider amending R.S. 51:1927 (C) to provide rules regarding the recapture and forfeiture of premium and income tax credits for investment pools where the five-year investment rule has been met, but the CAPCO subsequently fails to meet the rules for continuing certification.</p>	<p><b>None</b></p>	

*Louisiana Department of Agriculture and Forestry  
Review of Construction and Purchasing Efforts  
Through the Louisiana Agricultural Finance Authority  
February 2001*

The objectives of this audit were to determine if:

- The Louisiana Department of Agriculture and Forestry’s construction efforts, through Louisiana Agricultural Finance Authority, resulted in cost savings to the state
- The Louisiana Department of Agriculture and Forestry’s policy of purchasing or leasing construction equipment, movable property, and construction materials through the Louisiana Agricultural Finance Authority resulted in cost savings to the State of Louisiana, as compared with other state entities

<b>Recommendations</b>	<b>Entity’s Response</b>	<b>Auditor’s Evaluation</b>
<p>1. If the Louisiana Agricultural Finance Authority (LAFA) continues to perform construction using department employees, the Department of Agriculture and Forestry and LAFA should:</p> <ul style="list-style-type: none"> <li>• Keep records of employee construction labor.</li> <li>• Keep work schedules for construction labor.</li> <li>• Budget construction expenses, including equipment, tools, and labor, based on reasonable estimates.</li> <li>• Plan construction projects, using detailed projections such as those used in the capital outlay process. These projections should include, but not necessarily be limited to, the following: occupancy, number of people served, cost per square foot, equipment costs, construction and planning time estimates, and alternatives considered.</li> <li>• Keep accurate records of costs vs. budgets and compare these costs throughout construction to ensure they are not spending too much.</li> <li>• Ensure that they notify the Office of Risk Management about construction progress so that builder’s risk and property insurance coverage’s will be appropriately documented.</li> <li>• Ensure that they conduct appropriate safety training during construction per the department’s new safety manual, as they have recently begun to do.</li> </ul>	<p><b>No Response from Department of Agriculture and Forestry</b></p>	<p><b>Unable to determine due to DAF’s failure to respond</b></p>

<p>2. The Department of Agriculture and Forestry should study the effects of its recent construction projects, including:</p> <ul style="list-style-type: none"> <li>• How the idle employee time used to construct buildings may impact its table of organization</li> <li>• How much it saved by consolidating the space</li> </ul>	<p><b>No Response from Department of Agriculture and Forestry</b></p>	<p><b>Unable to determine due to DAF's failure to respond</b></p>
<p>3. If LAFA continues to purchase goods and services without being subject to public bidding, LAFA should revise its procurement policy to be consistent with the state's as follows:</p> <ul style="list-style-type: none"> <li>• LAFA should revise its procurement policy to require the solicitation of bids from economically disadvantaged (small and emerging) businesses whenever possible.</li> <li>• LAFA should revise its procurement policy to remove the requirement for bidding tools and equipment costing between \$50 and \$500.</li> <li>• LAFA should revise its procurement policy to define situations requiring emergency purchases in terms of a threat to the functioning of government, the preservation and protection of property, or the health and safety of any person.</li> </ul>	<p><b>No Response from Department of Agriculture and Forestry</b></p>	<p><b>Unable to determine due to DAF's failure to respond</b></p>
<p>4. LAFA should consistently apply its own procurement policy with respect to the following:</p> <ul style="list-style-type: none"> <li>• LAFA should ensure that bids for items or aggregate purchases that will cost more than \$25,000 are advertised. When the period for advertising has closed, then it should ensure that competitive bids are obtained through other means.</li> <li>• LAFA should ensure that only officials named in its procurement policy approve invoices. LAFA might consider listing in the policy the job titles of all officials it believes should approve purchases.</li> </ul>	<p><b>No Response from Department of Agriculture and Forestry</b></p>	<p><b>Unable to determine due to DAF's failure to respond</b></p>
<p>5. LAFA and the Department of Agriculture and Forestry should consider adopting the following state procurement practices:</p> <ul style="list-style-type: none"> <li>• LAFA should fully evaluate the buy-back option for large equipment purchases.</li> <li>• LAFA should continue to purchase smaller items from a discounted catalogue, as it has started to do.</li> </ul>	<p><b>No Response from Department of Agriculture and Forestry</b></p>	<p><b>Unable to determine due to DAF's failure to respond</b></p>

<p>6. LAFA and the Department of Agriculture and Forestry should adopt the following practices:</p> <ul style="list-style-type: none"> <li>• LAFA should adopt a control procedure other than bidding for smaller tools and equipment. One option might be the approval of purchase order requests.</li> <li>• LAFA should insert language prominently on its purchase requisition form indicating equivalent brands are acceptable.</li> <li>• LAFA should plan purchases better so it will not need to resort to emergency purchasing.</li> </ul>	<p><b>No Response from Department of Agriculture and Forestry</b></p>	<p><b>Unable to determine due to DAF's failure to respond</b></p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. If the legislature wishes to change LAFA's construction process, it may wish to consider:</p> <ul style="list-style-type: none"> <li>• Amending R.S. 39:101 <i>et seq.</i> and R.S. 3:266 to specifically state that LAFA projects should be subject to the capital outlay process</li> <li>• Amending R.S. 3:266 to remove LAFA's power to build using state employee labor</li> <li>• Amending R.S. 3:1907, R.S. 3:1317, and R.S. 3:3210 to clarify whether the Feed, Fertilizer, and Pesticide Funds may be used to fund statewide renovation or construction projects for the Department of Agriculture and Forestry, either directly or through bond issues</li> </ul>	<p><b>None</b></p>	
<p>2. If the legislature wishes to change LAFA's special status with respect to public bidding, it may wish to consider:</p> <ul style="list-style-type: none"> <li>• Amending R.S. 3:266 (14) to remove LAFA's exemption from public bidding</li> <li>• Amending R.S. 39:1482 (E) to remove LAFA's exemption from any restrictions on professional, personal, consulting, or contract services procurement</li> </ul>	<p><b>None</b></p>	

*Department of Culture, Recreation and Tourism*  
*Office of Tourism*  
 March 2001

The objectives of this audit were to determine:

- The validity of the Marketing Program’s performance indicators reported in the executive budget and other required reports
- How Louisiana’s state tourism budget, economic impact, and promotion efforts compare to tourism offices in other states
- The cost-effectiveness of Louisiana Office of Tourism’s marketing campaign for fiscal year 2000

Recommendations	Entity’s Response	Auditor’s Evaluation
1. The Office of Tourism (LOT) should work with the Office of Planning and Budget to: <ul style="list-style-type: none"> <li>• Clearly indicate any projected numbers or unavoidable inconsistencies in the data by using footnotes in the executive budget</li> <li>• Develop valid indicators to specifically measure the LOT’s performance</li> <li>• Ensure that official reports published (i.e., Annual Report, Master Plan and Marketing Plan) all contain matching figures</li> </ul>	<b>Fully Implemented</b> <b>(First and Second bullet)</b>  <b>Not Implemented</b> <b>(Third bullet)</b>	<b>Disagree:</b> The Office of Tourism did not indicate that any action has been taken to work with the Office of Planning and Budget in regard to using footnotes or developing valid indicators. This recommendation was <b>not implemented</b> .
2. The Office of Tourism should develop a consistent methodology that provides valid and reliable performance measures to determine total “visitors” to the state.	<b>Fully Implemented</b>	<b>Disagree:</b> The Office of Tourism did not show that a consistent methodology was developed that provides performance measures to determine total “visitors” to the state. This recommendation was <b>not implemented</b> .
3. LOT should improve upon its methods used to monitor the cost-effectiveness of its marketing campaign through the Mayer contract. These improvements should address the weaknesses cited with each study and establish a verifiable link between the marketing campaign and the number of visitors to ensure that the state receives a good return on investment.	<b>Fully Implemented</b>	<b>Disagree:</b> The Office of Tourism did not indicate that any action has been taken to improve upon its methods used to monitor the cost-effectiveness of its marketing campaign through the Mayer contract. This recommendation was <b>not implemented</b> .
4. LOT should restructure the Mayer contract to include the criteria that media buys must meet in order to ensure that cost-effective media are bought.	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>

<p>5. LOT should review its sponsorship of all other Louisiana Travel Promotion Association brochures. The sponsorships that are duplicative should be discontinued.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The Office of Tourism did not indicate that any action has been taken to review its sponsorship of all other Louisiana Travel Promotion Association brochures. This recommendation was <b>not implemented</b>.</p>
<p>6. LOT should ensure that Mayer is sufficiently monitoring its subcontracts, especially the Protocol contract, to ensure the state is receiving efficient and effective services.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The Office of Tourism did not indicate that any action has been taken to ensure that Mayer is sufficiently monitoring its subcontracts. This recommendation was <b>not implemented</b>.</p>
<p>7. LOT should review its editorials in <i>Louisiana Life</i> and advertisements placed with the Louisiana Association of Broadcasters and the Louisiana Press Association to see if they violate R.S. 51:1286(C)(1)(c), which prohibits the use of sales tax proceeds for the purchase of in-state media.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The Office of Tourism did not indicate that any action has been taken to review its editorials and advertisements for violations. This recommendation was <b>not implemented</b>.</p>
<p>8. LOT should develop clear, comprehensive written policies on contract and agreement administration. These policies should govern how contracts and agreements are to be monitored by staff as they progress and how they are evaluated upon completion. The policies should cover all forms of contractual arrangements. These policies should comply with all guidelines set forth by the Office of Contractual Review and also include additional policies designed by LOT. These additional LOT guidelines should be crafted to help it meet its internal goals.</p> <ul style="list-style-type: none"> <li>• LOT should develop its own comprehensive “goals” form at the beginning of the contract/agreement and keep it in the LOT contract file. Upon the completion of the contract/agreement, the form will serve as a reminder of why the contract/agreement was entered into and assist the monitor in comparing results to the goals in order to properly evaluate performance. The “goals” form should explicitly address the intended effect on tourism.</li> <li>• LOT should develop a more comprehensive performance evaluation. This evaluation should explicitly address the achievement of or failure to achieve the intended effect on tourism and the cost-effectiveness of the contract. LOT should make monitors aware that simple one-sentence comments are not acceptable and stress the importance of a more comprehensive and thoughtful approach to evaluating performance.</li> <li>• LOT should better coordinate contract administration in order to eliminate duplicative and overlapping contracts.</li> </ul>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>

<p>9. LOT should require monitors to have a clear understanding of contract/agreement terms including the deliverables to be received, time frames for services to be provided, and intended effect on tourism in order to ensure the quality, timeliness, and effectiveness of the contracts they oversee. Clear knowledge of the contract/agreement terms will make it easier for the monitors to ensure the contractors strictly adhere to those terms.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>10. LOT should promulgate regulations, as specified in R.S. 51:1255 (20) and include how tourism proceeds will be used to promote Louisiana.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The Office of Tourism did not indicate that any action has been taken to promulgate regulations and include how tourism proceeds will be used to promote Louisiana. This recommendation was <b>not implemented</b>.</p>
<p>11. LOT should always ensure that special meal regulations are followed.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The Office of Tourism did not indicate that any action has been taken to ensure that special meal regulations are followed. This recommendation was <b>not implemented</b>.</p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to study the legal definition for tourist (visitor) and then ensure that the data the department collects is consistent with this definition.</p>	<p><b>Act 1191 of the 2001 Regular Session</b> amended and reenacted R.S. 51:1253(10) to change the definition of "tourist." "Tourist" means that definition adopted by the department in accordance with generally accepted definitions used by the department for reporting purposes. The terms "traveler," "conventioneer," "vacationer," and "visitor" shall all mean tourist for the purposes of this Subpart.</p>	
<p>2. The legislature may wish to examine the current tax dedication and budget allocation received by the Louisiana Office of Tourism to determine what level of funding is necessary in light of the economic benefit derived.</p>	<p><b>Act 154 of the 2002 1<sup>st</sup> Extraordinary Session</b> amended and reenacted R.S. 51:1286(C), which stated in regards to the sales and use tax that proceeds of the tax authorized are not to exceed \$17,500,000 annually, which was changed from \$16,000,000.</p>	
<p>3. The legislature may wish to require the Office of Contractual Review to extend its current contract guidelines to include cooperative endeavors.</p>	<p><b>None</b></p>	
<p>4. The legislature may wish to amend state law to require an assessment of the contract's cost-effectiveness in terms of measurable results and any other outcomes produced as a result of the contract.</p>	<p><b>None</b></p>	

**Department of Transportation and Development**  
**Feasibility of Bond Financing for the Remaining Transportation Infrastructure Model for Economic Development (TIMED) Projects**  
 August 2001

The objectives of this study were to determine if the Department of Transportation and Development:

- Can complete all of the remaining TIMED projects for \$2.3 billion
- Will be able to borrow sufficient funds to finance the accelerated construction schedule proposed for the remaining TIMED projects

Recommendations	Entity's Response	Auditor's Evaluation
<p>1. To achieve the Department of Transportation and Development's (DOTD) objective of completing all remaining TIMED projects within 12 years, DOTD should narrow the scope of some or all of the work within the remaining projects so that costs are kept at or below the current \$2.3 billion estimate. DOTD has some discretion in interpreting the scope of the TIMED projects enumerated in R.S. 47:820.2. It should exercise its discretion, setting priorities within projects and funding only those priorities that keep the project costs under the current cost estimates. Because of the limited expected growth in fuel tax revenue, cost savings or containment is critical to completing all remaining projects within 12 years. It should also be noted that reducing the scope of some TIMED projects may increase costs in other areas. For example, using different types of construction materials (e.g., asphalt versus concrete) may reduce construction costs but may increase maintenance costs in the future.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>2. DOTD should attempt to follow its proposed schedule of bond issuance. However, DOTD should not lock the state into an arrangement to sell bonds without better understanding the likely costs of construction and the risks involved in a forward swap bond financing arrangement. As project plans near completion, allowing cost estimates to become more certain, DOTD could issue traditional fixed rate bonds to finance these projects. If costs are higher than expected, tax revenues do not grow at the expected rate, or interest rates are not favorable, bond sales could be delayed and projects could be funded on a pay-as-you-go method until circumstances change. Issuing traditional fixed-rate bonds only as project plans solidify would allow DOTD to mitigate rising construction costs because of inflation without relying too heavily on questionable cost estimates, 40-year tax revenue projections, and riskier forms of financing.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>

Matters for Legislative Consideration	Summary of Related Legislative Instruments
<p>1. The legislature may wish to amend R.S. 47:820.2 to restrict the scope of some or all of the remaining TIMED projects. As explained in Recommendation 1, cost savings or containment is critical to complete all remaining projects within 12 years. Reductions in project scope would translate into cost savings. The same caveat given in Recommendation 1 applies here as well; reducing the scope of some aspects of projects may increase costs in the future.</p>	<p>None</p>
<p>2. The legislature may wish to reduce the number of projects in the TIMED program. This would involve amending R.S. 47:820.2. A reduction of TIMED projects may also require a change to Article 7, Section 27 of the Louisiana Constitution, which states that the TIMED program shall include only those projects enumerated in Act 16 of the 1989 First Extraordinary Session of the Legislature. Projects could be prioritized and those projects with the lowest priority could be removed from the TIMED program so that the remaining projects are fully funded. While voters approved the TIMED program in 1989, several things may have changed since then:</p> <ul style="list-style-type: none"> <li>• The price of the program has increased as projects have moved through the planning process.</li> <li>• The economic development expected to occur with these projects may have occurred without them.</li> <li>• Other highway and bridge needs may be a higher priority to voters at this time.</li> </ul>	<p>None</p>

*Department of State  
Records Management  
September 2001*

The objectives of this audit were to determine if the:

- Use of electronic imaging is reducing the demand for storage space
- Archives and Records Program's use of retention schedules ensures efficient use of its Records Center
- Records Center's customers are satisfied with its services
- Archives and Records Program provides quality microfilm services at the lowest cost

Recommendations	Entity's Response	Auditor's Evaluation
1. The Department of State should work with the Office of Information Technology within the Division of Administration to develop a statewide comprehensive records management plan that includes policies relating to the long-term storage and maintenance of permanent records (records to be retained more than 10 years). The department with guidance from the Office of Information Technology should also develop electronic imaging standards and provide guidance to government agencies on developing and maintaining information systems.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
2. The Department of State should inform and encourage government agencies to immediately dispose of the paper originals of electronically imaged temporary records (records with retention periods of 10 years or less). Although State Archives' imaging policy permits the disposal of these records, some agencies are continuing to store the paper originals after the records have been scanned. By encouraging agencies to dispose, the need for costly paper storage will be reduced.	<b>Partially Implemented</b>	<b>Disagree:</b> According to Department of State Records Management Policies and Practices, LAC 4: XVII, Chapter 13, Subchapter B. § 1309 <i>Short-Term Records</i> indicates that agencies may use imaging without maintaining the original or microfilm copy of the original. The Department of State can encourage agencies to comply. This recommendation was <b>fully implemented.</b>
3. The Department of State should assess a fee to government agencies that attempt to store records without retention schedules in the Records Center. The fee would cover the department's costs for additional time spent by Records Center staff in determining the retention periods of the agency's records. Concurrently, this may encourage agencies to develop retention schedules.	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>

<p>4. The Department of State should post instructions for developing retention schedules on its Web site, along with an example of a properly completed retention schedule.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>5. The Department of State should schedule customers for the records intake process and also schedule time solely for the removal of expired records from the Records Center's shelves. Developing a schedule for at least one year into the future will allow Records Center staff to better serve their customers by anticipating the number of boxes that will arrive. Also, scheduling days for the removal of expired records will ensure that space is available for new boxes.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>6. The Department of State staff should immediately begin to destroy expired records. Space will thereby be made available for storing more boxes, which will alleviate the inconvenience and reduce the need for private storage for some government agencies.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>7. The Department of State should amend its policy of waiting for customer agencies' written authorization to dispose of records and give agencies a 30-day grace period in which to respond to the Notice of Intent to Dispose of Records. The Records Center should use certified mail to notify agencies. If the agency has not responded within the 30-day period, the Records Center should proceed with disposal of the records. As an alternative, pursuant to R.S. 49:222 and by following the Administrative Procedure Act, the Department of State may wish to charge storage fees to cover its costs of storing records beyond their disposal date for agencies that do not respond to the Notice of Intent to Dispose.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>8. After State Archives and the Office of Information Technology develop a comprehensive records management plan that endorses the use of electronic record keeping for permanent records, the Microfilm section within the Department of State should be scaled back to offer limited services, such as microfilm imaging for specialized projects, microfilm storage, and in-house microfilming for the department. Government agencies can contract for microfilm services with private vendors at a cheaper price than offered by the department's Microfilm section.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>9. The Department of State should discontinue the marketing function within the Microfilm section. State law directs government agencies to use the services of the Microfilm section. By discontinuing the marketing function, the Department of State can save over \$103,000 in salaries and benefits annually.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>

Matters for Legislative Consideration	Summary of Related Legislative Instruments
<p>1. The legislature may wish to consider amending R.S. 44:411(A)(2) to delete the requirement that agencies with approved retention schedules have to request authorization from the Department of State before destroying records stored in their possession.</p>	<p style="text-align: center;"><b>None</b></p>
<p>2. The legislature may wish to consider amending R.S. 44:411(A)(1) to include penalties for agencies that do not submit retention schedules to the Department of State.</p>	<p style="text-align: center;"><b>None</b></p>
<p>3. The legislature may wish to consider imposing a fee on governmental agencies that desire to store records without retention schedules in the Records Center.</p>	<p style="text-align: center;"><b>None</b></p>
<p>4. The legislature may wish to consider imposing a storage fee on state agencies that do not respond to the Notice of Intent to Dispose of Records.</p>	<p style="text-align: center;"><b>None</b></p>
<p>5. After a statewide comprehensive records management plan has been developed that includes guidelines for microfilming (see Recommendation 1), the legislature may wish to consider amending R.S. 44:415 to allow agencies to contract directly with private microfilm vendors without obtaining approval from the state archivist. Agencies should be allowed to obtain microfilm services at the lowest available cost as long as the quality is acceptable and the agency adheres to microfilm guidelines established in the statewide records management plan.</p>	<p style="text-align: center;"><b>None</b></p>

**Department of Education**  
**State Activities**  
 January 2002

The objectives of this audit were to determine:

- The current administrative structure of the Department of Education State Activities Budget Unit in terms of positions, salaries, and functions
- If the local school systems as DOE State Activities customers are satisfied with the services rendered

Recommendations	Entity's Response	Auditor's Evaluation
1. The Department of Education (DOE) State Activities should examine the effect of the large number of vacancies on the performance of the DOE State Activities. If vacancies are causing inefficiencies in DOE State Activities operations, officials should develop and implement strategies to fill these vacancies. Should officials determine that these vacancies are not necessary, they should consider eliminating them.	<b>Fully Implemented</b>	<b>Disagree:</b> DOE has initiated some strategies to fill vacancies. However, there is no indication that the impact of vacancies has been examined. This recommendation was <b>partially implemented</b> .
2. The DOE State Activities should review position qualifications for vacant positions to determine if vacancy qualifications are excessive or if qualified non-education personnel are being excluded.	<b>Fully Implemented</b>	<b>Disagree:</b> DOE has revised some qualifications but there is no evidence that qualifications have been reviewed for excessiveness. This recommendation was <b>partially implemented</b> .
3. The DOE State Activities should examine its recruitment and hiring practices for the Distinguished Educator Program to ensure that it is not excluding qualified applicants by not advertising these positions and excluding non-education personnel.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
4. DOE State Activities officials should determine if their disbursement of salary money is resulting in a high number of positions that cannot be filled. They should consider if they are paying certain positions too much money and not leaving enough money to fill needed vacancies.	<b>Fully Implemented</b>	<b>Disagree:</b> DOE did not indicate that they have studied the disbursement of salary money and its effect on vacancies. This recommendation was <b>not implemented</b> .
5. The DOE State Activities should continue to work toward a supervisor to subordinate ratio of 1:6 or higher as recommended in the superintendent's Staffing Redesign Report.	<b>Fully Implemented</b>	<b>Disagree:</b> DOE's most recent supervisor to subordinate ratio was 1:5. This recommendation was <b>partially implemented</b> .
6. The DOE State Activities should work with Civil Service to determine if adjustment of the Contracts Reviewer Supervisor position or job description is necessary.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>

<p>7. The DOE State Activities may wish to consider if there are units that are performing functions that are inconsistent with their purposes. If so, it should determine where these functions would be most effectively placed.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>8. The DOE State Activities needs to continue its efforts of consolidating department training.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>9. The DOE State Activities may wish to consider reviewing technical assistance and compliance monitoring provided by the various offices within State Activities to determine if they are adequately coordinated and if there is a need for some consolidation. The DOE State Activities should also consider whether some training could be better provided by shifting the trainers to the Regional Service Centers, where they can deal more directly with the customers.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>10. The DOE State Activities should review the types of information each section is currently collecting to determine if that information accurately reflects performance. Since each section operates independently, each section should collect information reflective of its performance. This information should be used by each section as a management tool and could also serve as a reporting instrument for external parties to help them gain an understanding of all DOE State Activities functions and associated workloads.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> DOE has taken some steps to review the types of information it collects. However, more work remains to be done. This recommendation was <b>partially implemented</b>.</p>
<p>11. The DOE State Activities should have each of its divisions and sections review their functions to determine if any could be better carried out at the local level.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> DOE has not reviewed any existing functions to see if they should be carried out at the local level. This recommendation was <b>not implemented</b>.</p>
<p>12. The DOE State Activities should create guidelines for when the Regional Service Centers should be included in DOE State Activities correspondence to the local school districts.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> Guidelines have not been written. This recommendation was <b>not implemented</b>.</p>
<p>13. The DOE State Activities should determine what services are better carried out at the local level and shift those functions and positions to the Regional Service Centers. Since the Local Education Agencies are the direct users of its services, the DOE State Activities should consider whether personnel are more strategically placed at the state department or at the Regional Service Centers, where staff can directly deal with the customer. For example, the Division of Nutritional Assistance within the Office of School and Community Support shifted six of its positions to the Regional Service Centers to better provide services to the districts.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> DOE did not indicate that it has considered this issue and made decisions based on the results. This recommendation was <b>not implemented</b>.</p>

<p>14. The DOE State Activities should review our survey results and carefully consider the percentage of satisfied and dissatisfied customers per office. They should strive to improve areas receiving low customer satisfaction ratings and consider the positive areas as well. The positive areas could then serve as standards or benchmarks for the improvement of low performing areas. The DOE State Activities may wish to consider the direction provided by Executive Order MJF 97-39 and develop and conduct a customer satisfaction survey every year that focuses on their primary customers.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> DOE indicated that budget constraints have thwarted their efforts to expand customer satisfaction surveys. This recommendation was <b>not implemented</b>.</p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to consider requiring all types of positions (i.e., authorized, other charges, job appointments, et cetera) to be listed in the executive budget and appropriations bill. Although legislators could obtain a listing of these positions from the ISIS-HR system, it would be more helpful if all positions were included in the documents primarily used by legislators for the budgetary decision-making process.</p>	<p><b>No legislative activity;</b> however, DOE has included some additional types of positions in its Table of Organization within the executive budget and appropriations bill.</p>	

*Department of Health and Hospitals  
CommunityCARE Program  
January 2002*

The objectives of this audit were to determine if:

- CommunityCARE is meeting its goals of cost savings and appropriate use of health care services
- Department of Health and Hospitals monitoring efforts ensure that CommunityCARE program requirements are met

<b>Recommendations</b>	<b>Entity's Response</b>	<b>Auditor's Evaluation</b>
1. Instead of an average number of services per patient, Department of Health and Hospitals (DHH) should set utilization standards against which providers are measured. DHH should also require that providers give explanations when services exceed this standard.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
2. DHH should ensure that the methodology for calculating cost savings considers the differences between rural and urban parishes.	<b>Fully Implemented</b>	<b>Unable to determine due to insufficient documentation.</b>
3. DHH should establish a formal process to monitor Birch & Davis' annual monitoring and validation visits to ensure that all contract and waiver requirements are met.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
4. DHH should clearly define and begin monitoring the appropriateness of treatment and referrals.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
5. DHH should evaluate the value of the monitoring activities currently conducted by the contractor to determine how the process could be more beneficial to recipient care.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>

**This report does not contain any Matters for Legislative Consideration.**

**Louisiana Tax Commission Ratio Studies**

February 2002

The objectives of this audit were to determine if:

- The Louisiana Tax Commission’s annual ratio studies ensure that residential and commercial property taxes are equitably assessed
- There are administrative changes the Tax Commission could make to improve its oversight of assessors

<b>Recommendations</b>	<b>Entity’s Response</b>	<b>Auditor’s Evaluation</b>
<p>1. To ensure that parish assessors are appraising houses that sell the same as those that do not, the Louisiana Tax Commission should annually test for selective reappraisal of sold properties. The commission can compare changes in sold and unsold parcels to discern whether sold parcels have been selectively reappraised. Alternatively, it could choose other statistical sampling techniques. If the commission finds that properties have been selectively reappraised, then it should adjust ratio studies before telling the parish assessor to reappraise property.</p>	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
<p>2. To prevent selective reappraisal, the Louisiana Tax Commission should rewrite its Administrative Rule 303 to clarify whether property transfers (sales) should be captured on the tax rolls immediately. The rule should also clarify whether the assessor must:</p> <ul style="list-style-type: none"> <li>• Reappraise the entire geographic area within the same year. The rule should also provide guidelines to determine: <ul style="list-style-type: none"> <li>▪ The boundaries of such a geographic area</li> <li>▪ What level of sales activity would trigger the reappraisal of an entire area</li> </ul> </li> <li>• If reappraisal is not possible, index the newly captured values back to the date of the last reappraisal. The rule should define precisely: <ul style="list-style-type: none"> <li>▪ Who is responsible for formulating the index</li> <li>▪ How the index should be developed and applied</li> </ul> </li> </ul>	<b>Partially Implemented</b>	<p><b>Disagree:</b> The Louisiana Tax Commission did not specify that the Administrative Rule 303 was rewritten to clarify the issues listed in our recommendation. This recommendation was <b>not implemented</b>.</p>

<p>3. So that it can help assessors prevent inequitable assessment, the Louisiana Tax Commission should attempt to determine and document the cause of any significant assessment problems it identifies in ratio studies. It should consider conducting procedural audits of parish assessors to determine why any assessment problems exist. The commission's methods for conducting such audits should be formally documented. In addition, the commission should consider conducting formal training for parish assessors regarding ratio studies.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The Louisiana Tax Commission did not thoroughly indicate that any of the recommended actions were taken in efforts to prevent inequitable assessments. This recommendation was <b>not implemented</b>.</p>
<p>4. To ensure that its ratio study samples are not biased, the Louisiana Tax Commission should institute and document a sampling procedure for its ratio studies. The commission should draft a procedure that ensures that properties selected will represent the property values that the parish contains.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>5. So that it can properly measure the overall level of assessment in a parish, the Louisiana Tax Commission should use only the original assessments provided by the parish assessor in the year of the study. While it is the commission's right and responsibility to ask assessors to correct assessments that do not reflect fair market value, it should not use revised assessments in ratio studies.</p>	<p><b>Fully Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation.</b></p>
<p>6. To ensure that sample items that could affect whether a parish passes or fails its ratio studies are not discarded, the Louisiana Tax Commission should promulgate a procedure for researching, then trimming statistical outliers. The procedure should be formally documented and should not be arbitrary. The commission should keep records documenting which properties in any sample were pulled and why.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The Louisiana Tax Commission did not indicate that a procedure for researching and trimming statistical outliers was promulgated. This recommendation was <b>not implemented</b>.</p>
<p>7. So that it can tell parish assessors where pockets of over-assessment or under-assessment are, the Louisiana Tax Commission should calculate the median ratio of each neighborhood sample, and then compare that ratio to the parish median. Commission representatives should point out to parish assessors' areas or neighborhoods whose level of assessment differs by more than 5% from the parish level.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The Louisiana Tax Commission indicated that it plans to apply this recommendation to its 2003 ratio study. This recommendation was <b>not implemented</b>.</p>
<p>8. So that it can better measure whether parish assessors have been fair in assessing residential property, the Louisiana Tax Commission should lower the requirement for the measure of fairness it uses—the coefficient of dispersion—for non-rural residential property from 20% to 15% in accordance with the International Association of Assessing Officers recommendations. The commission should also promulgate administrative rules setting up benchmark coefficient of dispersion levels to satisfy uniformity requirements in order to clarify what these fairness standards are.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>

<p>9. So that it can point out where bias in favor of low- or high-valued properties may exist, the Louisiana Tax Commission should calculate the price-related differential. Because this statistic indicates only that bias toward low- or high-valued properties may exist, the commission should follow up on any indications of bias by using more powerful statistical tests.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>10. So that it can better communicate its ratio study results, the Louisiana Tax Commission should include, in addition to the information it publishes already, the following in the annual reports of its appraisal division:</p> <ul style="list-style-type: none"> <li>• Definitions of key terms such as appraisal level and uniformity</li> <li>• An objective statement of results</li> <li>• The procedural steps used in conducting the studies</li> <li>• Its sampling methodology, particularly the period selected for sales samples, the number of properties in each neighborhood, the number of sales in the parish in the period selected, and the number of sales actually used in the study</li> <li>• The rules for eliminating outlier ratios</li> <li>• The price-related differential</li> <li>• A comparison of results with previous studies</li> <li>• Data displays such as frequency distributions, histograms, line charts, schematics and maps to illustrate study results</li> </ul>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The Louisiana Tax Commission has not included all of the suggested information in its ratio study results. This recommendation was <b>partially implemented</b>.</p>
<p>11. To more efficiently perform ratio studies, the Louisiana Tax Commission should pursue implementation of its electronic tax roll database. When it is fully implemented, the commission should use this database to conduct its annual ratio studies. If the commission plans to receive and maintain assessor tax roll databases, it should establish some procedures and practices common to standard management information systems. These may include a systems manual, data security procedures, program documentation, and properly trained personnel.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>12. To more effectively use staff time, the Louisiana Tax Commission should evaluate whether its expectation of 30 appraisals per week allows its appraisers more time than they actually need.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The Louisiana Tax Commission indicated that it plans to expand each ratio study to some extent, where allowable, which will increase the field appraisers' weekly appraisal requirements. This recommendation was <b>not implemented</b>.</p>

<p>13. To ensure that assignments are completed quickly and accurately, the Louisiana Tax Commission should require that all field appraisers have the basic and intermediate computer skills necessary to complete all work assignments. The commission should provide adequate training for the appraisers on any software programs it expects its appraisers to use.</p>	<p><b>Fully Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation</b></p>
<p>14. To standardize and communicate its procedures, the Louisiana Tax Commission should prepare and continually update, as necessary, a formal manual of its policies and procedures that can be distributed to all field appraisers and assessors. Such documentation should at a minimum describe ratio study procedures and design. For its field appraisers, the Tax Commission should document all ratio study procedures it expects its appraisers to follow, including software instructions and record retention. The commission may wish to publish this manual on-line for the benefit of assessors and its own staff.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to amend R.S. 47:1956 to specifically require that parish assessors submit electronic tax roll databases to the Tax Commission. If such a requirement is enacted, the legislature should consider a funding mechanism for the information systems.</p>	<p><b>None</b></p>	
<p>2. The legislature may wish to amend R.S. 47:1703 or 47:1703.1 to require that all applicants for homestead exemptions in all parishes furnish their social security numbers.</p>	<p><b>None</b></p>	

*Department of Environmental Quality*

March 2002

The objectives of this audit were to determine if the:

- Louisiana Department of Environmental Quality is protecting the residents and environmental resources of the state through its monitoring functions
- Louisiana Department of Environmental Quality is protecting the residents and environmental resources of the state through its enforcement functions
- Louisiana Department of Environmental Quality complaint process instills public confidence through timely and thorough resolution of complaints

Recommendations	Entity's Response	Auditor's Evaluation
1. Louisiana Department of Environmental Quality (LDEQ) should ensure that all of its data systems contain complete, up-to-date, and accurate data on all facilities that it regulates.	<b>Fully Implemented</b>	<b>Disagree:</b> The Tools for Environmental Management and Protection Organizations (TEMPO) data system contains inaccurate and incomplete information for solid waste facilities. This recommendation was <b>partially implemented</b> .
2. LDEQ should develop and follow a plan to meet its permit issuance commitments to the U.S. Environmental Protection Agency (EPA) and to renew expired permits according to its established schedule.	<b>Fully Implemented</b>	<b>Disagree:</b> The EPA has not yet approved LDEQ's air strategy. This recommendation was <b>partially implemented</b> .
3. LDEQ should establish an accurate and reliable method to track solid waste temporary permits.	<b>Fully Implemented</b>	<b>Disagree:</b> According to a LDEQ staff person, some temporary permit information has been entered into TEMPO except for the issuance date. This recommendation was <b>partially implemented</b> .
4. LDEQ should develop a policy for inspecting facilities with air permits.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
5. LDEQ should implement a policy to review self-monitoring data for air and water.	<b>Fully Implemented</b>	<b>Disagree:</b> LDEQ has begun reviewing some discharge monitoring reports for minor facilities. This recommendation was <b>partially implemented</b> .
6. LDEQ should implement a system to routinely review annual emissions statements for emissions in excess of permitted limits. LDEQ should consider tracking variances electronically in order to easily determine if those excess emissions were allowed by LDEQ.	<b>Partially Implemented</b>	<b>Disagree:</b> LDEQ has not implemented a system to routinely review annual emissions statements for emissions in excess of permitted limits. This recommendation was <b>not implemented</b> .

7. LDEQ should either revise its performance indicator on the timeliness of enforcement actions or include an explanatory footnote that explains what enforcement actions are being reported on.	<b>Fully Implemented</b>	<b>Disagree:</b> The performance indicator has not been revised nor has an explanatory footnote been added. This recommendation was <b>not implemented</b> .
8. LDEQ should ensure that enforcement actions are issued consistently among media.	<b>Fully Implemented</b>	<b>Unable to determine due to insufficient documentation</b>
9. LDEQ should not approve beneficial environmental projects where the penalty and the beneficial environmental project are less than the original penalty.	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>
10. LDEQ should require that facilities submit evidence of economic benefits, including tax savings, as part of future beneficial environmental project settlement agreements.	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>
11. LDEQ should require all facilities to submit reports outlining the completion date and documentation on the net amount spent on beneficial environmental projects. LDEQ should also physically inspect projects to ensure their completion.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
12. LDEQ should issue enforcement actions within its established time frames.	<b>Fully Implemented</b>	<b>Unable to determine due to insufficient documentation</b>
13. LDEQ should ensure that it resolves complaints timely.	<b>Fully Implemented</b>	<b>Disagree:</b> Our analysis indicates that 78% of complaints were addressed in 5 days; an improvement from 66%. This recommendation was <b>partially implemented</b> .
14. LDEQ should properly address violations discovered during complaint investigations.	<b>Fully Implemented</b>	<b>Unable to determine due to insufficient documentation</b>
15. LDEQ should closely monitor all records management functions to ensure that records are properly stored both physically and electronically and are easily accessible.	<b>Fully Implemented</b>	<b>Disagree:</b> Quality control procedures have been implemented to ensure records are properly stored. However, several problems occurred when attempting to find records. This recommendation was <b>partially implemented</b> .

<p>16. LDEQ should establish a uniform billing and collection mechanism that ensures that companies are properly billed and that they make timely payments.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> LDEQ has begun generating procedures to address this problem. This recommendation was <b>partially implemented.</b></p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to consider revising R.S. 30:2012 to modify the annual inspection requirement. The legislature should consider the EPA’s inspection guidelines in revising this statute.</p>	<p><b>Act 217 of the 2003 Regular Session</b> amended and reenacted R.S. 30:2012(D) to provide that the Department of Environmental Quality develop new criteria for compliance inspections. The act states, ‘Monitoring inspections of facilities operating with a permit issued pursuant to this Subtitle shall be conducted to assure compliance with this Subtitle and the regulations issued pursuant thereto. The secretary shall prepare, implement, and revise, as needed, a compliance monitoring strategy designed to achieve meaningful environmental results. Inspections shall be both intensive, designed to accomplish meaningful environmental results and routine to ensure a compliance presence in the field. The compliance monitoring strategy shall explicitly recognize that a variety of compliance monitoring tools including, but not limited to, self-certifications, deviation reports, stack testing reports, discharge monitoring reports, semi-annual monitoring reports, and on-site inspections are available and should be used to evaluate compliance. The strategy must address inspection frequency and in doing so, the secretary shall consider the following:</p> <ul style="list-style-type: none"> <li>(a) Facility compliance history.</li> <li>(b) Location of facility.</li> <li>(c) Potential environmental impact.</li> <li>(d) Operational practices being steady state or seasonal.</li> <li>(e) Any grant or funding commitments made by the department.</li> <li>(f) Any other relevant environmental, health, or enforcement factors.</li> </ul> <p>The strategy shall provide for reasonable times during which inspections may be conducted.’</p>	
<p>2. The legislature may wish to reexamine the beneficial environmental project policy to ensure that beneficial environmental projects are working as intended and/or increase legislative oversight.</p>	<p><b>None</b></p>	

*Governor's Office of Women's Services*  
March 2002

The objectives of this audit were to determine:

- What training programs and activities are currently conducted by Office of Women's Services
- If there are any other agencies/entities that duplicate Office of Women's Services programs/services
- What the events that led up to the execution of the fiscal year 2001 Louisiana Department of Labor/Office of Women's Services contract were
- What was expected and delivered under the fiscal year 2001 Louisiana Department of Labor/Office of Women's Services contract
- If there were any accounting/monitoring irregularities associated with the fiscal year 2001 Louisiana Department of Labor/Office of Women's Services contract
- What was expected under the fiscal year 2002 Louisiana Department of Labor/Office of Women's Services contract
- What has been delivered year to date (as of February 1, 2002) under the fiscal year 2002 Louisiana Department of Labor/Office of Women's Services contract
- What projections can be made regarding the Office of Women's Services performance under the Louisiana Department of Labor/Office of Women's Services contract for the end of fiscal year 2002
- If Office of Women's Services performance indicators were valid, consistent, and reliable

Recommendations	Entity's Response	Auditor's Evaluation
1. In addition to indicators relating only to employment and satisfaction ratios, future contracts should contain performance indicators that more comprehensively measure what services the Office of Women's Services will be responsible for providing. That is, indicators should reflect enrollment and graduation rate, as well as employment rate. For example, the Computer/Clerical Training and Employment Program should successfully train 200 enrollees under the current contract.	<b>Not Implemented</b>	<b>Agree: Not Implemented;</b> however, the problem has been corrected through legislative action.
2. Future contracts should also include actual numbers for required performance. By including only percentages as measures of performance, the indicators conceal actual numbers of participants. For example, three out of four is 75% but so is 300 out of 400.	<b>Not Implemented</b>	<b>Agree: Not Implemented;</b> however, the problem has been corrected through legislative action.
3. Office of Women's Services should confirm with Louisiana Department of Labor whether its use of Workforce Investment Act funds for training instructor pay and termination pay in fiscal year 2001 was proper.	<b>Not Implemented</b>	<b>Agree: Not Implemented;</b> recommendation is no longer applicable because of corrective action taken by legislature.

Matters for Legislative Consideration	Summary of Related Legislative Instruments
<p>1. The legislature may wish to consider whether to continue providing these services through the Office of Women’s Services for the following reasons:</p> <ul style="list-style-type: none"> <li>• Similar entities such as state technical colleges provide nontraditional and computer training.</li> <li>• One-Stops already provide many of the services such as job readiness workshops and clearinghouse materials such as web links.</li> <li>• The Department of Health and Hospitals Medicaid Office assists persons with Medicaid enrollment.</li> <li>• Family violence programs should be consolidated into one agency to reduce unnecessary administrative costs and potentially increase the amount going to the shelters.</li> </ul>	<p><b>Act 668 of the 2003 Regular Session</b> amended and reenacted R.S. 36:4 (F), R.S. 46:2521, 2522, and 2524; enacted R.S. 46:2525 and R.S. 49:210.1; and repealed R.S. 46: 2523 relative to the Governor’s Office of Women’s Services. This act restructured and renamed the Governor's Office of Women's Services to the Governor's Office on Women's Policy. This office no longer provides nontraditional or computer training, job readiness workshops, or assistance with Medicaid enrollment. Family violence programs, however, have not been consolidated into one agency.</p>

*Department of Economic Development  
Business Tax Incentives  
May 2002*

The objectives of this audit were to determine:

- If tax incentive contracts were awarded and administered in conformity with the state constitution, state laws, and established rules
- How much state and local tax relief was provided during fiscal years 1997 through 2001 as a result of business tax incentives administered by the Business Incentives Division
- What factors are most important to a state's economic well-being, and how does Louisiana compare to other states

<b>Recommendations</b>	<b>Entity's Response</b>	<b>Auditor's Evaluation</b>
<p>1. If the constitution is not amended and laws are not passed to clarify the broad terms in the constitutional provisions governing the Industrial Property Tax Exemption Program (as suggested in Matters for Legislative Consideration 1 and 2 on pages 18 through 19 of the report), the State Board of Commerce and Industry (SBCI) and the Department of Economic Development (DED) should adopt rules to provide the following:</p> <ul style="list-style-type: none"> <li>• A clear, specific definition of manufacturing/manufacturer</li> <li>• Definition of addition and guidelines on the types of items that are acceptable as plant additions, as well as a specific determination on whether items currently accepted as miscellaneous capital additions fit the intended definition of plant additions</li> <li>• Criteria or guidelines for elements that should be considered when determining whether applications for tax exemptions are in the best interest of the state. The criteria or guidelines may include some or all of the following: <ul style="list-style-type: none"> <li>• Cost and resulting benefit to the state</li> <li>• Businesses' environmental records</li> <li>• Effects the businesses have or will have on other businesses in the area</li> <li>• Jobs created and jobs retained by the businesses</li> <li>• Whether the businesses offer health insurance plans to their employees</li> <li>• Record of the businesses' Occupational Safety and Health Administration violations</li> <li>• Local government input</li> <li>• Determination of whether the businesses would locate or expand in Louisiana regardless of the exemptions</li> </ul> </li> </ul>	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>

<p>2. Business Incentive Division (BID) staff should review each Industrial Property Tax Exemption application closely for items that appear to be replacement equipment. BID should investigate all cases where it appears that businesses are claiming exemptions for replacing old equipment with new equipment. If BID finds that businesses have included replacement equipment in their applications, BID should require the businesses to amend their applications by subtracting the value of the obsolete equipment from the cost of the new equipment. BID should also adopt a rule that formalizes this process.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> According to DED, no rule has been adopted to formalize the application process. This recommendation was <b>partially implemented</b>.</p>
<p>3. BID should use the criteria suggested in Recommendation 1 to analyze whether each Industrial Property Tax Exemption contract is in the best interest of the state. BID should include its analyses in the information packets it sends to the SBCI members.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>4. The SBCI should adopt a rule requiring it to consider all three elements for each Industrial Property Tax Exemption application, as follows:</p> <ul style="list-style-type: none"> <li>• Whether the business is truly a manufacturer</li> <li>• Whether expenditures for which exemptions are requested are truly additions to plants</li> <li>• Whether granting the exemptions would be in the best interest of the state</li> </ul>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>5. BID and the SBCI should encourage more local government input regarding applications for Industrial Property Tax Exemptions. Some options are to post notices of SBCI meetings and agendas on DED's Web site, mail announcements of SBCI meetings and copies of meeting agendas to local officials, and/or request letters of no objection from local officials for all applications in their parishes.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>6. BID should either enforce the rules on filing deadlines for the Industrial Property Tax Exemption Program or the SBCI should amend the rules to reflect the alternative deadlines currently used by BID.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>7. BID should implement a control over the legitimacy of expenses submitted by businesses for Industrial Property Tax Exemptions. Some options may be for BID to require businesses to submit supporting invoices with their applications, require businesses to have supporting invoices on hand and then conduct random audits of the invoices, or coordinate with local tax assessors and have the assessors' staffs confirm whether the expenses are legitimate.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>8. BID should include the Breakdown of Purchases form for each Industrial Property Tax Exemption application in the SBCI members' information packets that the board members receive before each meeting. The SBCI should use the information on the forms to help determine whether to award exemption contracts.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>

<p>9. BID should adopt formal procedures for scheduling and documenting Industrial Property Tax Exemption Program inspections and should report the results of the inspections to the SBCI. BID should use a risk-based approach to prepare the inspection schedule. BID should also include local tax assessors when it conducts inspections.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> According to DED, they do not use a risk-based approach to prepare inspection schedules. This recommendation was <b>partially implemented</b>.</p>
<p>10. DED should review how the filing fees submitted by businesses applying for and participating in the Industrial Property Tax Exemption Program and the other tax incentive programs BID administers are used. If DED finds that the fees are not used to cover BID operations, DED should determine if the department could reallocate resources to strengthen BID's inspection function. If DED finds that all fees are used for BID operations, DED should request additional funding in its Budget Request to strengthen BID's inspection function. This cost could be at least partially funded by increasing the filing fees businesses pay to BID.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>11. The SBCI should consider each request for renewal of an Industrial Property Tax Exemption contract individually on its own merits and not automatically grant contract renewals. BID staff should also document in the SBCI minutes the reasons why renewals were granted or not granted. In addition, if items currently considered miscellaneous capital additions are determined to be legitimate plant additions that are eligible for exemptions, the SBCI should consider adopting a rule stating that no contract renewals will be allowed for them.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>12. BID should either enforce the current Enterprise Zone Program rules on deadlines or the SBCI should amend the rules to reflect BID's current procedures.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>13. BID should ensure that the Enterprise Zone Program employment certification forms are updated to include the following three eligibility criteria:</p> <ul style="list-style-type: none"> <li>• Employees' work status (either full-time or part-time)</li> <li>• Number of hours the employees work each week</li> <li>• How long the employees have been residents of Louisiana</li> </ul>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>14. BID should independently verify the information on the annual certifications submitted by businesses with Enterprise Zone contracts to prevent businesses from claiming tax relief for unqualified or nonexistent employees. BID may be able to accomplish this by using data maintained at the Department of Labor, as discussed on page 62 of the report.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>

<p>15. BID should amend Rule 951(E) of the Enterprise Zone Program to refocus the required inspections on employee records instead of buildings and equipment. BID should also adopt a risk-based approach for scheduling inspections of businesses participating in the program. BID should either reallocate current resources or request increased funding in its budget request to strengthen the inspection function. DED may need to suggest legislation to increase filing fees to cover this cost.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> Rule 951(E) was repealed eliminating the duplication of verification of buildings and equipment. However, the inspections have not yet been refocused on employee records. This recommendation was <b>partially implemented</b>.</p>
<p>16. BID should work with the SBCI to determine if the following rules for the Enterprise Zone Program should be amended or repealed:</p> <ul style="list-style-type: none"> <li>• Rule 901(C)(3): This rule needs to be either amended to change “Aid to Families with Dependent Children” to “Family Independence Temporary Assistance Program” or repealed in its entirety if it is not needed.</li> <li>• Rule 939: BID and the SBCI need to determine whether this rule dealing with multi-tenant operations should be repealed. If they decide not to repeal the rule, BID should institute procedures for determining whether each business is a multi-tenant operation. These procedures could consist of requiring multi-tenant information on the applications and then verifying what the businesses report.</li> <li>• Rule 919: This rule regarding the due date of applications should be amended to delete the reference to “beginning of operations.”</li> <li>• The rules need to be updated to reflect the 1999 amendment made to R.S. 51:1787, which allows businesses located outside the boundaries of enterprise zones or economic development districts to participate in the Enterprise Zone Program.</li> </ul>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> Rules 901(C)(3) and 919 were amended as recommended. The rules were also updated to reflect the 1999 amendments to R.S. 51:1787. However, Rule 939 was not changed and no procedures for determining whether businesses are multi-tenant operations have been implemented. This recommendation was <b>partially implemented</b>.</p>
<p>17. BID should enforce Rule 17 of the Industrial Property Tax Exemption Program and Rule 951(G) of the Enterprise Zone Program. These rules require businesses to notify BID of name changes and changes in ownership on a timely basis. BID should also institute a procedure that compares addresses of businesses participating in the programs in order to detect whether single addresses are claimed by multiple businesses.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>18. BID and the SBCI should review the rules in the Administrative Code for all business tax incentive programs BID administers and remove all provisions requiring compliance with Rule 1.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>19. BID should document its database to include information on systems, programs, operations, and user information. In addition, BID should work with the appropriate DED officials to establish written policies and procedures regarding the approval of changes made to the database and documentation of these changes.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> According to DED, all work on the database is scheduled to be completed in March 2004. This recommendation was <b>partially implemented</b>.</p>
<p>20. BID should develop and implement access, input, and output control procedures to ensure the integrity of its database.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> According to DED, all work on the database is scheduled to be completed in March 2004. This recommendation was <b>partially implemented</b>.</p>

<p>21. DED should develop means to determine the actual cost of tax relief provided to businesses through each incentive program if the legislature determines that DED should perform this function instead of the independent entity discussed in Matter for Legislative Consideration 12 on page 59 of the report. To determine the actual cost, the legislature may need to pass legislation allowing DED to have access to the records of the Departments of Revenue and Labor, as discussed in Matter for Legislative Consideration 11 on page 59 of the report.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented;</b> however, the problem has been corrected through legislative action.</p>
<p>22. If DED (or another independent entity) does not develop means to determine the actual cost of tax relief provided to businesses through each incentive program, BID should improve its methodology for estimating these amounts.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented;</b> however, the problem has been corrected through legislative action.</p>
<p>23. DED (or an independent entity) should develop and implement procedures to compare the actual cost of each incentive program to the benefits derived from each. These comparative analyses should take into consideration what the state expects to receive in return for the tax relief it gives to businesses.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented;</b> however, the problem has been corrected through legislative action.</p>
<p>24. Once cost benefit analyses are implemented for each active incentive program that BID administers, DED officials should work with the Office of Planning and Budget and legislative staff to develop efficiency performance indicators for each of the six incentive programs administered by BID and to report outcome and efficiency indicators for each program externally.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented;</b> however, the problem has been corrected through legislative action.</p>
<p>25. DED should include “claw back” provisions in all applicable incentive program contracts to provide recourse to the state if businesses do not meet incentive program obligations.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> Not all applicable incentive program contracts include “claw back” provisions. This recommendation was <b>partially implemented.</b></p>
<p>26. DED should continue to move forward with a well-rounded economic development approach. The approach should address the critical business and quality of life factors that are discussed in this section of the report. DED should work with other state agencies and the legislature to pursue strategies that will result in improvements in these factors. DED should couple its efforts in addressing these factors with an improved package of business tax incentives that address today’s economy. Any changes DED makes to any tax incentive programs should be balanced against the current tax structure.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>

Matters for Legislative Consideration	Summary of Related Legislative Instruments
<p>1. The legislature may wish to consider a constitutional amendment to add clarifying language to the provisions of Article VII, Section 21(F) that contain broadly defined terms related to the Industrial Property Tax Exemption Program. The constitutional amendment should accomplish the following:</p> <ul style="list-style-type: none"> <li>• Provide a clear, specific definition of the term manufacturing/manufacturer. This may be accomplished by specifying the Standard Industry Classification Codes that are considered acceptable.</li> <li>• Provide a clear, specific definition of the term addition and clarification on whether items currently allowed as “miscellaneous capital additions” are eligible for tax exemption.</li> <li>• Provide criteria for determining whether each application for exemption is in the best interest of the state. The criteria may include the following items as well as others deemed important by DED and the legislature: <ul style="list-style-type: none"> <li>• Cost and resulting benefit to the state</li> <li>• Business’s environmental record Business Tax Incentive Programs</li> <li>• Effects the business have or will have on other businesses in the area</li> <li>• Jobs created and jobs retained by the business</li> <li>• Whether the business offers health insurance plans to its employees</li> <li>• Record of the business’s Occupational Safety and Health Administration violations</li> <li>• Local government input</li> <li>• Determination of whether the business would locate or expand in Louisiana regardless of the exemptions</li> </ul> </li> </ul>	<p>None</p>

<p>2. If a constitutional amendment concerning the Industrial Property Tax Exemption Program does not occur, the legislature may wish to consider adopting legislation to accomplish the following:</p> <ul style="list-style-type: none"> <li>• Define and clarify the broad language in the constitution dealing with the terms “manufacturing” and “manufacturer”</li> <li>• Define and clarify the term “addition” and include criteria on the types of costs that are allowable as plant additions</li> <li>• Provide criteria and guidelines specifying what should be considered when determining if applications for exemptions are in the best interest of the state</li> </ul>	<p><b>None</b></p>
<p>3. The legislature may wish to consider amending the constitution or passing a statute requiring the SBCI to request input from local government officials in the parishes in which businesses apply for Industrial Property Tax Exemptions. Such input would help SBCI members decide whether to approve applications for the exemptions.</p>	<p><b>None</b></p>
<p>4. The legislature may wish to consider increasing funding to strengthen BID’s inspection function for the tax incentive programs it administers. The legislature may wish to increase the filing fees that DED may charge program applicants under R.S. 51:936.2 (A)(4) to cover this cost.</p>	<p><b>None</b></p>
<p>5. The legislature may wish to amend R.S. 51:1784(C) dealing with the Enterprise Zone Program to change the language requiring the use of the 1990 Census data to “the most recent U.S. census data available.”</p>	<p><b>Act 4 of the 2002 1<sup>st</sup> Extraordinary Session</b> amended and reenacted R.S. 51:1784(C), which changed the language requiring the uses of the 1990 Census data to “the most recent U.S. census available.”</p>
<p>6. The legislature may wish to adopt legislation requiring businesses participating in the Enterprise Zone Program to retain equipment purchased under the program and to provide penalties for noncompliance.</p>	<p><b>None</b></p>
<p>7. The legislature may wish to more fully participate in the oversight of the Industrial Property Tax Exemption and Enterprise Zone Programs, as well as any other DED tax incentive programs it feels are appropriate. The legislature may gain oversight by requiring the programs to participate in periodic Sunset reviews, requiring the programs to report to the Joint Legislative Committee on the Budget, or some other means.</p>	<p><b>None</b></p>

<p>8. The legislature may wish to consider reviewing the enabling legislation for the various tax incentive programs administered by BID and removing all requirements to comply with Rule 1, which has been declared unconstitutional.</p>	<p style="text-align: center;"><b>None</b></p>
<p>9. The legislature may wish to consider reviewing all business tax incentive programs and determining which ones to retain unchanged, which ones to amend, and which ones to delete. The legislature may also wish to consider adding new incentives, such as incentives designed for business retention. All incentive programs offered should be based on the current tax code in use at the time. They should also be designed so that cost and benefits can be measured and tracked.</p>	<p style="text-align: center;"><b>None</b></p>
<p>10. The legislature may wish to consider reallocating the Department of Labor's current resources or granting the Department of Labor new resources to collect and verify the information needed by DED to verify employment data of businesses receiving tax incentives. Collecting and verifying this information is necessary for successful implementation of Matter for Legislative Consideration 11.</p>	<p style="text-align: center;"><b>None</b></p>
<p>11. The legislature may wish to consider amending R.S. 47:1508 and R.S. 23:1660 and/or creating new legislation that would allow DED (or another appointed entity, if applicable) to have access to confidential records at the Departments of Revenue and Labor, respectively, related to tax incentives that businesses receive from the state. Any new legislation may need to establish a public duty on the part of DED to obtain the necessary information as a part of its program administration responsibilities.</p>	<p style="text-align: center;"><b>None</b></p>
<p>12. The legislature may wish to consider adopting legislation that directs an independent agency such as the Division of Administration to collect verified data from the Departments of Economic Development, Revenue, and Labor relating to the active business tax incentive programs administered by BID and store the data in a centralized database. The independent agency should use this information to conduct a cost benefit analysis for each incentive program to determine what the state receives in return for the incentives it provides to businesses.</p>	<p><b>Act 150 of the 2002 1<sup>st</sup> Extraordinary Session</b> enacted R.S. 51:935.1, relative to economic development activities to require the Department of Economic Development to issue biennial reports on certain economic development activities in the state; to require an independent economist to prepare the report; and to provide for related matters. The act states, "beginning November 15, 2005, the Department of Economic Development shall issue a biennial unified economic development budget report which shall be prepared by an independent economist selected by and under contract with the division of administration. The report shall include the total direct cost of benefits provided under each economic development program for the preceding two fiscal years, together with an estimate of the projected direct cost for the current and next two fiscal years."</p>
<p>13. The legislature may wish to consider adopting efficiency and outcome indicators as key performance indicators for each tax incentive program BID administers in order to ascertain the cost of operating each program and the net impact each program has on the state's economic well-being.</p>	<p style="text-align: center;"><b>None</b></p>

14. The legislature may wish to consider adopting legislation giving the Department of Revenue clear authority to recapture tax benefits from companies that do not meet contractual claw back provisions. Doing so would give the Department of Revenue greater authority than currently exists because the authority would be exercised through the department's normal tax collection process rather than through contractual litigation.

**None**

*Department of Labor  
Training Activities  
October 2002*

The objectives of this audit were to determine:

**Workforce Investment Act (WIA)**

- How individual training accounts were distributed during fiscal years 2001 and 2002 (through March 31, 2002)
- How individual training accounts were used during fiscal years 2001 and 2002 (through March 31, 2002)
- How the Louisiana Department of Labor monitors the statewide training contracts that it administers
- If the Louisiana Department of Labor verified the deliverables and benefits of the training contracts

**Incumbent Worker Training Program (IWTP)**

- The Incumbent Worker Training Program fund balance
- Which training providers and vendors are receiving Incumbent Worker Training Program contracts
- Which types of training providers and vendors are receiving Incumbent Worker Training Program contracts
- What types of training are being provided through the Incumbent Worker Training Program
- How the Louisiana Department of Labor monitors Incumbent Worker Training Program contracts
- If the Louisiana Department of Labor verified the deliverables of the Incumbent Worker Training Program contracts

**Training Cost Comparisons**

- How the cost of training in certain skills compares among Incumbent Worker Training Program contracts
- How the cost of training in certain skills compares among Workforce Investment Act programs
- How the cost of training in certain skills compares between the Louisiana Department of Labor's Incumbent Worker Training Program and the Department of Economic Development's Workforce Development Program

Recommendations	Entity's Response	Auditor's Evaluation
1. The Louisiana Workforce Commission (LWC) should direct the local Workforce Investment Areas to develop standard and consistent policies regarding individual training accounts.	<b>Fully Implemented</b>	<b>Disagree:</b> The Commission disagrees with this recommendation. It states that it does not have, under the Workforce Investment Act, authority to direct the local workforce boards to develop standard and consistent policies regarding individual training accounts across all 18 workforce investment areas. This recommendation was <b>not implemented</b> .
2. The LWC and the Louisiana Department of Labor (LDOL) should work with the local Workforce Investment Areas to continue to develop a system to maintain complete and accurate documentation on individual training accounts and other services provided through the Workforce Investment Act.	<b>Fully Implemented (LDOL and LWC response)</b>	<b>Agree: Fully Implemented</b>

<p>3. The LWC should monitor the types of training being provided through the individual training accounts to ensure that excessive or inappropriate training is not being provided. In addition, the commission should monitor to ensure that funds are effectively and equitably distributed throughout the local Workforce Investment Areas and among different training programs.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The commission disagreed with this recommendation. It stated that, under the Workforce Investment Act, individual training accounts are provided to the individual for the customer’s choice of training venues as long as training is sought in ‘occupations in demand’ in the local area. The commission does, however, work closely with LDOL and the local workforce investment boards to ensure the data is used in the One-Stop Centers. This recommendation was <b>not implemented</b>.</p>
<p>4. The LWC should monitor the local Workforce Investment Boards to ensure that they are providing adequate oversight to ensure that the One-Stops are guiding people to training programs in which they will be successful and employed.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> According to the commission, it does not have program or fiscal responsibility for these programs. In addition, it states that individual customers accessing One-Stop services must meet the program requirements (established by the federal titles contained in the Workforce Investment Act) to access the services of the various programs and staff works with the customers to help in their training choices. This recommendation was <b>not implemented</b>.</p>
<p>5. LDOL should establish an accountability mechanism for the Job Challenge Program contract to verify that deliverables meet contract terms before issuing payments.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>6. LDOL should develop formal written policies and procedures for the Incumbent Worker Training Program.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>7. LDOL should develop guidelines for the types of training allowed through the Incumbent Worker Training Program. For instance, should the Incumbent Worker Training Program be providing skills training or providing assistance in the completion of a formal college education?</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>8. LDOL should specifically define when a performance objective is considered successfully met for an Incumbent Worker Training Program contract.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>9. LDOL should clearly define how the performance objective “Number of Employees to Complete Training” is calculated and standardize this definition for all contracts.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>10. LDOL should modify the performance objective “Number of Additional Jobs Created” so that it reflects the effect of the training provided through the contract.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>

<p>11. LDOL should modify the performance objective “Average Wage Increase” to include all employees that participated in the training. This modification will also ensure that the information in the Executive Budget is accurate and meaningful.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>12. LDOL should set limitations or standards on the cost of training classes at public institutions for the Incumbent Worker Training Program.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>13. LDOL should develop a mechanism to track the cost of the training provided through the various programs (including the Incumbent Worker Training Program and the Workforce Investment Act) so that comparisons can be made. This information should be reported to the legislature on a regular basis.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to consider reducing the amount of funds collected for this program because of the large fund balance available for expenditures and the low levels of completion rates for the contracts that have been completed.</p>	<p><b>Act 669 of the 2003 Regular Session</b> amended and reenacted R.S. 23:1514 (A)(1), (B) and (C), 1553 (B)(7)(a) and repealed R.S. 23:1474 (J) relative to the workforce development training account. To continue to fund the Incumbent Worker Training Program following calendar year 2007, the legislature must expressly renew the program prior to calendar year 2008. In the event the Incumbent Worker Training Program is not renewed by the legislature, in any calendar year following 2007, such amounts shall continue to be paid as a social charge for purposes of assessment, and once collected, shall be deposited and applied to each individual employer’s experience rating record as a contribution.</p>	
<p>2. The legislature may wish to further define or make clearer the intent and expectations of this program.</p>	<p><b>Act 669 of the 2003 Regular Session</b> includes language to broaden the scope of the training provided by the program, but it also puts some criteria limiting the training providers that can be used under the program.</p>	

*Louisiana Office of Student Financial Assistance  
Tuition Opportunity Program for Students (TOPS)  
Review of Student Eligibility  
October 2002*

The objectives of this audit were to determine if:

- The Louisiana Office of Student Financial Assistance is receiving accurate information from high schools to assist in determining initial eligibility and to ensure that all high school students approved for TOPS awards were qualified and that no qualified students were denied TOPS awards
- The Louisiana Office of Student Financial Assistance is receiving accurate information from post-secondary institutions to assist in determining continuing eligibility and to ensure that all post-secondary students retaining TOPS awards were qualified to retain them and that no qualified students lost the awards

<b>Recommendations</b>	<b>Entity's Response</b>	<b>Auditor's Evaluation</b>
1. The Louisiana Student Financial Assistance Commission should ensure that Louisiana residency and criminal conviction eligibility requirements are completely verified.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
2. The Louisiana Student Financial Assistance Commission should work with the Board of Elementary and Secondary Education to create an alternative rule to hold high schools that incorrectly certify graduates accountable if the Louisiana Office of Student Financial Assistance (LOSFA) is not going to enforce its current rule requiring those schools to reimburse Louisiana Student Financial Assistance Commission for the amount of the TOPS award for those students.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
3. The Louisiana Student Financial Assistance Commission should work with the Board of Elementary and Secondary Education to require high school personnel, who are responsible for certifying TOPS students, to attend LOSFA's annual training and workshops.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
4. LOSFA auditors should develop a risk-based approach in selecting high schools to audit.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>

<p>5. LOSFA should compile a more accurate, complete and functional database to track student requests for exceptions to the Louisiana Student Financial Assistance Commission. The current exceptions database does not clearly identify the current status of a request for exception nor does it appear to be complete.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>6. LOSFA auditors should update high school audit reports based on the high school's written response to reflect the final disposition of the audit.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>7. LOSFA should require high schools to respond to audit findings within the prescribed period.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>8. LOSFA should track the cost savings to the state realized from its audit findings, as well as the potential cost savings not realized (the dollar amount of funds that would not have been expended if an ineligible student had been identified earlier).</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>9. LOSFA should ensure that it bases eligibility determinations on the cumulative grade point average of all classes a student attempted as required by state statute and program rules. LOSFA can address this recommendation by implementing its plan to require colleges to submit information that would allow LOSFA to calculate the students' cumulative grade point average. Basing eligibility determinations on accurate cumulative grade point averages could also be accomplished by requiring colleges to submit student grade information on all classes in which a student received a grade, including grades from previous post secondary institutions.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>10. LOSFA should identify those colleges that manually collect grade information and review their processes in order to ensure the accuracy of the data that those institutions submit to LOSFA.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>11. When data files transmitted from colleges to LOSFA are found to contain errors that prevent automated processing, LOSFA should consistently provide the colleges with feedback concerning the nature of those errors as well as the remedy for them. This feedback will ultimately improve both the accuracy of LOSFA's data as well as the efficiency of LOSFA's data collection processes.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>

<p>12. If LOSFA intends for non-academic and academic grades to not be combined when calculating cumulative grade point average, LOSFA should amend its rules to clarify this issue.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>13. Since LOSFA's intentions in regard to the academic, non-academic issue (discussed in Recommendation 12) are not clearly stated in TOPS rules, LOSFA should clearly communicate any changes in rules to both colleges and students.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p><b>This report does not contain any Matters for Legislative Consideration.</b></p>		

*Executive Department Grant Programs*  
November 2002

The objectives of this audit were to determine:

- The intended uses of Executive Department grant funds
- Whether different Executive Department grants fund the same or similar purposes
- Whether the Executive Department ensures that grant funds are used as intended

Recommendations	Entity's Response	Auditor's Evaluation
1. The Governor's Office of Rural Development should adhere to its policies regarding the eligibility of grant applicants and the maximum allowable funding.	<b>Fully Implemented</b>	<b>Unable to determine due to time constraints for further audit work to be performed</b>
2. The Executive Department entities should implement formal, written monitoring policies to include internal control standards similar to those recommended by the U.S. General Accounting Office and the U.S. Office of Management and Budget.	<b>Partially Implemented</b>	<b>Unable to determine due to insufficient documentation</b>
3. The Governor's Office of Rural Development should amend its policies and procedures to ensure that grant funds are used only for purposes that have been authorized by state law and its management.	<b>Partially Implemented</b>	<b>Disagree:</b> Executive Department did not provide any supporting documentation indicating that the Governor's Office of Rural Development has amended its policies and procedures. This recommendation was <b>not implemented</b> .
4. The Executive Department should require specific measures of performance in its grant contracts and cooperative endeavor agreements, including output and outcome indicators. Requiring a more detailed description of services to be provided would make the grant recipients more accountable for the uses of their grant funds and improve the department's monitoring functions.	<b>Partially Implemented</b>	<b>Unable to determine due to insufficient documentation</b>
Matters for Legislative Consideration	Summary of Related Legislative Instruments	
1. The legislature may wish to consider amending the following statutes to specifically define which activities should be funded by each program: <ul style="list-style-type: none"> <li>• R.S. 47:322.38(C)(3) - New Orleans Area Tourism and Economic Development Fund</li> <li>• R.S. 3:313(9) - Rural Development Fund</li> </ul>	<b>Act 73 of the 2002 1<sup>st</sup> Extraordinary Session</b> amended and reenacted R.S. 47:322.38 relative to the state sales and use tax on hotel occupancy levied in Orleans Parish. This act states that a special fund was created in the state treasury and is now designated as the "Ernest N. Morial Convention Center Phase IV Expansion Project Fund" instead of the "New Orleans Area Tourism and Economic Development Fund." Activities authorized to be funded are contractual obligations of the state to any National Football League or National Basketball Association franchise in Orleans Parish.	

<p>2. The legislature may wish to consider establishing the Governor’s Office of Urban Affairs and Development in law. This new law should, in part, specifically define which activities are eligible for grant funds.</p>	<p><b>None</b></p>
<p>3. The legislature may wish to consider narrowing the purposes of the following state-funded Executive Department entities to eliminate areas of potential overlap or duplication of grant funds with other state and federally funded entities providing the same or similar services:</p> <ul style="list-style-type: none"> <li>• Louisiana Stadium and Exposition District</li> <li>• Governor’s Office of Rural Development</li> <li>• Governor’s Office of Urban Affairs and Development</li> <li>• Governor’s Office of Women’s Services</li> <li>• Safe and Drug-free Schools and Communities Program</li> </ul>	<p><b>Act 668 of the 2003 Regular Session</b> amended and reenacted R.S. 36:4 (F), R.S. 46:2521, 2522, and 2524; enacted R.S. 46:2525 and R.S. 49:210.1; and repealed R.S. 46: 2523 relative to the Governor’s Office of Women’s Services. This act restructured and renamed the Governor’s Office of Women’s Services to the Governor’s Office on Women’s Policy. This office now has new powers and duties that can aid in the elimination of overlap or duplication of grant funds. Also, the office no longer provides nontraditional or computer training, job readiness workshops, or assistance with Medicaid enrollment.</p>
<p>4. The legislature may wish to consider clarifying its intent for the following Executive Department entities to more clearly state what the expected outcome of their coordination efforts should be:</p> <ul style="list-style-type: none"> <li>• R.S. 49:219.1 - Drug Policy Board</li> <li>• R.S. 15:1232 - Louisiana Commission on Law Enforcement’s TRIAD Program</li> <li>• R.S. 46:932(7) - Governor’s Office of Elderly Affairs</li> <li>• R.S. 3:314(D), 3:315(11), and 3:317(C)(5) - Governor’s Office of Rural Development</li> <li>• R.S. 46:2522(1) and (2) - Governor’s Office of Women’s Services</li> </ul>	<p><b>Act 668 of the 2003 Regular Session</b> amended and reenacted R.S. 46:2522(1) and (2), which clarifies the Governor’s Office of Women’s Services powers and duties. The powers and duties are as follows:</p> <p>(1) To collect facts and statistics and make special studies of conditions pertaining to the employment, health, safety, and financial status of women, and which otherwise affect the welfare of women.</p> <p>(2) To develop and implement a comprehensive strategic plan to address the employment, health, safety, and financial status of women, and which otherwise affect the welfare of women.</p> <p>This act also restructured and renamed the Governor’s Office of Women’s Services to the Governor’s Office on Women’s Policy.</p>
<p>5. The legislature may wish to consider enacting legislation that consolidates the administration of all grant awards for the same or similar services into specific Executive Department entities.</p>	<p><b>None</b></p>

*University of Louisiana System*  
February 2003

The objectives of this audit were to determine:

- The mandated roles and functions of the University of Louisiana System Board of Supervisors and system office staff, what resources are used to carry out those roles and functions, and how satisfied the universities are with the services provided by the board and staff
- If procedures are in place to ensure that members of the University of Louisiana System Board of Supervisors, the system office staff, and university presidents are qualified to carry out their management responsibilities
- What procedures exist to ensure that the University of Louisiana System Board of Supervisors and system office staff are fully informed about the financial stability and condition of the universities within the system
- If the University of Louisiana System Board of Supervisors and system office staff could better coordinate and implement purchasing strategies to reduce costs
- If the University of Louisiana System Board of Supervisors and system office staff could coordinate activities to improve the accessibility of information for the universities within the system

Recommendations	Entity's Response	Auditor's Evaluation
1. The University of Louisiana System (ULS) Board of Supervisors and system office staff should determine whether all legally mandated requirements are being carried out. They should then consider whether to implement those requirements or approach the legislature to have them repealed. In addition, they should address whether other important duties contained in state law should be carried out even though they are not mandated.	<b>Fully Implemented</b>	<b>Disagree:</b> The ULS Board of Supervisors and system office staff did not determine whether all legally mandated requirements are being carried out. This recommendation was <b>partially implemented</b> .
2. The ULS system office staff should periodically review all job descriptions to ensure that they contain accurate and complete employee responsibilities and tasks. Essential tasks that are not contained in the job descriptions should be added. Tasks that are no longer performed or necessary should be deleted.	<b>Fully Implemented</b>	<b>Disagree:</b> The ULS system office staff conducted reviews of job descriptions. However, they have not made any provisions (e.g., a new policy) to review them periodically. This recommendation was <b>partially implemented</b> .
3. The Board of Supervisors and system office staff should review the service deficiencies cited by the universities in this section and determine if problems with the provision of these services actually exist. In doing so, they should consider whether the services are really necessary. The board and staff should then formulate and implement steps for corrective action.	<b>Fully Implemented</b>	<b>Disagree:</b> ULS has hired a consultant and employees to begin formulating and implementing corrective action. This recommendation was <b>partially implemented</b> .

<p>4. The Board of Supervisors and system office staff should conduct periodic customer satisfaction surveys of the universities to ensure that they are providing essential and adequate services to them on a continuing and evolving basis.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS stated that in 2004 it will begin to conduct periodic customer satisfaction surveys. This recommendation was <b>not implemented</b>.</p>
<p>5. The ULS Board of Supervisors should adopt as part of its bylaws or policies and procedures a specific staff responsibility to provide formal education and training to the members of the Board of Supervisors and to ULS university administrators. Using Texas as a model, the training program could focus on the official role and duties of board members and could provide training in budgeting, policy development, and governance.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The documentation provided by ULS does not specify training of university administrators. This recommendation was <b>partially implemented</b>.</p>
<p>6. After the ULS Board of Supervisors adopts a formal education and training policy, the system office should update the position descriptions of appropriate staff to provide clear responsibility for implementing education and training programs for the board members and university administrators.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>7. If the legislature requires the ULS Board of Supervisors to do as stated in Matter for Legislative Consideration 3, the ULS board should adopt bylaws or policies and procedures that contain clear and specific participation requirements and sanctions for unsatisfactory participation by the members of the Board of Supervisors.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The legislature has not passed legislation related to board participation. This recommendation was <b>not implemented</b>.</p>
<p>8. The ULS Board of Supervisors should adopt bylaws or policies and procedures that provide specific procedures to be used in hiring system office staff and filling university president vacancies. These procedures could require a national search and should provide for the use of national search firms and professional consultants, as appropriate.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>9. The ULS Board of Supervisors should adopt clear and specific bylaws or policies and procedures to be used in setting and adjusting salaries for system office staff and university presidents. The new bylaws or policies and procedures should include criteria to be used in determining and adjusting salaries and should include provisions on how the Board of Regents Administrative Salary Policy should be used. Adopting bylaws or policies and procedures will help ensure that the salaries continue to be competitive with those for similar positions in other Southern Regional Education Board states, which, in turn, will help ensure that the system is able to retain qualified staff.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>10. In order to provide clear guidance in the application of higher education salary-setting policy, the ULS should work with the Board of Regents to amend the Board of Regents Administrative Salary Policy to identify the populations covered by that policy. According to the Commissioner of Higher Education, the policy applies to system office staff and university presidents.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>

<p>11. The ULS system office staff should address the deficiencies in service provision cited by board members in our surveys. The staff should also make a continuing effort to periodically measure their customers' satisfaction with the services they provide to them and make appropriate adjustments as necessary.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS stated that in 2004 it will begin to conduct periodic customer satisfaction surveys. This recommendation was <b>not implemented</b>.</p>
<p>12. The ULS Board of Supervisors and system office staff should adopt formal bylaws and/or policies and procedures on reporting requirements for the universities within the system. The system office should then work with the universities to ensure that they implement the newly adopted reporting requirements. The formal, written bylaws and/or policies and procedures should include the following:</p> <ul style="list-style-type: none"> <li>• Clear definitions of what is to be included in financial reports</li> <li>• Formatting guidelines and directives</li> <li>• Reporting processes including to whom to report, schedules of deadlines, and dates of submittals</li> <li>• Procedures, such as the use of a checklist, that would ensure that submittals are accurate and complete</li> </ul>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS has adopted a formal policy; however, it does not include all of the requirements that we recommended. This recommendation was <b>partially implemented</b>.</p>
<p>13. Once formal, uniform reporting bylaws and/or policies and procedures are adopted, the ULS Board of Supervisors and system office staff should take steps to continually enforce the requirements at the universities. Some suggestions are to make frequent and regular visits to system universities, create better relationships with university officials through increased communication, and develop a checklist of scheduled financial data and internal audit reports to be submitted.</p>	<p><b>Fully Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation</b></p>
<p>14. The ULS Board of Supervisors should strengthen the importance it has placed on the internal audit function by taking a more active role in monitoring internal audit activities. The board should accomplish this by either using the existing Finance and Audit Committee or creating a separate Audit Committee to serve as a vehicle for implementing this important management control. This committee should regularly hear reports and testimony from the Director of Internal Audit and report to the Board of Supervisors on its actions. The Board of Supervisors should take corrective action, when appropriate, in response to internal audit findings and testimony.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>15. The ULS internal audit director should prepare and coordinate a system wide internal audit plan and ensure that the universities within the system follow it. To help accomplish this, he should discuss areas of mutual concern and potential risk areas with the university auditors and then create an audit guide to be used by all ULS internal audit staff.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>

<p>16. The ULS system president should ensure that the internal audit director is scheduled on the agendas of the audit committee and Board of Supervisors' meetings.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> Although ULS now maintains an audit committee, they did not indicate that the internal audit director is scheduled on the agendas of audit committee and Board of Supervisors' meetings. This recommendation was <b>partially implemented</b>.</p>
<p>17. The ULS Board of Supervisors and system president should ensure that the Internal Audit Charter is amended to require the internal audit director to functionally report to the Board of Supervisors and administratively report to the system president.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>18. The ULS internal audit director should meet privately with the Board of Supervisors at least once a year to help maintain his independence.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>19. The ULS internal audit director should implement the following:</p> <ul style="list-style-type: none"> <li>• Procedures to ensure that all universities within the system submit all required internal audit reports. These procedures may consist of creating a checklist of all reports that are due from each university throughout the year and then checking off the individual reports as they are received.</li> <li>• Report presentation and formatting requirements for the universities to use when preparing and submitting internal audit reports.</li> <li>• Procedures to check the internal audit reports submitted by the universities against the universities' audit plans to ensure that they are completing all audits and projects included in the plan.</li> <li>• A filing system that will ensure that all internal audit reports completed by the universities are on file in the system office.</li> </ul>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>20. The ULS system office should review the provisions of R.S. 44:4 and consult with the internal audit director and his university counterparts to identify the authority needed to ensure internal audit confidentiality. If the system office feels that legislation is needed to provide for confidentiality of internal audit work papers and works in progress, it should work with the appropriate legislative staff to have a bill drafted and introduced at the next appropriate legislative session.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS did not indicate that the system office has worked with the appropriate legislative staff to have a bill drafted and introduced at the next appropriate legislative session. This recommendation was <b>partially implemented</b>.</p>
<p>21. The ULS system office should use recommendations, strategies, and standards from outside sources such as the Institute of Internal Auditors and professional audit experts when implementing steps to improve the internal audit function.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>

<p>22. The ULS Board of Supervisors and system office staff should develop action plans and begin to actively implement cost-savings measures approved by the Ad-Hoc Purchasing Committee. In addition, the committee should continue to explore other cost-savings measures. These two things should be done in coordination with university purchasing officials.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS indicated that it intends to establish regular meetings with finance and purchasing officials. This recommendation was <b>partially implemented</b>.</p>
<p>23. The ULS Board of Supervisors and system office staff should analyze each campus individually regarding ways to save on utility costs. In order to identify and implement feasible strategies, they should:</p> <ul style="list-style-type: none"> <li>• Talk to pipeline safety experts</li> <li>• Determine how universities should be pulled together to provide the most effective and powerful negotiating advantage for the system</li> <li>• Employ or consult with a purchasing expert or designate a team with purchasing expertise</li> <li>• Set up a system to continuously evaluate cost-savings strategies</li> </ul>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS did not indicate that it has begun setting up a system to continuously evaluate cost-savings strategies. This recommendation was <b>partially implemented</b>.</p>
<p>24. The ULS Board of Supervisors and system office staff, through the Ad-Hoc Purchasing Committee, should continue working with the Division of Administration, legislative staff, and the Office of State Purchasing to make needed changes in state purchasing rules and policies, including further increasing the non-competitive bid limit for higher education.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS is continuing to work with the Division of Administration, legislative staff, and the Office of State Purchasing, but there is no evidence that the needed changes have been made. This recommendation was <b>partially implemented</b>.</p>
<p>25. The ULS Board of Supervisors and system office staff should improve coordination and communication between the system office and the university purchasing officials as they pertain to purchasing issues. One way to accomplish this is to institute regular meetings between university purchasing officials and system office staff to share information about cost-saving strategies, obstacles, and benefits. For this initiative to be effective, the board and staff must take the lead to coordinate information-sharing forums among the institutions. From these meetings, task forces could be formed to implement the various cost-savings measures they decide upon.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>

<p>26. In order to free staff resources to focus on purchasing strategies, the ULS system office staff should conduct a staff utilization study to determine how to best allocate current staff to help manage the institutions within the system. The study should address whether current tasks are necessary, how the use of technology can improve staffing needs, and whether current job descriptions should be modified. This study will enable board members and system administrators to more effectively manage staff in dealing with issues such as cost-saving purchasing strategies.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS has not conducted the staff utilization study as recommended. This recommendation was <b>not implemented</b>.</p>
<p>27. The ULS Board of Supervisors and system office staff should work with university purchasing officials to develop a manual containing best practices for purchasing. Best practices can come from suggestions and input obtained from the university purchasing officials, systems in other states, and experts in the field. The manual could also contain the state purchasing regulations, possibly categorized by type of item purchased, so that purchasing staff would have all pertinent purchasing information in one easy-to-use reference source. The staff should distribute the manual to purchasing officials at each university within the system and hold periodic training sessions with them to review it.</p>	<p><b>Fully Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation</b></p>
<p>28. The ULS system office staff should conduct a cost-benefit analysis to determine the amount of time, effort, and other associated costs involved in developing a centralized database and compare those costs to the benefits that would be derived. If the benefits outweigh the costs, the system president should move forward to implement the database.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The database is limited to student enrollment management and is currently in the process of development. Also, ULS did not indicate that it has conducted a cost-benefit analysis. This recommendation was <b>partially implemented</b>.</p>
<p>29. The ULS Board of Supervisors and system office staff should work with the Board of Regents and other entities such as the Office of Facility Planning and Control and the Office of Planning and Budget to reduce or eliminate reporting redundancies by the universities. The system office staff can help accomplish this by communicating with and coordinating information requests with the Board of Regents.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> ULS has indicated efforts to reduce reporting redundancies. However, there is no indication that these efforts are being carried out in conjunction with the Board of Regents and the Office of Facility Planning and Control. This recommendation was <b>partially implemented</b>.</p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to consider establishing an advisory commission within the Board of Regents to screen and select potential nominees to Louisiana's higher education governing boards. This commission could also establish specific criteria regarding the qualifications of nominees. Virginia's criteria that require candidates for higher education boards to be selected based on merit and experience could be used as a model. The commission may also wish to include in the criteria considerations used by the current governor, as well.</p>	<p><b>None</b></p>	

<p>2. The legislature may wish to consider passing legislation that establishes specific, detailed orientation and training requirements for appointees to the ULS Board of Supervisors. In doing so, the legislature may wish to expand the amount of orientation and specify certain course requirements for orientation and training such as budgeting, policy development, and higher education governance.</p>	<p><b>None</b></p>
<p>3. The legislature may wish to consider adopting legislation that either stipulates participation requirements for board members and sanctions for unsatisfactory participation or requires the ULS Board of Supervisors to do so.</p>	<p><b>None</b></p>
<p>4. The legislature may wish to consider passing legislation that establishes specific, detailed reporting requirements for higher education. The legislature may wish to specify that these requirements be uniform and apply to all institutions within the ULS.</p>	<p><b>None</b></p>
<p>5. The legislature may wish to consider passing legislation that provides for the confidentiality of university internal audit work papers and works in progress. The legislature may wish to consider the provisions of R.S. 44:4 when addressing this issue.</p>	<p><b>None</b></p>

**Louisiana Community and Technical College System**  
April 2003

The objectives of this audit were to determine:

- The mandated roles and functions of the Louisiana Community and Technical College System Board of Supervisors and office staff, the resources that are used to carry out those roles and functions, and how satisfied the colleges are with the services provided by the board and staff
- If the board and office staff are as effective as they could be at performing certain core functions
  - ⇒ How the board and system office staff ensure that programmatic data from campuses are accurate
  - ⇒ How the board and system office staff ensure that institutions offer relevant programs that meet customer and stakeholder needs
  - ⇒ If the board and system office staff ensure that system office and institution staff is compensated appropriately
  - ⇒ How the board and system office staff address the capital needs of institutions
  - ⇒ If the board and system office staff ensure that community and technical colleges share resources and coordinate services

<b>Recommendations</b>	<b>Entity's Response</b>	<b>Auditor's Evaluation</b>
1. The Louisiana Community and Technical College System (LCTCS) Board of Supervisors should adopt a policy that addresses the requirements of R.S. 17:3351(B)(3).	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
2. The LCTCS Board of Supervisors and office staff should review the service deficiencies cited in this section of the report and determine if problems with the provision of these services actually exist. The board and staff should then formulate and implement steps for corrective action. Corrective action may need to involve the Louisiana Technical College central office.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
3. The LCTCS Board of Supervisors and office staff should conduct periodic customer satisfaction surveys of the institutions to determine if they are providing essential and adequate services to them on a continuing and evolving basis. The system office staff should also periodically survey the members of the Board of Supervisors to gauge its effectiveness as a support unit in meeting the board's needs.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
4. The LCTCS office staff and Board of Supervisors should require the Internal Audit Division to conduct periodic audits of student credit hour and completer data to verify that they are accurate.	<b>Partially Implemented</b>	<b>Agree: Partially Implemented</b>
5. The LCTCS office should work with the Board of Regents to develop and provide clear, written, and consistent guidelines for the technical college campuses regarding defining and collecting of all types of programmatic data.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>

<p>6. The LCTCS office staff should require the Louisiana Technical College to provide training for campus personnel to help them understand data definition, collection, input, and reporting.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>7. The LCTCS office should require the Louisiana Technical College campuses to standardize policies and processes for registration, adding and dropping courses, issuing grades and refunds, and recording attendance.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>8. The LCTCS office staff should require that all campuses keep sufficient and comprehensive student records.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>9. The LCTCS office staff and Board of Supervisors should issue formal written guidance that defines noncredit and credit hours to ensure that all campuses collect and define these hours appropriately and consistently.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>10. The LCTCS office should establish consistent policies and procedures throughout the system that will provide assurance that PeopleSoft captures accurate and consistent data.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> LCTCS indicated that it is working on establishing consistent policies and procedures throughout the system. This recommendation was <b>partially implemented</b>.</p>
<p>11. The LCTCS office should assign a sufficient number of staff to the Management Information Systems section to ensure that PeopleSoft is completely implemented and maintained and that normal technology needs are met. In addition, the LCTCS system office should ensure that it has full funding to staff future technology projects before they begin.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>12. The LCTCS office should ensure that each campus using PeopleSoft and the system office have a technology infrastructure that is sufficient enough to complete the implementation and future operation of PeopleSoft. The LCTCS system office should also ensure that in the future, it has full funding for all aspects of technology projects before they begin.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>13. The LCTCS should use a strong coordinating authority or committee to oversee completion of the PeopleSoft implementation. This person or committee should have power as a change agent and serve as a link between normal campus operations and the Management Information Systems department.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>14. The LCTCS Board of Supervisors should adopt a policy requiring system personnel to inform the board when actual expenditures and sources of funds differ substantially from board-approved amounts and sources. A certain range of error should be allowed because of normal fluctuations in prices and the economic environment, with outliers being reported to the board through its finance committee.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LCTCS did not indicate that a policy was adopted as recommended. This recommendation was <b>not implemented</b>.</p>

<p>15. The LCTCS office staff should ensure that the Board of Supervisors has clear and timely reports regarding the actual status and cost of the PeopleSoft implementation so that the board will be able to make effective management decisions related to the implementation.</p>	<p><b>Fully Implemented</b></p>	<p><b>Unable to determine due to time constraints for further audit work to be performed</b></p>
<p>16. The LCTCS should evaluate whether it is cost effective to continue supporting programs that are not on the Department of Labor's demand list. The evaluation should first identify which programs are not on the demand list. It should then take into consideration other factors such as the number and location of campuses at which those programs are offered, whether the programs are specialized to meet the needs of a certain group or groups of employees or businesses, and district and regional employment and student needs. The LCTCS may need to use regional data in addition to statewide data from the Department of Labor to conduct a thorough analysis.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>17. The LCTCS Board of Supervisors should work with the Board of Regents to determine which definition of completer best suits its mission and use that definition consistently. If a common definition cannot be agreed upon, the LCTCS should require that the definition used is clearly stated when completer data are included in reports.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> There was no common definition agreed upon and no requirement to clearly state the definition when it is used in reporting. This recommendation was <b>partially implemented</b>.</p>
<p>18. The LCTCS office should evaluate programs with low enrollment and low numbers of completers to determine if it is cost effective to continue supporting those programs. This evaluation should include an assessment of the viability of the programs, the demand and workforce potential of the programs, and the cost effectiveness of the programs.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LCTCS indicated that it is the responsibility of the Board of Regents to review low enrollment/low completer programs. The recommendation was <b>not implemented</b>.</p>
<p>19. Once the LCTCS has controls in place that help ensure that data are accurate, it should determine why program costs vary among campuses. The LCTCS should strive to keep program costs as low as possible at all campuses.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>20. The LCTCS should decide on a definition of completer and job placement that best suits its mission and develop a methodology to track completers and job placement in accordance with that definition.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>21. The LCTCS should collect pertinent information from all community colleges and technical college campuses that documents the impact of LCTCS programs on the state's economic development. For example, the LCTCS should maintain a centralized list of certified programs, a list of all occupational advisory groups, and a list of partnerships with business and industry. If it is not cost prohibitive, the LCTCS should also publish an annual report listing system accomplishments and statistics related to economic development.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>

<p>22. The LCTCS Board of Supervisors should adopt clear and specific bylaws or policies and procedures that establish criteria for setting and adjusting salaries of system office staff and the system president. The new bylaws or policies and procedures should require the system to adhere to the Board of Regents Administrative Salary Policy Guidelines. Adopting bylaws or policies and procedures will help ensure that salaries continue to be competitive with those for similar positions in other systems, which, in turn, will help ensure that the system can retain qualified staff.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>23. The LCTCS Board of Supervisors should adopt formal written bylaws and/or policies and procedures for compensating Louisiana Technical College campus administrators instead of using the previous Board of Elementary and Secondary Education policy. The new bylaws and/or policies and procedures should include all elements required by the Board of Regents Administrative Salary Policy Guidelines.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>24. The LCTCS Board of Supervisors should determine whether the system should continue to use this type of contract (page 60 of the report). If the board determines that the continued use of these contracts is appropriate, the board should adopt a policy that requires the board to approve all professional services contracts involving future employees of the system. The policy should require the board to approve the contract amounts and terms. It should also require the LCTCS office to maintain written documentation of the rationale for the contract amounts.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> No policy has been adopted that requires the board to approve all professional services contracts involving future employees of the system. This recommendation was <b>not implemented.</b></p>
<p>25. The LCTCS office should refrain from awarding stipends to employees for extra work already performed until obtaining an opinion from the Attorney General on whether such payments constitute bonuses in violation of Article 7, Section 14(A) of the Louisiana Constitution. If the Attorney General opines that the stipends were unconstitutional, the LCTCS should take appropriate corrective action. If the Attorney General opines that stipends are acceptable, the LCTCS should require that employees receiving stipends in the future certify the additional hours they worked. The LCTCS should also use a specified methodology to calculate the amount of future stipends. The methodology should result in reasonable stipend amounts based on actual hours of overtime hours worked.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>26. The LCTCS office should require that each campus provide documentation showing that performance appraisals have been completed and are on file before it presents requests for merit raises to the Board of Supervisors. The system president should take appropriate disciplinary action, including penalties, for any chancellors who falsely attest that performance appraisals are on file when they are not. In addition, the Board of Supervisors should not approve merit increases until it has ensured that the performance appraisals are completed and on file and that the evaluation ratings were satisfactory or above.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>

<p>27. The LCTCS office should ensure that each evaluator, including the president, follows the established policies and procedures for performance evaluations and uses the appropriate evaluation instruments.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LCTCS did not indicate that each evaluator, including the president, follows the established policies and procedures for performance evaluations and uses the appropriate evaluation instruments. This recommendation was <b>not implemented</b>.</p>
<p>28. The LCTCS Board of Supervisors should amend its alternative financing policy to give the Office of Facility Planning and Control approval and enforcement power on the advisory committee to ensure that the state's best interest is represented.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LCTCS indicated that it will consider amending the policy. This recommendation was <b>not implemented</b>.</p>
<p>29. The LCTCS Board of Supervisors should amend its alternative financing policy and the standard cooperative endeavor agreement to require members of the advisory committee to attend all meetings and provide comments on all plans and specifications. The policy should also require input from each member of the advisory committee and ensure that the design-build team considers all comments and notifies the advisory committee of the reasons why any recommendations are not implemented.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LCTCS did not indicate that this policy has been amended. This recommendation was <b>not implemented</b>.</p>
<p>30. The LCTCS Board of Supervisors should amend its alternative financing policy to ensure that members of the advisory committee have sufficient time to consider all plans and change orders.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LCTCS did not indicate that this policy has been amended. This recommendation was <b>not implemented</b>.</p>
<p>31. The LCTCS Board of Supervisors should request an opinion from the Louisiana Board of Ethics as to whether members of the Board of Supervisors should be allowed to serve on boards of directors of nonprofit corporations formed to provide alternative financing to campuses within the LCTCS. The request should address the issue of direct and indirect economic gains. Until an opinion is received, the Board of Supervisors should obtain legal advice on whether the three members who are currently on boards of directors should continue to serve in these dual roles.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>32. The LCTCS should continue its efforts to develop a facilities master plan so it can more effectively prioritize and plan for the capital needs of its institutions. The system also should work with the Board of Regents to coordinate efforts and avoid duplication.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>33. The LCTCS Board of Supervisors and office staff should compile information from all campuses on how they coordinate and share resources. This information should include which campuses share physical and faculty resources, how campuses coordinate to respond to student and business needs, and which campuses have developed articulation agreements. Gathering this information will help the system assess where resources and coordination are most needed and have the most potential for cost savings.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>

Matters for Legislative Consideration	Summary of Related Legislative Instruments
<p>1. The legislature may wish to consider reviewing the funding for campuses with incumbent worker trainees to determine if they are being funded twice and if so, whether it is appropriate.</p>	<p style="text-align: center;"><b>None</b></p>
<p>2. The legislature may wish to consider adopting legislation that establishes specific controls over alternative financing arrangements. Suggested controls include the following:</p> <ul style="list-style-type: none"> <li>• Providing a guarantee that funding will be available for the projects</li> <li>• Ensuring that the alternative financing arrangements do not harm the state's credit rating</li> <li>• Ensuring that projects meet Office of Facility Planning and Control standards</li> <li>• Addressing ethics concerns dealing with members of state boards of supervisors who oversee the projects and also serve on the boards of directors of the nonprofit corporations formed to implement the alternative financing arrangements</li> </ul>	<p style="text-align: center;"><b>None</b></p>

*Assessment Practices for Businesses Claiming  
Industrial Property Tax Exemptions  
April 2003*

The purposes of this examination were to determine if assessors:

- Properly value real and personal property subject to the Industrial Property Tax Exemption to ensure a fair and equitable assessment process
- Properly account for Industrial Property Tax Exemption contracts in the assessment process
- Have a system in place to ensure that all commercial properties appear on the tax roll

Recommendations	Entity's Response	Auditor's Evaluation
<b>1. The Louisiana Tax Commission (LTC) should:</b>  Work with the Department of Economic Development (DED) to revise DED's regulations to state that assessors have the authority to question and assess unqualified property that has been approved for exemption.	<b>Partially Implemented (DED response)</b>	<b>Agree: Partially Implemented</b>
	<b>Partially Implemented (LTC response)</b>	<b>Agree: Partially Implemented</b>
<b><u>Auditor's Overall Evaluation for Recommendation 1</u></b>		<b>Partially Implemented</b>
<b>2. The LTC should work with the DED to:</b>  Implement controls that ensure that data sent by DED to local assessors are correct and work with assessors and DED to resolve discrepancies.	<b>Fully Implemented (DED response)</b>	<b>Disagree:</b> DED does not indicate that controls have been implemented to ensure that data are correct. This recommendation was <b>not implemented.</b>
	<b>Partially Implemented (LTC response)</b>	<b>Agree: Partially Implemented</b>
<b><u>Auditor's Overall Evaluation for Recommendation 2</u></b>		<b>Partially Implemented</b>

<p><b>3. The LTC should work with the DED to:</b> Develop a statewide database of exemption contracts that is accessible by all assessors.</p>	<p><b>Not Implemented (DED response)</b></p>	<p><b>Agree: Not Implemented</b></p>
	<p><b>Not Implemented (LTC response)</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b><u>Auditor's Overall Evaluation for Recommendation 3</u></b></p>		<p><b>Not Implemented</b></p>
<p><b>4. The LTC should:</b> Develop standard policies and procedures for local assessors to use when assessing property subject to the industrial property tax exemption. The LTC should review policies and procedures in other states such as Arkansas, Florida, North Carolina, and Georgia, as well as the International Association of Assessing Officers standards, when developing policies and procedures. The policies and procedures should be designed to ensure that all assessors fairly and equitably assess property subject to industrial property tax exemptions.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>5. The LTC should:</b> Conduct routine audits of assessors and their practices to help ensure that the policies and procedures are being followed and to encourage uniformity.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>6. The LTC should:</b> Determine if the Department of Revenue could take on an oversight role and/or assist by conducting personal property tax audits in conjunction with its sales and income tax audits of businesses.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>7. The LTC should:</b> Conduct ratio studies on commercial and industrial personal property to ensure that assessments are uniform.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LTC indicated that it does not perform ratio studies on industrial personal property. This recommendation was <b>not implemented</b>.</p>

<p><b>8. The LTC should:</b></p> <p>Continue to develop a Web site that includes regulations, policies and procedures, and self-reporting property tax forms, as well as other relevant information that would assist local assessors and the general public.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>9. The LTC should:</b></p> <p>Ensure that assessors comply with Article VII, Section 21(F) of the state constitution requiring that industrial property tax exempt amounts be listed on the tax rolls.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>10. The LTC should:</b></p> <p>Ensure that the grand recapitulations summarize all information on the tax rolls, including the total industrial property tax exemptions granted in each parish.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>11. The LTC should:</b></p> <p>Prescribe how assessors should maintain their exemption contract records.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>12. The LTC should:</b></p> <p>Require that assessors periodically reconcile their DED contract files, DED list of contracts, and, if applicable, their own summary records to ensure that the records are accurate. The LTC should also require that, if discrepancies are found, the assessors work with DED to resolve the differences.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p><b>13. The assessors should:</b></p> <p>Ensure that their files containing information received from DED and their summary records (if they maintain summary records) and assessments rolls are properly maintained, consistent, and accurate as to the periods and amounts of exemption. In addition, the assessors should work with DED to resolve discrepancies between information sent to them by DED and their own records.</p>	<p><b>Fully Implemented (DED response)</b></p>	<p><b>Disagree:</b> The LTC adopted a policy requiring assessors to review their information for accuracy. However, there is no indication that DED ensures the accuracy of its industrial exemption reports to assessors. This recommendation was <b>partially implemented.</b></p>
	<p><b>Partially Implemented (LTC response)</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b><u>Auditor's Overall Evaluation for Recommendation 13</u></b></p>		<p><b>Partially Implemented</b></p>

<p><b>14. The LTC should:</b></p> <p>Adopt policies and procedures that require local assessors to track the submission of all self-reporting tax forms, including the dates the forms are sent and received. Having policies and procedures in this area would provide assessors with the necessary documentation to support arbitrary assessments and assess penalties. Enforcing penalties would help reinforce the importance of timely filing of the tax forms.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>15. The LTC should:</b></p> <p>Consult with all tax assessors to determine whether it should pursue legislation to increase the current penalty provided in state law for businesses that intentionally fail to file tax forms.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>16. The LTC should:</b></p> <p>Evaluate state laws and regulations to ensure that they are in agreement and to determine whether they are necessary. For example, R.S. 47:1956 requires the LTC to prepare and distribute forms, while R.S. 47:2326 requires the LTC to approve and adopt forms used in property assessment. In addition, R.S. 47:1953 requires businesses to file a sworn statement of the acquisition cost and value of its property, as well as file a sworn statement of the business's earning capacity by January 20 of each year. However, R.S. 47:2324 and R.S. 47:1956 require most of this information by April 1 or 45 days after receipt, whichever is later. The LTC should work to get legislation introduced to clear up all discrepancies.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>17. The LTC should:</b></p> <p>Pursue further legislation and/or regulations requiring that businesses submit an itemized listing of fixed assets, preferably in an electronic format that is readable by the assessors' computers, with their annual self-reporting property tax forms. The legislation should include penalties such as disallowing the exemption for not complying with the requirement.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LTC did not pursue further legislation and/or regulations requiring that businesses submit an itemized listing of fixed assets. This recommendation was <b>not implemented.</b></p>
<p><b>18. The LTC should:</b></p> <p>Ensure that self-reporting property tax forms include detailed instructions and a statement saying that the information reported on the forms is subject to audit.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LTC did not ensure that self-reporting property tax forms include detailed instructions and a statement saying that the information reported on the forms is subject to audit. This recommendation was <b>not implemented.</b></p>
<p><b>19. The assessors should:</b></p> <p>Require that businesses provide all information that is vital for a proper assessment on their tax forms. This information should include a detailed listing of acquisition costs and exempt amounts for each exemption contract, preferably on the itemized listing of fixed assets, and a summary of this information by acquisition year.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LTC did not indicate that assessors require that businesses provide all information that is vital for a proper assessment on their tax forms. This recommendation was <b>not implemented.</b></p>

<p><b>20. The LTC should:</b></p> <p>Adopt policies and procedures that outline how assessors should verify information reported by businesses on self-reporting property tax forms and how they should audit and/or inspect businesses. The policies and procedures should include requirements that:</p> <ul style="list-style-type: none"> <li>• Assessors verify exempt amounts throughout entire contract periods by comparing the information on the self-reporting property tax forms to certain documents, such as the itemized fixed asset listings.</li> <li>• Assessors compare information on the LAT 5-A forms to the DED-approved exemption amounts on the affidavits of final cost and other independently maintained records.</li> <li>• Businesses submit written documentation of all deletions (i.e., salvaging) of exempted property. This documentation would help the assessors verify that deletions are appropriate, as well as appropriately reduce related exemption amounts.</li> <li>• Assessors develop an audit function to audit businesses, especially large businesses that receive industrial property tax exemptions, for the purpose of verifying the accuracy of tax information reported by the businesses to the assessors. The LTC should evaluate the costs associated with this function and determine whether it would be more cost effective to conduct the audits with existing staff or contract for the audit function.</li> <li>• Assessors monitor all exemption contracts to ensure that property is taxed after the contracts expire.</li> <li>• Assessors use electronic means for calculations and other analyses, such as comparing each acquisition year's balances on current tax forms to balances reported on previous years' tax forms.</li> <li>• Assessors investigate significant variances between property balances and assessments reported on tax forms from one year to the next.</li> </ul>	<p><b>Partially to Not Implemented</b></p>	<p><b>Disagree:</b> Some, but not all, of the recommended policies and procedures have been adopted. This recommendation was <b>partially implemented.</b></p>
<p><b>21. The LTC should:</b></p> <p>Work with the DED to require businesses to relate assets on itemized fixed asset listings to assets included in exemption contracts.</p>	<p><b>Fully Implemented (DED response)</b></p>	<p><b>Disagree:</b> DED did not indicate that it is working with LTC as recommended. This recommendation is <b>partially implemented.</b></p>
	<p><b>Partially Implemented (LTC response)</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b><u>Auditor's Overall Evaluation for Recommendation 21</u></b></p>		<p><b>Partially Implemented</b></p>

<p><b>22. The assessors should:</b></p> <p>Start immediately to conduct adequate verification procedures of the information included on the self-reporting property tax forms, including the procedures listed in No. 1 on page 25 of the report.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> There is no indication that assessors have adopted written, consistent policies and procedures related to data verification, including the procedures listed in No. 1 on page 25 of the report. This recommendation was <b>not implemented</b>.</p>
<p><b>23. The LTC should:</b></p> <p>Adopt policies and procedures that require assessors to:</p> <ul style="list-style-type: none"> <li>• Value real commercial/industrial property uniformly and correctly through the use of the Marshall &amp; Swift Valuation tables, if cost is the basis for valuation.</li> <li>• Document all valuations in enough detail to be defensible if challenged.</li> </ul>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>24. The LTC should:</b></p> <p>Conduct a cost-benefit analysis to determine if the cost of hiring professional contract appraisers who would use complex International Association of Assessing Officers valuation standards would benefit Louisiana by increasing the revenues collected.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>25. The LTC should:</b></p> <p>Pursue legislation to amend R.S. 47:2321 to change the definition of fair market value from “highest price estimated” to “most probable price” as recommended by the International Association of Assessing Officers standards.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>26. The LTC should:</b></p> <p>Consider revising the cost multipliers for computer equipment and other property with similar life cycles to promote the calculation of actual fair market value.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>27. The LTC should:</b></p> <p>Adopt policies and procedures related to discovery of business property, provide training to the assessors on these policies and procedures, and ensure that the assessors use the policies and procedures.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>28. The LTC should:</b></p> <p>Periodically review parish assessment rolls to ensure that all taxable property is included. This process should be a part of a larger statewide audit program, which could potentially increase local revenue.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>

<p><b>29. The LTC should:</b></p> <p>Evaluate R.S. 47:1959 to determine whether the information that the State Land Office is required to provide is useful to assessors in the discovery process. If it is useful, the LTC should require assessors to use the information in their discovery practices. If the information is not relevant, the LTC should pursue legislation to revoke the law.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to consider amending R.S. 47:1502 to require the Department of Revenue to include industrial property tax audits within the scope of its responsibilities.</p>	<p><b>None</b></p>	
<p>2. The legislature may wish to consider amending R.S. 47:2324 to specify that tax forms are due on a certain date regardless of when the businesses receive them.</p>	<p><b>None</b></p>	
<p>3. The legislature may wish to consider enacting legislation that requires businesses to submit itemized fixed asset listing to local tax assessors with their tax forms each year.</p>	<p><b>None</b></p>	
<p>4. The legislature may wish to consider enacting legislation to amend R.S. 47:2321 to change the definition of fair market value from “highest price estimated” to “most probable price” as recommended by the International Association of Assessing Officers standards.</p>	<p><b>None</b></p>	

*Residential Tax Assessment Practices*

April 2003

The purposes of this examination were to determine if:

- Residential property assessments are updated at least once every four years
- Properties are assessed in accordance with statutory provisions of cost or market
- A system is in place to ensure that all properties appear on the tax rolls
- Homestead exemption laws are consistently applied
- There are duplicate homestead exemptions

Recommendations	Entity's Response	Auditor's Evaluation
<p><b>1. Recommendations for Assessors:</b></p> <p>All tax assessors should adhere to the requirements of Article VII, Section 18(F) of the Louisiana Constitution of 1974, as amended. The assessors should ensure that all properties subject to ad valorem taxation are updated at four-year intervals as required.</p>	<b>Fully Implemented</b>	<b>Unable to determine due to time constraints for further audit work to be performed</b>
<p><b>2. Recommendations for Assessors:</b></p> <p>The tax assessors should work with parish taxing bodies to secure and implement the appropriate technology and other resources (including staff) to collect the needed information on all properties in the parish.</p>	<b>Partially Implemented</b>	<b>Unable to determine due to time constraints for further audit work to be performed</b>
<p><b>3. Recommendation for Louisiana Tax Commission (LTC):</b></p> <p>The LTC should develop written policies and procedures for conducting reassessments, including a mechanism that ensures that all properties in the parish are updated. These policies and procedures should be used by all tax assessors.</p>	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>
<p><b>4. Recommendations for Assessors:</b></p> <p>All tax assessors should adhere to the requirements of Article VII, Section 18 of the Louisiana Constitution of 1974, as amended. The assessors should ensure that all properties subject to ad valorem taxation are assessed to fair market value.</p>	<b>Partially Implemented</b>	<b>Unable to determine due to time constraints for further audit work to be performed</b>

<p><b>5. Recommendations for Assessors:</b></p> <p>Assessors should develop and maintain documentation of their valuations and how they are calculated. Documentation is important in order to show taxpayers how an assessed value was reached. Without the documentation, it can appear the assessor arbitrarily assigned an assessed value, rather than uniformly assessing property as required by the Article VII, Section 18(D) of the state constitution.</p>	<p><b>Partially Implemented</b></p>	<p><b>Unable to determine due to time constraints for further audit work to be performed</b></p>
<p><b>6. Recommendations for Assessors:</b></p> <p>All tax assessors should adhere to the requirements of R.S. 47:2324. The assessors should gather all data necessary to properly determine the fair market value of all property subject to ad valorem taxation in the parish or district. In addition, the assessors should ensure that the data are current and accurate.</p>	<p><b>Partially Implemented</b></p>	<p><b>Unable to determine due to time constraints for further audit work to be performed</b></p>
<p><b>7. Recommendations for LTC:</b></p> <p>The LTC should prepare and issue guides for the use of local assessors including appraisal manuals that offer specific guidance on assessing properties at fair market value using the market and cost methods in accordance with R.S. 47:1837(D)(2). The International Association of Assessing Officers issues standards and guides that the LTC could use to develop appraisal manuals. These guides will help ensure that property is assessed uniformly throughout the state.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LTC did not provide any documentation of efforts to prepare and issue guides for the use of local assessors including appraisal manuals. This recommendation was <b>not implemented</b>.</p>
<p><b>8. Recommendations for LTC:</b></p> <p>The LTC should monitor the local tax assessors to ensure that they are not willfully negligent or unfair in the assessment of property or in omitting it from the rolls. If LTC finds that an assessor has been willfully negligent or unfair, the LTC should publicly reprimand the assessor or institute removal proceedings through the attorney general as provided for in R.S. 47:1957(G).</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>9. Recommendations for Assessors:</b></p> <p>In accordance with R.S. 47:1956(A)(2), all assessors should obtain the proper forms from the LTC to send to all property owners in the parish to obtain sworn property listings.</p>	<p><b>Partially Implemented</b></p>	<p><b>Unable to determine due to time constraints for further audit work to be performed</b></p>
<p><b>10. Recommendations for Assessors:</b></p> <p>All assessors should work with their local taxing bodies under the provisions of R.S. 33:4713 to acquire the necessary resources for digital mapping systems. Where possible, assessors should take advantage of the aerial photography provided by the Louisiana Graphic Information Center under the direction of the Louisiana Geographic Information Systems Council.</p>	<p><b>Not Implemented</b></p>	<p><b>Unable to determine due to time constraints for further audit work to be performed</b></p>

<p><b>11. Recommendations for LTC:</b></p> <p>In accordance with R.S. 47:1956(A)(2), the LTC should devise and send to all assessors uniform forms for property owners to list all of their property in a parish and return to the tax assessor. These forms should include an oath that the property owner signs stating that the list is complete and accurate.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> LTC did not indicate that forms have been devised and sent to all assessors. This recommendation was <b>not implemented.</b></p>
<p><b>12. Recommendations for LTC:</b></p> <p>The LTC should provide formal guidance to the assessors on how they can ensure that all properties appear on the tax roll.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p><b>13. Recommendation for Assessors:</b></p> <p>Assessors should follow the provisions in the constitution, state law, and the administrative code when granting homestead exemptions.</p>	<p><b>Partially Implemented</b></p>	<p><b>Unable to determine due to time constraints for further audit work to be performed</b></p>
<p><b>14. Recommendations for LTC:</b></p> <p>The LTC should publish a guide to homestead exemption situations in accordance with its responsibilities under R.S. 47:1837. This guide should include when properties qualify as homesteads in situations such as when living parents transfer land to their children, separated couples, use value land and trust situations.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> LTC issued a memo clarifying how the homestead exemption was to be applied. However, it later issued a moratorium on the memo. This recommendation was <b>not implemented.</b></p>
<p><b>15. Recommendations for LTC:</b></p> <p>Should the legislature choose to clarify the definition of “any person” as mentioned in Article VII, Section 20(A) of the state constitution, the LTC should then amend the Louisiana Administrative Code to address the issue of granting homestead exemptions for properties owned in division (by two or more unmarried persons) when the property is their primary residence.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>16. Recommendations for Assessors:</b></p> <p>All assessors should adhere to the requirements of Article VII, Section 20 of the Louisiana Constitution, as amended. The assessors should obtain social security numbers of property owners to ensure that they receive only one homestead exemption as allowed by the constitution and the administrative code.</p>	<p><b>Partially Implemented</b></p>	<p><b>Unable to determine due to time constraints for further audit work to be performed</b></p>
<p><b>17. Recommendations for Assessors:</b></p> <p>The assessors should work with the LTC on developing and using a uniform statewide database that can be used to store property description information. The database should include unique identifiers, such as social security numbers, as a method to track property owners in the state.</p>	<p><b>Partially Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation</b></p>

<p><b>18. Recommendations for LTC:</b></p> <p>The LTC should develop and implement a statewide electronic database that can be used by all assessors to store property description information. The database should include unique identifiers, such as social security numbers, as a method to track property owners statewide.</p>	<p><b>Partially Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation</b></p>
<p><b>19. Recommendations for LTC:</b></p> <p>The LTC should ensure that change orders are only certified for allowable changes. For instance, LTC should verify that a property being changed from taxable to homestead exempt qualifies for a homestead exemption.</p>	<p><b>Partially Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation</b></p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to amend or repeal R.S. 47:1966(B). This statute requires LTC staff to inspect each property of the state and determine if a property appears on the tax rolls. This effort could be cost prohibitive. In addition, R.S. 47:1958(C) already requires the assessor to visit each property in his/her parish.</p>	<p><b>None</b></p>	
<p>2. The legislature may wish to consider whether bond for deed buyers should be entitled to a homestead exemption. If the legislature wishes these buyers to receive this benefit, then it must do one of the following:</p> <ul style="list-style-type: none"> <li>• Amend the civil code to redefine ownership to include the status of a bond for deed buyer, or</li> <li>• Propose an amendment to Article VII, Section 21 of the state constitution to include bond for deed buyers.</li> </ul>	<p><b>None</b></p>	
<p>3. The legislature may wish to consider enacting legislation that either grants or denies homestead exemptions on land classified as use value.</p>	<p><b>None</b></p>	
<p>4. The legislature may wish to more clearly define “any person” as mentioned in Article VII, Section 20(A) of the state constitution, for purposes of granting homestead exemptions to properties owned by two or more unmarried persons when the property is their primary residence.</p>	<p><b>None</b></p>	

<p>5. The legislature may wish to institute measures that hold the LTC more accountable for its duty of ensuring that tax assessors are applying the laws of the state relative to homestead exemption uniformly. In addition, these measures should ensure that all property owners of the state are treated the same among parishes.</p>	<p style="text-align: center;"><b>None</b></p>
<p>6. The legislature may wish to consider whether to address the issue of locally elected assessors reporting to a state appointed commission. The LTC may not have or be able to fully exercise its power to require assessors to obtain and use the necessary equipment to ensure that an effective statewide database can be designed and implemented.</p>	<p style="text-align: center;"><b>None</b></p>

**Louisiana Public Service Commission**  
April 2003

The objectives of this audit were to determine if the Louisiana Public Service Commission:

- Exercises appropriate oversight over electric and gas public utilities to ensure fair and reasonable rates
- Ensures that the fees and rates the Mississippi River pilots charge the shipping companies are “reasonable and just” as required by law

Recommendations	Entity’s Response	Auditor’s Evaluation
1. The Louisiana Public Service Commission (LPSC) should ensure that for all aspects of the rate setting process, written procedures are developed and followed. The development and use of these written procedures will help to ensure complete and consistent rate reviews and will reduce the chances of diminished productivity in the event of staff turnover.	<b>Fully Implemented</b>	<b>Disagree:</b> The Economics Division at LPSC does not have a written procedure for rate setting. This recommendation was <b>not implemented.</b>
2. The LPSC should develop policies and procedures that establish a systematic plan that requires staff to determine if rates are appropriate through the following: <ul style="list-style-type: none"> <li>• Review of annual financial reports to ensure company profit is within approved range</li> <li>• Review of financial information to ensure that only allowable expenses are included in rate setting analysis</li> <li>• Periodic review of ratepayer bills to ensure that utilities are charging correct rates</li> </ul>	<b>Fully Implemented</b>	<b>Disagree:</b> The LPSC did not indicate that policies and procedures have been developed that establish a systematic plan regarding appropriate rates. This recommendation was <b>not implemented.</b>
3. The LPSC should add specific criteria to requests for proposal used in the selection process, addressing the expected scope, timeliness, and methodology of work to be provided by consultants and outside counsel.	<b>Fully Implemented</b>	<b>Agree: Fully Implemented</b>
4. The LPSC should develop a consultant and outside counsel evaluation plan, using requests for proposal requirements regarding the scope, timeliness, and methodology of work provided as criteria to measure the quality of work provided.	<b>Not Implemented</b>	<b>Agree: Not Implemented</b>

<p>5. The LPSC should conduct a cost-benefit study to determine whether work currently outsourced to consultants and outside counsel could be more efficiently and effectively performed by LPSC staff. LPSC should consider further developing existing staff qualifications through training so that more complex rate reviews can be conducted by LPSC staff instead of by consultants and outside counsel. If deemed necessary, LPSC should ask the Department of Civil Service to conduct job analyses on targeted LPSC positions to determine if existing education and experience classifications, and thus, the associated pay levels, are sufficient for the desired work to be performed.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LPSC has not conducted a cost-benefit study. This recommendation was <b>not implemented</b>.</p>
<p>6. The LPSC should follow its own policy and only hire consultants and outside counsel when the LPSC staff do not have the resources or expertise to handle a rate review. This lack of resources and/or expertise should be documented in a format readily available for public review.</p>	<p><b>Fully Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation.</b></p>
<p>7. The LPSC should develop and implement procedures to review the consultant billings. These procedures should include a review by LPSC staff knowledgeable with regard to the particular work done. In addition, to strengthen controls over the payment process, the LPSC should require utility companies to submit payments for consultants to the LPSC. The LPSC could then pay the consultants.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> Utilities continue to pay consultants directly rather than going through the LPSC as recommended. This recommendation was <b>partially implemented</b>.</p>
<p>8. The LPSC should conduct all two-year audits of monthly adjustment filings for electric and gas utilities as required by LPSC General Orders dated November 6, 1997, and March 24, 1999.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>9. The LPSC should amend the General Order dated March 24, 1999, to require audits of all Group II and Group III gas utilities in addition to the audits already required of Group I gas utilities. Because of the smaller size of Group II and Group III utility companies, it may not be necessary to audit them as often as Group I utilities, and the LPSC should set the appropriate time frame for these audits.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The order has not been amended to require audits of all Group II and Group III gas utilities. This recommendation was <b>not implemented</b>.</p>
<p>10. The LPSC should require all Group III gas utilities to file adjustments at least once every six months as required by the General Order dated March 24, 1999. The LPSC should enforce this requirement and implement penalties if necessary to ensure compliance of utilities.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LPSC has not changed its enforcement efforts but indicated that they will try to ensure companies adhere to policies. This recommendation was <b>partially implemented</b>.</p>
<p>11. The LPSC should develop and implement detailed written policies and procedures to document the process LPSC staff shall use when they review the monthly adjustments filed by the utility companies.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>

<p>12. The LPSC should enforce the General Orders that require utilities to provide all documentation necessary to conduct comprehensive reviews of monthly adjustment filings and implement penalties if necessary to ensure compliance of utilities. The LPSC also should amend its General Order dated March 24, 1999, to require invoices for all gas adjustments.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>13. The LPSC should require the utilities to file required documentation regarding affiliate transactions and properly review affiliate transactions as required by the General Orders. The LPSC should enforce this requirement and implement penalties if necessary to ensure compliance.</p>	<p><b>Fully Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation</b></p>
<p>14. The LPSC should require all invoices and support documentation necessary for staff to ensure costs passed through to the ratepayers are allowable under the General Orders. The LPSC should enforce this requirement and implement penalties if necessary to ensure compliance of utilities.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LPSC has not changed its enforcement efforts. This recommendation was <b>partially implemented</b>.</p>
<p>15. The LPSC should require sufficient invoices that match and support all costs passed to ratepayers. If all costs passed to ratepayers do not have supporting invoices, the LPSC should require sufficient supporting documentation to be able to determine that the costs passed to ratepayers are accurate and allowable.</p>	<p><b>Fully Implemented</b></p>	<p><b>Agree: Fully Implemented</b></p>
<p>16. The LPSC should request the Department of Civil Service to conduct a staffing study to determine if current compensation levels for fuel and gas adjustment personnel are equitable considering the amount/type of work that is done in order to attract and retain qualified employees. The LPSC should also consider enhancing the qualifications of fuel and gas adjustment staff through formal training and hiring of staff.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LPSC has not conducted a staffing study or enhancing the qualifications of staff since the audit. This recommendation was <b>not implemented</b>.</p>
<p>17. The LPSC should institute its own management controls regarding the types of benefits LPSC staff can accept from the entities it regulates. These controls should ensure that the public perceives the LPSC's role in utility regulation as one of independence and objectivity. The LPSC should consult with the Louisiana Board of Ethics when creating these controls and should consult with the board on any matters that may be violations.</p>	<p><b>Partially Implemented</b></p>	<p><b>Agree: Partially Implemented</b></p>
<p>18. The LPSC staff should revise the survey methodology to adjust the salary amounts for differences between the pilot associations. The LPSC should then adjust the Mississippi River pilots' target salaries to reflect the average salary amount found in the survey, adjusted for the cost of living.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>

<p>19. The LPSC should adjust the Mississippi River pilots' initial target salary using the consumer price index instead of the negotiated percentages.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LPSC has not remedied the questionable methods used to set the initial target salary. This recommendation was <b>not implemented</b>.</p>
<p>20. The LPSC should revise the Automatic Tariff Rate Adjustment Mechanism (ATRAM) to ensure that pilot associations are minimizing expenses.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>21. The LPSC should issue an order that defines the term "ordinary and necessary operating expenses" and list the expenses that it will allow when establishing a pilot association's fees and rates.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p>22. The LPSC should require source documentation for all pilot association expenses. Furthermore, the LPSC should disallow the charges for "union dues," "interest on working capital," and "pilot reimbursement expenses" until the respective associations can justify their existence.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LPSC has not changed its allowance of questionable expenses. This recommendation was <b>not implemented</b>.</p>
<p>23. The LPSC should develop policies and procedures that address the process its audit staff should follow when reviewing the ATRAM filings, the process for reconciling errors, and the time frame for completing the review.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LPSC provided no evidence that the policies and procedures have been developed. This recommendation was <b>not implemented</b>.</p>
<p>24. The LPSC should review the ATRAM filings in a timely manner and prohibit the pilot associations from adjusting their fees and rates until these adjustments are reviewed by the Auditing Division.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LPSC provided no evidence that it reviews the ATRAM filings in a timely manner and prohibits the pilot associations from adjusting their fees and rates until these adjustments are reviewed by the Auditing Division. This recommendation was <b>not implemented</b>.</p>
<p>25. The LPSC audit staff should conduct ATRAM reviews in a timely manner to ensure that rate adjustment errors are not passed on to the shipping companies.</p>	<p><b>Fully Implemented</b></p>	<p><b>Unable to determine due to insufficient documentation</b></p>
<p>26. The LPSC's audit staff should adequately review the ATRAMs for errors and require the re-submission of erroneous ATRAMs by the pilot associations when they are discovered.</p>	<p><b>Partially Implemented</b></p>	<p><b>Disagree:</b> The LPSC provided no evidence that its audit staff adequately reviews the ATRAMs for errors and requires the re-submission of erroneous ATRAMs by the pilot associations when they are discovered. This recommendation was <b>not implemented</b>.</p>

<p>27. The LPSC should include in its order for each association a requirement for source documentation that the pilot associations must provide regarding the expenses they passed on to shippers. These orders should also define the concept of “ordinary and necessary operating expenses” and list only those expenses the LPSC allows when establishing a pilot association’s fees and rates.</p>	<p><b>Fully Implemented</b></p>	<p><b>Disagree:</b> The LPSC has not issued any orders requiring documentation and defining “ordinary necessary operating expenses.” This recommendation was <b>not implemented</b>.</p>
<p>28. The LPSC should incorporate a mechanism to ensure that adjustments to tariff rates are representative of changes in shipping activity.</p>	<p><b>Not Implemented</b></p>	<p><b>Agree: Not Implemented</b></p>
<p><b>Matters for Legislative Consideration</b></p>	<p><b>Summary of Related Legislative Instruments</b></p>	
<p>1. The legislature may wish to consider legislation that would allow the LPSC to directly charge the utilities reviewed for the cost of using in-house staff to perform rate review analyses and the related legal proceedings similar to the provisions that allow payments to consultants.</p>	<p><b>None</b></p>	
<p>2. The legislature may wish to consider the role of ethics in state government regulatory activities and make modifications to existing ethics law by instituting more stringent limitations on the amounts and types of expenses that LPSC commissioners and staff may receive from regulated companies. The legislature may wish to modify R.S. 42:1115 to reflect these limitations on elected officials of all regulatory agencies. These limitations should ensure that the public perceives the LPSC’s regulatory role and the role of all officials of regulatory agencies as one that is independent and objective.</p>	<p>The LPSC members voted to self-impose ethical restrictions on themselves and staff that are stricter than those found in the Louisiana Code of Ethics. The LPSC plans to request that these rules be incorporated into the Code of Ethics in the next legislative session.</p>	
<p>3. The legislature may wish to consider amending R.S. 34:1121 to give full regulatory authority over the state-commissioned river pilots to the LPSC.</p>	<p><b>None</b></p>	
<p>4. The legislature may wish to consider revising R.S. 34:1122(B) to define the term “state ship pilot” and to specifically include the salaries of the other Louisiana river pilots when determining fair average annual pilot compensation as these pilots provide more comparable pilotage services to those provided by the Mississippi River pilots than do other states.</p>	<p><b>None</b></p>	