

# LEGISLATIVE AUDIT ADVISORY COUNCIL

## Minutes of Meeting May 21, 2008

A meeting of the Legislative Audit Advisory Council was held on Wednesday, May 21, 2008, in House Committee Room 3 of the State Capitol Building in Baton Rouge, Louisiana.

### CALL TO ORDER AND ROLL CALL

Representative Noble Ellington called the meeting to order at 8:40 a.m. A quorum was present with the following members in attendance:

#### Members Present

Senator Nick Gautreaux  
Senator Ed Murray, Vice Chairman  
Senator Ben Nevers  
Representative Noble Ellington, Chairman  
Representative Charles Kleckley  
Representative Anthony Ligi  
Representative Cedric Richmond

#### Members Absent

Senator Willie Mount  
Senator John Smith  
Representative Neil Abramson

### APPROVAL OF MINUTES

Copies of the minutes for the meeting of March 20, 2008, were previously mailed to Council members for review. A motion was made by Senator Murray that the minutes for March 20, 2008, be approved as read. The motion passed without objection.

### HB 1 AND 2 EXTENSION REQUESTS

Ms. Joy Irwin, Director of Advisory Services for the Legislative Auditor's Office, presented the Council with a list of entities who have requested audit extensions for the first time under HB 1 and HB 2. Those entities are: Town of St. Joseph; Concordia Parish Constable, District 5A; Avoyelles Progress Action Committee; Bossier Parish Fire Protection District No. 3 (for 2006 and 2007 audits); Galvez-Lake Volunteer Fire Department; Housing Authority of East Baton Rouge Parish; Housing Authority of Lafayette; Housing Authority of Slidell; Madison Parish Justice of the Peace, District 7 & 8; Winn Parish Justice of the Peace, Ward 4, District 9; Advocacy Center; Efforts of Grace; Louisiana Charter Boat Association; and O'Brien House. Ms. Irwin informed the Council that the Legislative Auditor's Office has granted these requests for extensions and requested that the Council confirm approval of these extensions.

Ms. Irwin said there are six entities that received approval for first-time extensions and are now requesting additional extensions. Those entities are: City of Winnfield; Town of Vidalia; Housing Authority of New Orleans (for 2006 and 2007 audits); Louisiana Health & Rehab Center, Inc.; Louisiana Health & Rehab Options; and The Extra Mile Region VII, Inc. Ms. Irwin said these requests must be approved by the Council and representatives were present to explain their reasons for requesting additional extensions.

#### City of Winnfield

Mayor Deano Thornton of the City of Winnfield informed the Council that their auditing firm of 15 years retired and the city had to engage another auditing firm late in the year. He said it is his understanding that the audit is finished and is being put in the final report form and requested an extension date of June 10, 2008.

#### City of Vidalia

Mr. Ken Walker, City Manager of the City of Vidalia, said the previous city manager passed away and caused the city to be late to create the records. Once the records were created, it was the tax season and the CPA firm was not able to begin the audit. Now that the

tax season is over, the CPA firm's auditors are on-site and have put two weeks into the audit. Mr. Walker said he was told that the audit would be finished by the end of next month so the city is asking for an extension until June 30, 2008.

Louisiana Health & Rehab Center, Inc. and  
Louisiana Health & Rehab Options

Mr. Tommy LeJeune, an audit partner with the firm of Faulk & Winkler, LLC, said his firm has been engaged to conduct the audits of Louisiana Health & Rehab Center and Louisiana Health & Rehab Options. These entities experienced a fire close to their fiscal year end date so assembling the records has been problematic. He said his firm was engaged at the end of March and they were busy with tax returns and did not begin the audit until the latter part of April. Mr. LeJeune said he has met with the Legislative Auditor's Office on certain issues that they have encountered and has kept that office apprised as to the status. He said he does not expect there to be a continuing problem in future years and that his firm makes their deadlines. Ms. Soundra Temple of Louisiana Health & Rehab Center said the fire is the only reason that the entity is late with their audit. She said they have been in business for many years and this is the firm time that they have had this kind of issue.

Housing Authority of New Orleans

Mr. Peter Lopez, CPA, Controller for the Housing Authority of New Orleans, said he had hoped to have the 2006 audit finished by May 15, 2008, but they did not hit the target; however, they are very close. A draft report was received last Friday and is in the review process. He said he is confident that the report will be completed by the end of May, but because unanticipated situations may occur, the housing authority is requesting an extension through June 15, 2008. Mr. Lopez said that as a result of this delay, the housing authority is requesting an additional month extension on the 2007 audit, which is supposed to begin as soon as the 2006 audit is finished.

The Extra Mile Region VII, Inc.

No representative was present at the meeting from The Extra Mile Region VII; however, a letter was sent to Representative Ellington by Senator Lydia Jackson explaining that the region has experienced the turnover of key management positions, including three executive directors in one year. The current director has only been with the region since January 2008. In addition, during a recent move to a new location, important records were misplaced and had to be located. Senator Jackson asked for the Council's assistance in obtaining an extension until July 31, 2008, for the completion of the region's 2006 and 2007 audits.

A motion was made by Senator Murray that the Council confirm approval of those extension requests that were granted by the Legislative Auditor for those entities requesting an extension for the first time. The motion passed without objection. Senator Murray also made a motion that the Council grant approval of those entities requesting an additional extension request. The motion passed without objection.

**PLAQUEMINES PARISH GOVERNMENT**

Mr. Dan Daigle, Assistant Legislative Auditor and Director of Compliance Audit, presented the findings contained in the compliance audit of the Plaquemines Parish Government that was issued April 23, 2008. He said the auditors looked at five principal areas: the Probation Fund Account, traffic citations, travel reimbursements, the general control environment of the agency, and the payroll and leave practices.

Mr. Daigle said Division A has an active misdemeanor probation program, which generates fees that are put into the Probation Fund Account. In their examination, the auditors noted that the probation funds were not deposited in all cases. The account was approximately \$10,000 short. The deposits were not timely made. Cash and personal checks were collected for probation fees, even though the Court has a policy of only collecting cashier's checks and money orders. Probation records were routinely destroyed by the court officers. Probation fees were set too low. According to statute, the fees should be between \$55.50 and \$105.50. The court established \$40 as the fee, which means that over the course of a year, the court could have collected another \$7,700. Community service fees were not listed as a condition of probation, which, by statute, is required.

The auditors looked at traffic citations for the period January 2005 through June 2007. It was noted that about 109 citations were reduced, which amounted to \$14,526 during that time period. Mr. Daigle said this was done by an unauthorized court employee. The lead probation

officer, Mr. Rodney Penton, would routinely reduce the fines and was responsible for reducing citations amounting to approximately \$9,100. There was judicial approval for about \$3,300 of reductions, but the approval was not in writing.

The auditors looked at the judges' travel reimbursements relative to the Summer School for Judges, which is an annual conference in San Destin, Florida that allows judges to earn continuing legal education credits. In a three-year period, from June 2005 through June 2007, Judge Roe was reimbursed \$9,344 for three trips. There was about \$9,600 that Judge Roe personally benefited from by double reimbursement. The other \$3,100 was for an extension beyond the end of the continuing education, which the judge did not have support for in his records as to the public purpose for other expenditures.

Regarding the general control environment, the auditors noted five primary areas of deficient internal controls. Purchases were made in possible violation of state law. Court A was using the Probation Account to spend funds for Christmas parties and car washes. The probation fees should, by statute, go to defray the cost of the probation program. There was a lack of receipts for purchases, such as meals and car washes. Over a two and a half year period, about \$69,000 was expended. Approximately \$25,000 of that amount had poor documentation as to the purpose of the expenditures. There was a lack of established policies and procedures, primarily regarding capital assets inventory control. There was a lack of purchasing receipts, primarily for computer purchases. Deposits were made in possible violation of Louisiana law. Bond surety fees were given to the court by the sheriff who collects the fees. However, these funds were deposited into a Bond Fund Account when they should have been deposited, by law, into the Criminal Court Account. The court has four accounts. The Criminal Court Fund is audited during the Plaquemines Parish Government's audit. The Probation Fund Account, the Bond Fund Account, and the fund account from FEMA were not audited by the parish or by the court.

Finally, the auditors looked at the payroll and leave practices of the parish as a whole. The court has payroll practices that differ from the parish; however, all of the court employees, except for the two judges, are parish employees. It was found that there was a lack of documentation to support leave and any accrued leave that the employees may have. In addition, the Coroner's Office and Registrar of Voter's Office had fairly weak controls to document the time employees worked and leave accruals.

Mr. Steve Theriot, Legislative Auditor, informed the Council that the following individuals were invited to this meeting to discuss the report: Judge Anthony Ragusa; Judge William Roe; Judge Robert Klees, Supernumerary Judge Pro Tem; Mr. William Nungesser, President of the Plaquemines Parish Government; and Mr. Jerry Hodnett, Chairman of the Plaquemines Parish Council. He said that Judge Roe submitted a letter stating that he was not going to attend the meeting today and there has been no word from Judge Ragusa. Mr. Nungesser was present, as well as Councilman Burghart Turner representing Mr. Hodnett. Mr. Theriot said Judge Klees was also present and explained that he was appointed by the Supreme Court to oversee the operations of the court.

Judge Klees informed the Council that he received a call from the Supreme Court on May 1, 2008, asking if he would accept an appointment as a supernumerary judge, which means that he would go in and do administrative work in the court. He said he met with the judges on May 7 and they were very cooperative and took time away from their court to meet with him. He said the audit report has gotten their attention and the judges have promised him that they will do whatever they can to get this straight. Judge Ragusa has already put some practices in place and responded to the findings in the report. Judge Klees said for some reason Judge Roe did not respond to the report. He said he has met with the President, Financial Officer, and Internal Auditor of Plaquemines Parish Government. They have all assured him that they will do whatever it takes to get this matter straightened out. Judge Klees said he has also talked to the accounting firm of Bourgeois Bennett about conducting an audit and setting some compliance manuals in place so this does not happen again.

Representative Richmond asked if the report was sent to all of the necessary authorities. Mr. Theriot replied yes, and said it is his understanding that the judicial council is reviewing the report. The report was also sent to the District Attorney of Plaquemines Parish who has recused himself and referred the matter to the Attorney General. Representative Richmond asked if the probation fees have been set at the appropriate amount established by law, rather than the \$40 fee. Judge Klees said that Judge Ragusa informed him that he was already putting into place some policies and had issued a letter saying that there would be no verbal reductions in fines. He said once he has the audit and a policy manual, all of the corrective actions will be incorporated in the manual.

Senator Murray said he feels it is important for the judges referenced in the report to, at some point, appear before this Council to respond to the findings. He said it has been the policy of the Council in the past to subpoena those persons who have been invited to the meeting and who did not appear. Senator Gautreaux agreed that the Council needs to be consistent in its policies. He also said he would like to have the lead probation officer appear before the Council to explain the finding concerning funds that were not deposited in the Probation Fund.

A motion was made by Senator Gautreaux that the Council subpoena Judge Anthony Ragusa, Judge William Roe, and Mr. Rodney Penton to appear at the next meeting of the Council. The motion passed without objection.

Mr. Nungesser said he has been in office for about a year and a half and he welcomes the audit and working with Judge Klees to put policies and procedures in place. He said, historically, the parish government has given funds to the judges and has never really had oversight in that area. He said the parish government is going to work with Judge Klees and said he has agreed to go to the parish council to fund the oversight and policies and procedures that Judge Klees wants to put in place and make sure that those procedures and policies are followed.

**EXECUTIVE SESSION**

The Council went into executive session at 9:20 a.m. to discuss a threat of litigation. Representative Ellington declared the public meeting back in session at 9:35 a.m.


As a result of the discussion held during executive session, a motion was made by Senator Murray that the Council issue a subpoena to the Department of Insurance directing the department to provide information to the Legislative Auditor and that the Legislative Auditor decide a reasonable return date for that information. The motion passed without objection. A second motion was made by Senator Murray that the Council subpoena the Commissioner of Insurance and the people that the Legislative Auditor determines is responsible for deleting certain information to appear at the next meeting of the Council. The motion passed without objection.


**ADJOURNMENT**


There being no further business, a motion was made by Representative Kleckley that the meeting adjourn at 9:40 a.m. The motion passed without objection.

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APPROVED BY:

  
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REPRESENTATIVE NOBLE ELLINGTON  
CHAIRMAN

  
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STEVE J. THERIOT  
SECRETARY

  
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DATE