

# LEGISLATIVE AUDIT ADVISORY COUNCIL

## Minutes of Meeting December 16, 2010

A meeting of the Legislative Audit Advisory Council (LAAC) was held on Thursday, December 16, 2010, in Senate Committee Room E of the State Capitol.

### CALL TO ORDER AND ROLL CALL

Senator Murray called the meeting to order at 1:35 p.m. A quorum was present with the following members in attendance:

#### Members Present

Senator Nick Gautreaux  
Senator Edwin Murray, Chairman  
Senator Ben Nevers  
Senator Willie Mount  
Representative Noble Ellington, Vice Chairman  
Representative Charles Kleckley  
Representative Anthony Ligi

#### Members Absent

Senator John Smith  
Representative Cameron Henry  
Representative Ledricka Thierry

### LIVINGSTON PARISH COUNCIL

Ms. Joy Irwin stated that the audit opinion by Hannis T. Bourgeois on the Livingston Parish Council was not a clean opinion. There was an adverse opinion for not including component units, a technical requirement of the auditing standards and the Governmental Accounting Standards. The auditor could not get the necessary documents to modify his opinion regarding the hurricane debris cleanup. The audit pointed out compliance issues that the government did not meet as related to the federal funds that went into the parish.

Ms. Irwin expressed her concerned over the 44 internal control and compliance findings, which the majority of those findings dealt with accounting for transactions in the parish. The auditor found numerous significant errors and recommended the parish improve their internal control process. The levy of the library tax was to pay off debt service but the auditor found that they had accumulated a fund balance which meant the parish over levied that particular tax. The parish reduced the amount of the levy for the current and subsequent years, but they continue to levy a tax. The last finding in the report references a compliance audit by LLA on the debris removal as related to Hurricane Gustav. Dan Daigle, Director of Compliance Audit, said they were asked by the administration of Livingston Parish to review the debris removal contracts.

Mike Grimmer, Livingston Parish President, said he initially asked the Legislative Auditor to review the debris contracts, and stated the numbers were up to \$80 million and found that much of the debris was ineligible. That was in debate and in appeals and continues to be an ongoing issue. Mr. Grimmer said they were unable to explain their estimated amount owed and because unable to provide backup, the independent auditor gave them a finding. The Legislative Auditor sited in their audit that most of the debris removal to be ineligible and likewise FEMA found the same.

Mr. Grimmer stated he did not agree with many of the findings but would address them. He said a new CPA/treasurer was to start work on January 3<sup>rd</sup>. He said they needed more employees to assist with bookkeeping because Livingston Parish is one of the fastest growing parishes in Louisiana. Don Wheat, Chairman of the Livingston Parish Council, said it was the first mention of needing additional people, but the 2011 budget had just been approved. Mr. Grimmer said surrounding parishes have three to four CPA's and his parish only has one.

Thomas Watson, Chairman of the Finance Committee for Livingston Parish Council, said this audit provided a roadmap on how to transition Livingston Parish from a small to a large parish. Mr. Watson said that Hannis T. Bourgeois suggested they have two CPA's, and supported the need for a new CPA and to increase the compensation for the CPAs. He said they can fix the problems and just completed a new governmental building to house the personnel properly with room to expand the accounting department.

Mr. Grimmer explained FEMA's determinations on the eligibility of expenses, and discussed the outstanding bills with monitoring firms and contractors. Mr. Grimmer said if they would have paid the contractors, and faced the audit, then they would have owed the money to FEMA, which is the reason he requested the audit prior to paying and found a lot of ineligibility. Therefore the parish is not obligated the money at this point, otherwise they would be paying back \$64 million that they do not have. For any bills determined eligible expenses, the parish pays it and gets reimbursed by FEMA.

They discussed the choosing of the next independent auditor and the benefit of using the same auditor as they work to resolve the findings. Mr. Wheat said the council will make the decision at the council meeting on Monday night.

## **EXTENSION REQUESTS**

### **City of Gretna**

Mayor Ronnie Harris stated some unique situations that the City of Gretna encountered caused them to come before the council. Ms. Karen Craig, Certified Public Accountant and new Finance Director, experienced her first audit and is learning the governmental accounting. They recently updated their accounting system. The council was not satisfied with the auditor because unsure of a particular fund reported in the audit since 1990. Mayor Harris said he had been mayor since 1985 and has the utmost confidence in the auditor who has been there over 20 years. He said the council tried to fire the auditor without his recommendation. Due to the political uncertainty of whether the auditor would complete the audit caused the delays compounded with the before mentioned issues.

Mayor Harris said the previous late audits were mainly contributed to Hurricane Katrina, but not sure of any other reason. Senator Gautreaux suggested to the auditor to include the reason for the late reports if related to the hurricanes. Ms. Irwin said she did not have the documentation for the previous years, but assumed it was due to the storms.

Ms. Craig said they had undergone a computer conversion from an old DOS to a current program, and only waiting for the IT staff to complete the tax conversions. Representative Ligi moved to grant the extension request to January 30, 2011, and with no objections the motion was approved.

### **Housing Authority of Slidell**

Ms. Irwin pointed out from previous LAAC meetings the issues with the board and the mayor involvement. The letter from the new Interim Executive Director, Ms. Shelia J. Danzey, was provided to the council members explaining her absence due to a meeting with HUD that same day. Senator Murray mentioned the previous actions by the Mayor of Slidell and the appointment of a new board, and the need to get their audits done. Paul K. Andoh, Auditor from Bruno & Tervalon for the Housing Authority of Slidell, said they hope to get the audit for year ended March 31, 2009, completed by February 14, 2011. Senator Gautreaux moved to grant the extension request to the Housing Authority of Slidell and the motion was approved.

### **Southwest Louisiana Homeless Coalition, Inc.**

Chris Stewart, Acting Director, said the staff was let go for noncompliance with contracts, and in the process of reorganizing the entire council. Senator Mount moved to grant the extension request to February 28, 2011, and with no objections, the motion approved.

### **Extensions Less than 90 Days**

Representative Ellington moved to approve the extension requests for 90 days or less, and with no objections the motion passed.

## **WEST FELICIANA PARISH POLICE JURY**

Ms. Irwin said her staff performed a Best Practices Review of the West Feliciana Parish Police Jury after being alerted to some problems in the independent auditors report. She said they found numerous problems with their controls, accounting systems, staffing issues. The executive summary pointed out the issues found including: not reconciling bank statements for investment accounts timely, not reconciling their water district bank accounts, and their physical financial records were in disarray and most concerned about the accounting system did not have the correct balances and had to do a lot of manipulations to provide financial statements. A severe control problem was regarding segregation of duties as they were doing incompatible duties. She said they found public bid law and credit card problems, and many more problems. She said she was very pleased with the significant progress made by the Police Jury in resolving their problems, and hired new staff to diligently resolve their issues.

Mr. Purpera said they did receive a request from the District Attorney to work on a compliance perspective to assist in his efforts and a team is scheduled to go on the first of January. Senator Murray said the Attorney General has also done some work on this entity.

Ms. Irwin said that one strategy the Police Jury was to hire consultants to help them correct and become current on their accounting. Ms. Irwin said the report by the independent auditor was written at a higher level, and the LLA report was a much more detailed report. Ms. Irwin said included in the very general findings by the auditor were roadmaps for her staff to look and write in a more detailed way so the Police Jury would understand exactly what they needed to do to resolve some of the issues.

Mr. Ken Dawson, Police Jury President of West Feliciana Parish, said that Ms. Irwin had given a wonderful presentation to newly elected officials at the Capitol Hilton when he was elected and brought out Best Practices to utilize in the financial area of parish government. He said many procedures were in place before there was an assessment by the LLA. He said the high level audit by the independent auditor which did not go into the details, but from a policy standpoint they are pleased with the direction that Mr. Sims, Parish Manager, and the staff has taken. They have a new accounting manager and other staff has done an outstanding job of making corrections and implementing changes.

Mr. Ambrose Sims said there was a lack of infrastructure, policy and procedures to run an effective organization and have a clean audit. Since this organization existed for over 100 years and with virtually no policies or procedures, they had to have a starting point to get all in line. He said he told the auditor to write them up so that corrections and implement changes, and the findings were very high level and lacking specificity. He appreciated Ms. Irwin for coming in and identifying in detail the problems and most have been corrected, and as moving forward writing policies as needed.

Senator Nevers commended West Feliciana for making changes in a short period of time. He asked the Legislative Auditor if the findings are at a high level and not much good to the governmental agency, then should the agency have to pay for that audit. He asked if an auditor should be approved that does such high level findings which governmental agencies cannot respond to.

Ms. Irwin said in this situation they compared some information about the problems to the high level findings, and wanted more information and the parish needed more information. Therefore the LLA's office committed the resources to do further work. She said they monitor the audit findings and if written without much useful information for instituting change, she would return the report to the auditor for them to revise it. Senator Nevers asked why an approved auditor is paid to do an audit, and then having to send the legislative auditor to decipher what the audit stated. He was pleased with the progress by West Feliciana and due to the great work by the Legislative Auditor's office and their pointing out what needs to be done. Senator Murray suggested that anyone on the approved list of CPA's understand that high level comments are not helpful and provide useful information.

Senator Murray said sometimes find that auditors may be covering up problems, but they must be told that they are being paid to do a real audit and that is what is expected. He suggested having some of the CPAs come to the council meetings. Mr. Sims said they are planning to continue using the same auditor while cleaning things up and get a new one for 2012. Mr. Dawson said he clearly told the auditor the level of detail which he expects from him and needs the direction on the current laws and rules to assist his staff. They provided to the council a list of corrective action steps.

Ms. Irwin shared with the council Mr. Purpera's plans to have the reports with concerns required to do additional procedures in areas where problems may be. It is called an Agreed Upon Procedures Engagement and can assign that to the governments to get a lower level of assurance so they will know exactly what they need to do to correct those problems.

## **OTHER BUSINESS**

Senator Murray stated he would like to have the council's input on some state agencies and departments to include on meeting the agenda. Mr. Purpera said most audits on state agencies are completed at the end of the year, and should be able to bring state agencies in the January, February and March time period and if it is the council's pleasure can include that on the agenda. Senator Murray asked the auditor to email to the council a list of those completed audits so that he can poll the council members to choose the ones they want to have before them.

Senator Nevers said he would like the audit on RSD across the state and drill down the facilities they are using, what percentage is being utilized, not with high level findings, but direction on how to correct them. He said he was very interested in this because it impacts so many students

across the state. Mr. Purpera said he has new initiatives with a financial audit that is being completed and an exit conference regarding the financial and performance audit. The LLA Recovery Assistance Division would be providing their work in January or February at the latest.

Senator Nevers said he wanted to be sure it includes total funds available to those districts, not just the state funding. He said there are many sources of funding provided to the Recovery School District and need to know what is happening with it, and the results of the funds. He asked if the school performance data will be included in the audit for each school because the committee needs to know. He asked that the audit be sent to the House and Senate Education Committees once completed.

Senator Murray stated the foundations and private sector has given a lot of funds and flow through the charter schools and difficult to keep track and see if spent on children or administrative costs. Senator Nevers said the boards that govern decide how the funds are spent and there are a broad range of issues and need to be sure get an accurate picture of what is happening with hundreds of millions of dollars. If there is a new facility being utilized at a 40% level and other schools that has a population of more than the Fire Marshall approves, it would make sense to coordinate the use of the facilities.

Senator Murray asked Mr. Purpera to send to him a list of the state agencies with completed audits for him to send to the members to decide which ones to include on the agenda. He stated how important to get as many before the regular session starts because of the budgetary constraints to see what they are doing with the funds they have now.

Senator Murray questioned regarding the British Petroleum (BP) Oil Spill and where the funds are for the public television. Mr. John Morehead, Director of Recovery Assistance, pointed out the six page document providing the updated funds received and expended by local and state agencies. He pointed out that the Department of Culture, Recreation and Tourism (CRT) transferred \$1,000,000 to the Louisiana Educational Television Authority (LETA) on December 15, 2010, which part of that will be further transferred to television stations.

Mr. Morehead explained the Community Foundation of Acadian. He said that the Department of Wildlife and Fisheries (DWF) Secretary Barham, Lieutenant Governor and BP entered into a Memorandum of Understanding (MOU) which basically covers \$78 million of funding flowing to the state from BP. \$48 million goes directly to DWF, and \$30 million was at one point slated for CRT is now being placed at the direction of the Lieutenant Governor with the Community Foundation of Acadiana. He said the \$30 million will ultimately be given to the Foundation to disperse \$23.5 million to the 64 parishes around the state, and the other \$6.5 million will go to CRT for their administration. The interesting point of this Memorandum, it is a three year tourism program and implemented by CRT who will have all the responsibility for administering and monitoring the program. The \$23.5 million will be outside the purview of the Legislative Auditor because private money flowing to a private non profit is not state dollars, and that is the only concern of the auditor's office.

Senator Murray mentioned it also subverts the appropriations process because BP was going to send this money to the state but the governor's office told them to give it to the non-profit. He said this needs to be watched going forward to be sure it is not happening in other areas. He said some of the mental health dollars went to the Catholic Charities as well, but not through the state's hands.

Senator Nevers stated if there is not proper protection in statute that would force them to account to our Legislative Auditor's office and to the Legislature then they may need to look at legislature this spring to give them the authority to do so. He asked what process was used to determine who received from the \$23.5 million. His parish that lost oyster industry, shrimp factory, and much more received considerably less than those that had a lesser impact. He asked what criteria was used to determine where the funding was allotted to and who distributed the funds. He said he heard the previous Lieutenant Governor did this right before the change in office.

Mr. Morehead said they do not know the methodology for the funding for each parish. Attached to the MOU is a detailed plan of how that funding will be spent. The state was divided into tiers and then assigned dollars to each tier, but not sure how that was done, assuming by CRT staff. Basically the closer to the spill, such as the eleven parishes most heavily affected by the oil spill will receive the most funding. Senator Nevers said the problem is that no parish president had any input on this, or asked what their losses were in their parishes. He said he would like to bring the parish presidents that have been involved and explain the process.

Senator Murray said it can be done, and wanted the council to know about it, and considering this is an ongoing issue to get their thoughts on how to curtail this. He stated that the dollars should go through the states hands so they can help decide where they go and some process for dispersing the funds. Senator Murray said the state has told BP to send the money to the private non-profit, and he thought the constitution cannot do that sort of thing, but if it never comes into the state's

hands then not really making a donation and an interesting issue. Senator Murray asked if Senator Nevers would like to have the BP Oil Spill on the agenda every month, but going into more details and not be at the higher levels to see how it happened.

Senator Nevers said he thinks they deserve to know, and in the year of the worst financial crisis the state has been through they deserve to know the process and should have known before it was implemented and at least had the knowledge of what process would be used.

Senator Mount said she concurs and anything contributed or donated to the state if not already covered by state statute, it needs to be and if it is, they need to review the process because this is very disturbing. She said with no disrespect to the Foundation, it affects the entire state and if BP has submitted dollars to the State of Louisiana, then as a Legislative branch and certainly this particular committee would have oversight and know in advance how you justify this process as opposed to the standard appropriation process.

Senator Murray said this whole concept the administration brought with nongovernmental organizations completely subverts the process. Senator Nevers asked if they had completed applications for NGO's in the state, because all must be completed before requesting funding from state.

Mr. Purpera said this particular entity is quasi-public under the state audit law, and his office does receive an audit report from this entity. However, these funds will be considered to be nonpublic funds because not coming from state government. If this entity keeps these funds separate from the public funds, they will not have to submit an audit on the funds received from BP. But if they commingle the funds, the law states the entire amount will need to be audited.

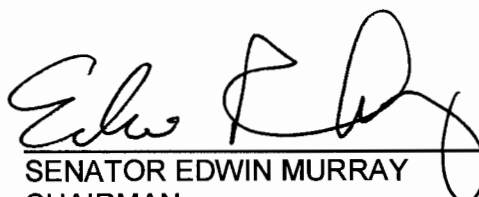
Senator Nevers asked that since government agencies have suffered a loss why should they not have input and why not have the funds come through the state. If BP wants to give a nonprofit organization any money, and he encourages them to do that, but thinks BP still owes the State of Louisiana and local governmental agencies respect to come through the appropriate agencies to disperse the funds to them, to ensure due process. Senator Nevers said he is sure the nonprofit organizations do great work, but he has parish presidents upset about the share they received and rightfully so. Senator Murray said he would make this an agenda item for the next meeting.

#### **ADJOURNMENT**

There being no further business, Senator Nevers made the motion to adjourn. Senator Murray adjourned the meeting at 2:45 p.m.

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APPROVED BY:

  
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SENATOR EDWIN MURRAY  
CHAIRMAN

  
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DARYL G. PURPERA  
SECRETARY

7-25-11  
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DATE