

**LEGISLATIVE AUDIT ADVISORY COUNCIL**  
**Minutes of Meeting**  
**September 23, 2015**  
**Senate Committee Room A-B**  
**State Capitol Building**

The items listed on the Agenda are incorporated and considered to be part of the minutes herein.

Senator Mike Walsworth called the meeting to order at 1:30 p.m. Ms. Liz Martin called the roll confirming quorum was present.

**Members Present:** Senator Mike Walsworth, Chairman  
Senator Robert Adley  
Senator Edwin Murray  
Representative Julie Stokes, Vice Chairman  
Representative Cameron Henry  
Representative Dalton Honoré

**Members Absent:** Senator Ben Nevers  
Senator John R. Smith  
Representative Clay Schexnayder  
Representative Ledricka Thierry

**Also Present:** Daryl G. Purpera, Legislative Auditor (LLA)

**Approval of Minutes**

Representative Stokes made a motion to approve the minutes for the March 19, 2015, meeting and with no objection, the motion was approved.

**Extension Requests**

Ms. Joy Irwin, Director of Local Government Services, presented the nonemergency extension requests that were ninety days or less for the Council's approval. Senator Murray offered a motion to approve the extension requests from eleven entities on the list, and with no objection, the motion was approved. Ms. Irwin presented the nonemergency extension request from Jackson Parish Hospital Service District No. 1. (Hospital). Senator Murray made a motion to approve the Hospital's extension request and with no objections, the motion was approved. Ms. Irwin presented the emergency extension request from Calvary Missionary Baptist Church (Church) and discussed the reasons given for the request and what services are provided to the public. Senator Adley made the motion to approve the Church's extension request for September 30, 2015, and with no objections, the motion was approved.

**Town of Elizabeth – Investigative Audit Issued June 3, 2015**

Mr. Jonathan Hodson, LLA Senior Investigative Auditor, presented the highlights of the audit which included: 1) Improper payments to Town employees and vendors; 2) Mayor received excess compensation; 3) Noncompliance with Local Government Budget Act; 4) Noncompliance with Open Meetings law; 5) Board of Aldermen improperly fixed salaries of municipal officers; and 6) Municipality improperly classified as a Town.

Senator Walsworth asked if this report had been referred to the district attorney. Roger Harris, Director of Investigative Audit Services, said that the district attorney recused himself and the Attorney General is considering the matter.

Mayor Wayne Earl stated that all the money distributed by former Mayor Robert Crafton from Public Energy Authority of Kentucky, Inc. (PEAK) was paid back to the Town. Mayor Earl said the Town is correcting all the errors and following all the suggestions given by the auditors. He also turned over all the documents to the town attorney and Attorney General.

Senator Adley questioned the Town's Gas System Supervisor, Alvin Earl, about the bonus given to him by former Mayor Crafton. Mr. Earl said that Mayor Crafton had made the agreement with PEAK and considered it a bonus because he felt he had been underpaid and did a lot of work without pay. Senator Adley pointed out that the refund from PEAK belonged to the Town and asked why Mr. Earl and Mayor Earl did not realize that it was illegal to give the money to anyone other than the Town. Mayor Earl said that he had been out of town when the refund from PEAK was received and trusted Mayor Crafton to have cleared the partial distributions with the town attorney. He said that Mayor Crafton had always done everything legally and correctly previously so had no reason to question him. Mr. Hodson explained that \$352,000 was refunded by PEAK and, of that, 10% was given to Mr. Earl, 20% was split between two vendors, 5% went to Mayor Crafton, and the remainder was deposited in the Town's account. All the money has been returned to the Town's general fund. Senator Adley requested a copy of the Town's contract with PEAK, and Mr. Hodson said he would provide it.

Senator Murray questioned Mr. Earl about his salary and why he thought a \$38,000 bonus would be legal. Mr. Earl explained how he operates and maintains the water and sewer systems for the Town. Senator Murray asked how this issue was found and if anyone should be prosecuted. Mayor Earl said that their previous auditor had passed away, and their new auditor found this issue. Mayor Earl had been on the Town Council for about 3 ½ years and trusted Mayor Crafton but will now be more suspicious. He found out that the Town attorney Todd Nesom, who is also the district attorney, had never been contacted by Mayor Crafton.

Mr. Hodson explained how Mayor Crafton changed his story several times about the supposed Town Council meeting where four council members approved the disbursement of the PEAK refund. The Town Clerk Alice Chavez had prepared minutes as Mayor Crafton instructed but realizes that she should not trust without verifying.

Senator Adley asked if District Attorney Todd Nesom had been interviewed. Mr. Harris said that during the exit conference, Mr. Nesom recused himself because he was still the Town attorney but was very receptive and adamant about the Attorney General having his support.

Senator Adley questioned Ms. Chavez about the income from natural gas sales and how much is paid to the contract manager. Ms. Chavez and Mr. Earl answered what they could. Senator Adley told them that the Louisiana Municipal Association is available to assist the Town and that this incident was an embarrassment to the state. Senator Adley requested copies of the contract with the contract manager and PEAK because laws require a contract and not just to pay from invoices. Senator Adley said that sunshine is the cure for any illness.

Senator Walsworth told Ms. Chavez that she cannot write checks early or for more than approved by the Town Council because it is a violation of the law. He commented that the Town had the same auditor for 20 years until he passed away, and it took the new auditor to bring this to the LLA's attention.

Mr. Purpera said there are over 300 independent CPA's performing audits for his office. His staff has increased oversight of their work including requiring more education, debarring some, and expecting more from the CPAs. The auditees look for the cheapest auditors, but his office is requiring improved quality of audits. Senator Walsworth said the Council supports the LLA's efforts in this endeavor.

### **Northwestern State University – Investigative Audit Issued August 5, 2015**

Mr. Purpera explained that the audits on Northwestern State University (University) and Town of Many (Town) are interrelated and will have to explain both reports to see the relationships. Gary Duty, Senior Investigative Auditor, presented the findings from the report which included: 1) Public funds diverted to non-university bank account; 2) Improper payments made from non-university bank account; and 3) Improper contractual arrangements. He explained how the University entered into a series of cooperative endeavor agreements with the Town to conduct training workshops for law enforcement personnel. A component unit of the University, the Gulf States Regional Center for Public Safety Innovations (GSRCPI) diverted \$788,690 of revenue from management contracts and training workshops to a non-university bank account which was managed by Project Celebration.

### **Town of Many – Investigative Audit Issued August 5, 2015**

Greg Clapinski, Investigative Audit Manager, presented the findings of the report which included: 1) Town paid assistant Police Chief without appropriate documentation to support work performed; 2) Town improperly paid salary and benefits for GSRCPi assistant director after termination of employment; 3) Town failed to obtain reimbursement for employees loaned to GSRCPi; 4) Ineligible Town employees received state supplemental pay; 5) Town paid retirement contributions for employee loaned to GSRCPi.

Mr. Roger Harris, Director of Investigative Audit Services, explained that Town of Many's Assistant Police Chief Pauline Snell was loaned to the University who paid the Town back for her salary and benefits. Senator Murray asked when GSRCPi came into existence. Mr. Duty said it was created in 1997 and initially housed at Louisiana State University – Shreveport and then in 2002 moved to its current location at Northwestern State University.

Ms. Daphne Levenson, former executive director of GSRCPi, said she was thankful to have an opportunity to speak. She provided the background of the Criminal Justice programs and explained that it is a common practice in grants to have people assigned for 100% of their time so they do not miss out on their retirement benefits. The grant period lasted about 20 years and provided amazing training across the Gulf Coast and the country using curriculum created by law enforcement officers. Ms. Levenson admitted that she as well as the Mayor completely trusted Ms. Snell with all the finances of GSRCPi.

Ms. Levenson said GSRCPi had been through audits by Department of Homeland Security (DHS) Department of Justice (DOJ), and the state, and the audits were always perfect, so she became lax and trusted her assistant director Ms. Snell to have full rein over the finances. When a new budget person came on staff, she noticed that the invoices to the Town were way too high and were lacking explanation of the

charges and had no support documentation. Ms. Levenson said she lived in Gretna and Hammond but was on the road training and developing curriculum, so she had never seen the invoices but understood that in the earlier years the invoices were very detailed. She said that no one had ever questioned her about the lack of documentation.

Ms. Levenson then asked Ms. Snell about the questionable invoices and Ms. Snell said she would get the documentation to show her, but never did. Ms. Levenson explained how the employees took furlough to extend the contracts and continued to provide training by working on Fridays but not billing for those days. Because Ms. Snell had continued to bill and be paid for the Fridays when agreeing not to, Ms. Levenson terminated her for not being ethical but asked her to stay on for a few more months working for free to repay time owed to GSRCP. Ms. Snell did not tell Town Mayor Kenneth Freeman that she had been fired.

Ms. Levenson notified the DOJ that she would initiate an internal investigation because of the mismanagement of grant. She also notified Mr. Jim Morris, Head of the Criminal Justice Department, of her investigation of the invoices and for the next couple of months pulled all documentation and presented the results to Mr. Morris and the DOJ that showed Ms. Snell had been grossly overpaid. Ms. Levenson emailed the spreadsheet to Ms. Snell showing the overpayment of more than \$93,000, and Ms. Snell asked if she could write a check from her personal account. Ms. Snell gave her check to Mr. Morris who said he deposited the check. Ms. Levenson realized that Mr. Morris had not told his supervisors at the University about the issues, so she began emailing his supervisors. Ms. Snell's check was written as a "donation to the University on behalf of the City of Many" at the end of September 2013. Ms. Levenson believed this was an admission of guilt by Ms. Snell and expected prosecution but nothing was done by January 2014. She called the Board of Ethics and the Retirement Board for Law Enforcement, and had a meeting with Mr. Greg Phares of the Inspector General's office who brought in the FBI. That was when the Legislative Auditor's office was brought in and she provided all the information and documentation.

Ms. Levenson said that Mr. Morris was absolutely aware of the non-university account handled by Project Celebration. She stated that the purpose of the creating the account was so they could pay hotel expenses that would have been prohibited by the University's rules. After her investigation, she realized that the account which she thought only had about \$500 actually had over \$100,000, so to repay the staff for their working without pay on Fridays, she authorized the \$4,000 payments to four employees including herself.

Regarding the improper contractual arrangements of paying her spouse, Ms. Levenson explained that her husband was approved to do contractual work for GRSCPI by Dr. Webb, the previous University president, and by the DOJ and was told that it was not an ethical issue because Mr. Levenson already worked for the DOJ prior to his marriage to Ms. Levenson.

Ms. Levenson said her life has been messed up for two years and was glad to finally be able to explain it all. Senator Walsworth said this is the most convoluted, stupidest thing that government can get into and have this much money going back and forth.

Town of Many Mayor Kenneth Freeman stated that he had been mayor for 27 years and the Town is a Lawrason Act town, so the police department is managed by an elected chief. Once the Council approves the budget, it is given to the chief to manage, and he is also responsible for all hiring and firing. In 2003, the elected chief asked for permission to loan Sergeant Pauline Snell for a new grant at the University. It was explained that the reason the University goes to municipalities is because the University does not have

the authority to commission officers, and the grant required commissioned officers. Mayor Freeman said that the chief explained to the Council that the money would be a pass through, and all expenses for Ms. Snell would be reimbursed to the Town. The agreements spelled out the payments, invoices required, and Ms. Snell's responsibilities. In every contract it stated that if any changes were requested by the University or the Town, Mr. Morris must be notified in writing via personal receipt or certified mail. Mayor Freeman never received any written notice from the University except for the Cooperative Agreements which were delivered by Ms. Snell and signed by the University president. Once Mayor Freeman signed the agreement and turned over the city budget to the elected chief, it was then by law the police chief's responsibility to manage it.

Mayor Freeman continued saying that in 2009, a new police chief was elected who had limited experiences. Mayor Freeman had concerns about the police chief's financial abilities so he asked Ms. Snell to help him manage his budget. Mayor Freeman invoiced the University as per the agreement. At some point, Police Chief Ron Lambert approached the Council requesting permission to hire two additional police officers to loan to the University because they required more commissioned officers. The Council agreed because of the benefit to the state and their good relationship with the University.

Mayor Freeman appreciated the audit and for bringing the weaknesses to the Council's attention. The Council has since passed 10 new ordinances to prohibit these issues from occurring again. In 2007 the new agreement spelled out the payments and requirement for Ms. Snell to work 100% of her time for the University, but a few months later an addendum stated that the University agreed to allow Ms. Snell to work from the Town office as needed in performance of her duties for the elected chief of police. The addendum was retroactive to the original date of the agreement. Mayor Freeman accepted the addendum to allow Ms. Snell to take on additional responsibilities for the police chief. 7890 Mayor Freeman never received notice that Ms. Snell had been fired in March and received an addendum in April from the University so they continued to pay her. His accountants and attorney reviewed the documents and only paid for what they were invoiced.

Senator Adley questioned how a non-university bank account could be opened just so they could pay excess hotel expenses. Ms. Levenson said it was necessary because hotel rooms in Alabama cost more than approved by the University. Senator Adley said that GSRCPPI was a component part of the University and appears to be public; therefore, it should be transparent. They appear to be avoiding rules by opening the non-university account. Ms. Levenson said that Mr. Morris agreed with opening the account because the Alabama Chief Association asked GSRCPPI to run its entire association. Senator Adley asked if the law allowed for GSRCPPI to spend more for hotel rooms and open this account. Ms. Levenson said it was within the law but not ethical because employees of the University sign a bank account certification form to disclose all bank accounts affiliated with the University. Since Ms. Snell did not have to sign that agreement, she could handle the money. Senator Adley said the moment sunshine is taken off, then you have a problem. Ms. Levenson admitted that it was her fault because she was supposed to watch over the accounts.

Dr. Jim Henderson, University President, thanked Mr. Purpera for meeting with him in February 2015 and helping sort out all the issues. Dr. Henderson immediately implemented processes and halted non-university bank accounts. Discussion continued regarding the legality of the non-university account and Ms. Levenson paying her husband through the contract with GSRCPPI.

Because so many approvals and oversight were handled by Mr. Joe Morris, Head of the Criminal Justice Department, Senator Murray asked that he attend the next meeting. Senator Murray also asked Dr. Henderson to confirm that the University was reimbursed everything necessary from the GSPCRI/Project Celebration private account rather than just being paid what was left in the account. He also pointed out that this was all to train law enforcement yet they broke many laws and believes people need to be held accountable. Mr. Purpera said that the district attorney and the U.S. Attorney were still investigating and would handle any prosecutions.

Mr. Duty explained that the complicated process involves federal and state grants given to the University, then money went into the non-university account managed by the non-profit Project Celebration which charged a fee for holding the account. GSRCPPI had millions in grants as well as self-generated income. Ms. Levenson said that Mr. Morris told her that non-university accounts had been established by the Department of Criminal Justice before and not a problem. Senator Adley expressed his concern about this serious issue that other universities may also be opening non-university accounts and the legislature might not be aware of all their funding.

Mayor Freeman explained that Project Celebration was formed 25 years ago by parents to save money for their children's graduation parties. But now the non-profit receives grants and does a lot of public education, helps victims of domestic violence, and is a positive organization. Mr. Purpera confirmed that Project Celebration does submit audits to his office.

Senator Walsworth said this was such a mess, and they cannot untangle the web because the more digging, the worse it gets. Senator Walsworth advised Dr. Henderson that he should have a criminal investigation into this situation because he believes there is more to this. This entity would be further discussed at a later meeting, and Mr. Morris would be required to attend.

**Louisiana Department of Veterans Affairs (LDVA) – Oversight of Quality of Care in Louisiana's War Veterans Homes – Performance Audit Issued August 12, 2015**

Karen LeBlanc, Director of Performance Audit Services, provided a brief overview of the audit which included these findings: 1) Veterans homes did not always examine high-risk areas on quality assurance reviews, as required by policy; 2) Veterans homes did not always address deficiencies during internal quality assurance review; 3) Veteran homes did not always resolve grievances in a timely manner; 4) Veteran homes did not consistently update care plans when incidents occurred, as required by policy; and 5) Veterans homes did not monitor whether contract providers provided quality services.

Citizen comments were made by Ms. Lisa Marie who shared opinions from a woman she met in Walmart who had a son in Jackson's Veterans home.

David LaCerte, LDVA Secretary, stated that he was very proud of the care given in Louisiana's veterans homes and believes that the veterans receive the best care in the nation. He provided statistics for surveys done on the Veteran homes in Louisiana.

Senator Adley asked Secretary LaCerte to audit the Bossier Parish Veterans Home. Senator Walsworth said that Secretary LaCerte would be contacted if required to come again before the Council.

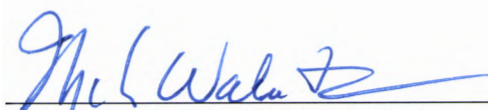
**Other Business**

Mr. Purpera provided an update on the lawsuit *St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital vs. Daryl G. Purpera, In His Official Capacity as Legislative Auditor.*

**Adjournment**

Senator Murray offered the motion to adjourn and with no objection, the meeting adjourned at 5:10 p.m.

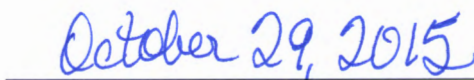
APPROVED BY:



SENATOR MIKE WALSWORTH  
CHAIRMAN



DARYL G. PURPERA  
SECRETARY



DATE