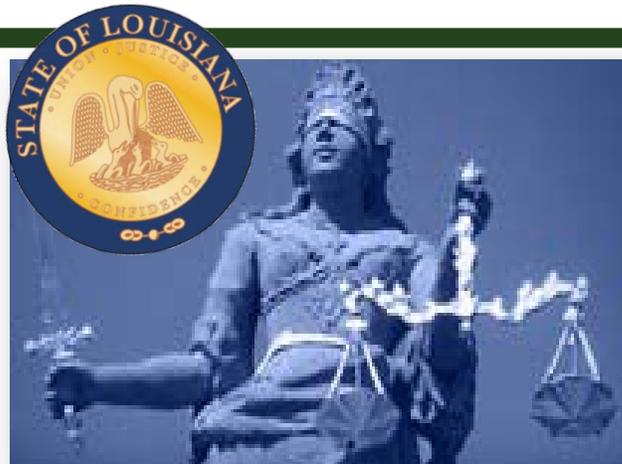


STATE OF LOUISIANA

**OFFICE OF
STATE INSPECTOR GENERAL**

**Stephen B. Street, Jr.,
State Inspector General**



Annual Report

**For the 18 Months Ending
June 30, 2009**

Date Issued: March 2, 2010

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Joint Legislative Committee on the Budget

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BOBBY JINDAL
GOVERNOR



STEPHEN B. STREET, JR.
STATE INSPECTOR GENERAL

State of Louisiana
Office of the Governor
Office of State Inspector General

March 1, 2010

Honorable Bobby Jindal
Governor, State of Louisiana
P.O. Box 94004
Baton Rouge, LA 70804

Senator Michael J. "Mike" Michot – Chairman
Representative James R. "Jim" Fannin – Vice Chair
Joint Legislative Committee On The Budget
P.O. Box 44294
Baton Rouge, LA 70804

Re: Report of Accomplishments from January 2008 through June 2009

Dear Governor Jindal, Chairman Michot, and Vice Chairman Fannin:

I am pleased to submit this report outlining the work of our office in the first 18 months of my tenure as Inspector General.¹ We have completely retooled the Office of State Inspector General, transforming it from an internal audit shop into a statutorily empowered law enforcement agency to root out fraud and corruption in government.

2008 and 2009 were watershed years for the office of the Inspector General. For the first time, Louisiana has a permanent State Inspector General with the legal authority to effectively fight fraud and corruption in government. As you may recall, there had been many unsuccessful attempts in the past to create a permanent State Inspector General in Louisiana. The body of law now contained in La. R.S. 49:220.21, et seq. gives our Inspector General unprecedented permanence, independence and authority that compares favorably with other state inspectors general throughout the United States. Your support was critical to the passage of this legislation, and I want to thank everyone for their tireless work during the process.

Among the changes we implemented was restructuring the office into two divisions – Criminal Investigation and Audit. The Criminal Investigation Division now

¹ Due to the major statutory and strategic changes that occurred with respect to the office, we have elected to submit a report that covers the first 18 months of my tenure as Inspector General, rather than covering the time period before my arrival. Henceforth, Annual Reports will be submitted following each Fiscal Year.

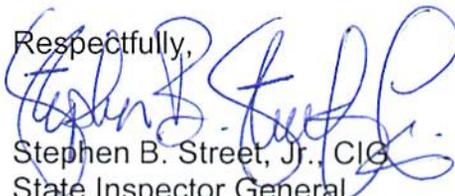
employs seasoned law enforcement professionals with experience in complex white-collar fraud and public corruption investigations. The members of the Criminal Investigation Division are commissioned law enforcement officers who work both independently and in partnership with other law enforcement at the federal, state and local levels. The Audit Division is staffed with professionals in accounting and auditing who perform the critical functions necessary to fulfill the fiscal aspects of our mandate. The two divisions work both independently and in tandem as the circumstances of each case dictate. The most notable result of this is an emphasis on criminal arrests, prosecutions and convictions, rather than merely on public reports.

Among our new initiatives was a Fraud Awareness campaign that included the distribution of 4,000 anti-fraud posters statewide and the creation of a toll-free fraud hotline. We also enhanced our website (<http://oig.louisiana.gov>) which affords the opportunity to easily alert our office to suspected wrongdoing. I continue to make radio, television and public speaking appearances to increase public awareness of our office and its mission. I also regularly serve as an instructor to provide professional education to law enforcement, auditors, judges, and prosecutors.

From January 2008 through June 30, 2009, we issued 17 public reports, in addition to the accompanying report. Also, the OIG News section of our website provides the latest updates.

I am honored to hold this position and to serve with you at such a critical time in our state's history. We believe the ultimate beneficiaries of our work are the citizens of Louisiana, who deserve government free from fraud and corruption.

With kindest regards, I remain

Respectfully,

Stephen B. Street, Jr., CIG
State Inspector General

SBS/ss

Introduction

The Office of State Inspector General has undergone significant change since January of 2008. Put in simple terms, the mission of the State Inspector General has always been to root out fraud and corruption in government. The primary difference is that this mission is now embedded in Louisiana law (La. R.S. 49:220.21, et seq.) as are the tools and authority to effectively do the job. The State Inspector General is now a statutorily empowered law enforcement agency with a mandate to investigate, detect and prevent fraud, corruption, waste, inefficiencies, mismanagement, misconduct and abuse in the executive branch of government without regard to partisan politics, allegiances, status, or influence. The jurisdiction of the Inspector General extends to the entire executive branch and its contractors, sub-contractors, grantees and sub-grantees. Further, the Inspector General is authorized by law to conduct joint investigations with other law enforcement and oversight agencies, and now works regularly with the FBI, United States Attorney, Attorney General, State Police and other agencies on criminal public corruption and fraud cases.

History of the Office

The Office of State Inspector General was originally created April 1, 1988, by executive order of Governor Buddy Roemer (BR 88-10) and retained by subsequent governors. The office became statutory when Governor Bobby Jindal signed Act 12 of the First Extraordinary Session of 2008, enacting Revised Statute 49:220.21 through R.S. 49:220.25. This historic legislation placed the independent Office of Inspector General within the Office of the Governor. Subsequently, Act 831 of the 2008 Regular Session designated the office a law enforcement agency.

Governor Roemer appointed Bill Lynch as the first State Inspector General in April 1988. Mr. Lynch served in the position until his death in February 2004. In March 2005, Governor Kathleen Blanco appointed Sharon B. Robinson, CPA, CIG, MBA, as Louisiana's second State Inspector General.

Governor Jindal appointed Stephen B. Street, Jr., CIG, as the third State Inspector General in January 2008.

Resources and Staffing

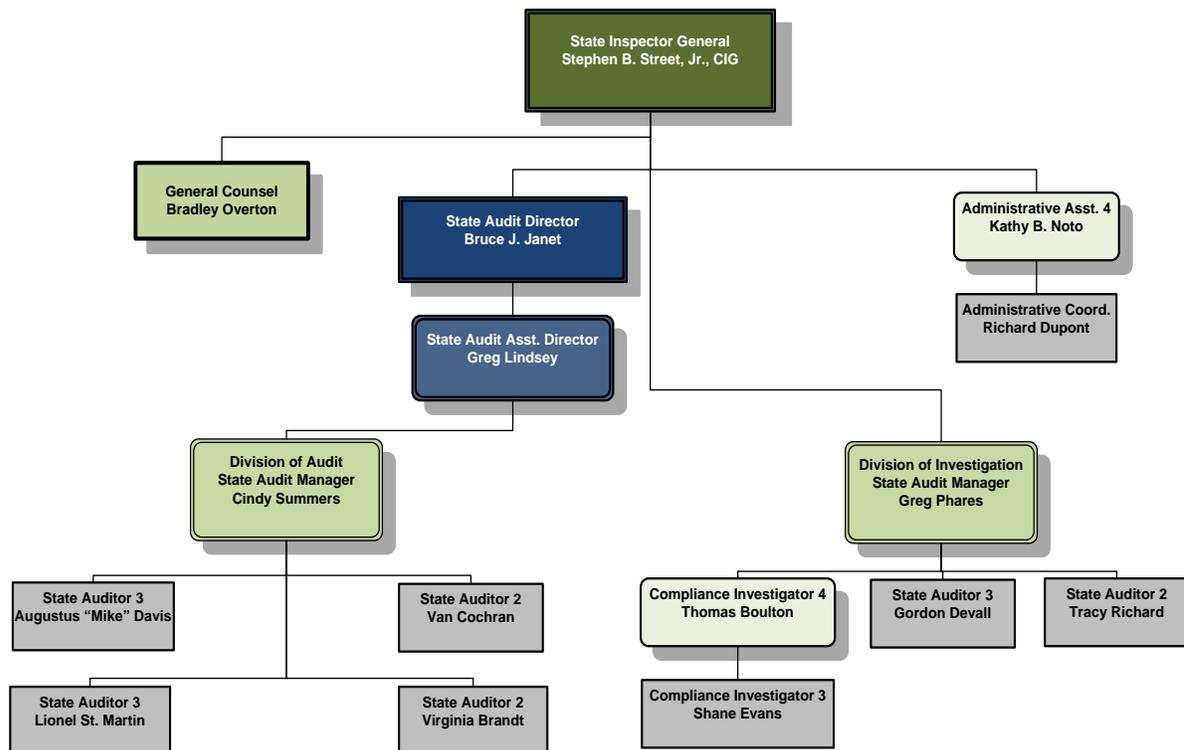
For fiscal year 2008-2009, the office received a budget of \$1.6 million (nearly 80% for salaries and related benefits). Besides the State Inspector General, the staff consists of the State Audit Director, State Audit Assistant Director, two State Audit Managers, six State Auditors, two Investigators, two Administrative Assistants, and General Counsel. Except for the General Counsel and the State Inspector General, all other employees are classified. Employee service in this office ranges from less than one year to over 22 years, with two having served since the office's inception. Many of the office's staff maintain professional certifications. Those certifications include the following:

Certified Inspector General	1
Certified Public Accountants	4
Certified Forensic Accountant	1
Certified Internal Auditor	1
Certified Fraud Examiners	2

The office also provides continuing professional education opportunities to all staff members to help maintain and develop their skills, as well as any certifications attained.

Organization Chart (As of June 25, 2009)¹

Office of State Inspector General



¹ The organizational chart has changed since June of 2009, with several new hires and a streamlining initiative that involved eliminating the State Audit Assistant Director position and using the salary savings to create two additional criminal investigator slots. In this way we were able to better focus our limited resources on case backlog at no additional cost to the State. This reorganization, which took place in FY '09-10, will be addressed in detail in the annual report for that time frame, to be released later in 2010.

Investigative and Audit Processes

We conduct our work in accordance with the *Principles and Standards for Offices of Inspector General* as promulgated by the Association of Inspectors General (May 2004 revision). These principles guide the quality of our audits and investigations.

Any individual may file a complaint with the Office of State Inspector General. He or she may do so by telephone, fax, mail, or completing the electronic complaint form on our website. The office's contact information is as follows:

Office Mailing Address	Office of State Inspector General Post Office Box 94095 Baton Rouge, LA 70804-9095 Or Office of State Inspector General 150 Third Street, 3 rd Floor Baton Rouge, LA 70801
Telephone	(225) 342-4262; Toll Free Fraud Hotline (866) 801-2549
Fax	(225) 342-6761
Internet	http://oig.louisiana.gov

At the internet website, a complainant may complete the form online and submit it electronically or print the form and mail it.

Each complaint received by the Inspector General is carefully screened to determine if it is a matter this office needs to address or would be better addressed by another entity. Within 30 days, a decision is made whether to open a formal investigation, refer the matter to another agency for disposition or close the complaint without taking further action. If a formal investigation is opened, it will be assigned to either the Criminal Investigation Division or the Audit Division depending on the nature of the complaint.

If a criminal investigation is opened, staff with law enforcement and white collar investigation background conduct a thorough inquiry. If evidence of criminal conduct is uncovered, we work closely with prosecutors and fellow law enforcement agencies to obtain arrests, indictments and convictions. Although from time to time we may issue a public report in conjunction with a criminal

prosecution, more often than not, public reports are not issued in order to avoid compromising the criminal case. Our criminal investigators provide full support to prosecutors at every stage of the process, including testifying before grand juries and criminal courts. In many cases, the criminal process can be used to identify and recover monies taken through fraud and corruption. If a criminal investigation uncovers misconduct that does not rise to the level of formal criminal charges, then we have the option of issuing a public report to address those findings. A copy of that report, along with any written response, is provided to the Governor and the Joint Legislative Committee on the Budget in accordance with La. R.S. 49:220.24.

If an audit project is opened, staff with financial and accounting background will conduct a thorough forensic audit to determine whether there are reportable findings. If so, we issue a public report, along with any written response. As with reports on criminal investigations, these reports are provided to the Governor and the Joint Legislative Committee on the Budget in accordance with law.

If no public report is issued, we send the agency head a letter outlining our findings and any recommendations, if applicable.

State Inspector General's Press and Speaking Engagements

The State Inspector General regularly provides education and training to law enforcement, judges, prosecutors, auditors and investigators, serving on faculty for professional education conferences and certification institutes. The Inspector General also frequently makes press and public speaking appearances in an effort to increase public awareness of the activities of our office.

Date	Organization/Event
February 13, 2008	Louisiana District Attorneys Association Board Meeting
March 19, 2008	Fraud Awareness Campaign Press Conference
March 24, 2008	WAFB Baton Rouge Morning Show – Matt Williams
March 27, 2008	KTBS Shreveport Morning Show – Sonjia Bailes
March 27, 2008	KEEL 710 AM Shreveport – John Lee

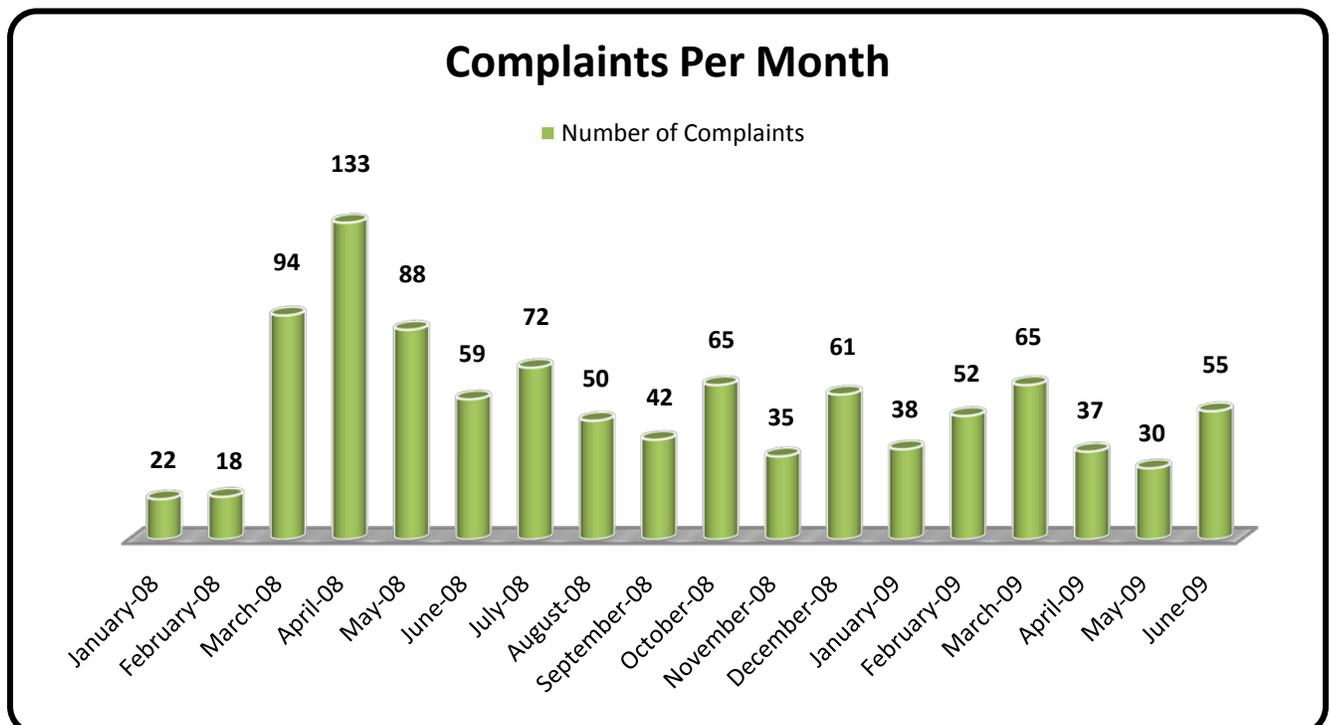
March 27, 2008	KSLA Shreveport – Taylor Henry
March 27, 2008	Shreveport Times Interview – Kristie Richie
March 27, 2008	Monroe News Star Interview – Greg Hilburn
March 27, 2008	KNOE Monroe Morning Show – Heather Parker
April 2, 2008	WBRZ Baton Rouge 2une In – John Pastorek
May 15, 2008	Legal Lines with Locke Meredith (Cox Television)
May 21, 2008	Louisiana Sheriffs’ Association Board Meeting
May 27, 2008	Amite Rotary Club
May 28, 2008	Around Town Baton Rouge – Scott Rogers
July 17, 2008	Presentation to Governor Jindal and Cabinet
August 4, 2008	WWL Radio New Orleans – Spud McConnell
October 14, 2008	Louisiana Department of Insurance Conference on Insurance Fraud and Vehicle Theft
October 21, 2008	New Orleans Metro Crime Commission
October 23, 2008	Louisiana Clerical Association Conference
October 30, 2008	Desire Street Academy Louisiana State Capitol Tour
October 31, 2008	Louisiana Association of College and University Auditors
November 18, 2008	“Eyes Open With Tony Brown” Radio Interview KAYT Monroe
December 4, 2008	Association of Government Accountants Conference
December 10, 2008	ICF Report Press Conference
December 10, 2008	WBRZ Baton Rouge 2une In – John Pastorek
January 20, 2008	Louisiana Department of Social Services Executive Staff – Investigation and Prevention of Fraud
February 11, 2009	Executive and General Counsels Meeting
February 17, 2009	Association of Certified Fraud Examiners – Baton Rouge
March 19, 2009	Louisiana State Bar Association – Government and Public Law Section CLE
June 24, 2009	New Orleans Area Certified Fraud Examiners
June 26, 2009	Louisiana Recreational and Used Motor Vehicle Report Press Conference

Analysis of Complaints

During the 18 months ended June 30, 2009, we received at least 1,016 complaints and resolved them as follows:

- 398 complaints resulted in the OIG providing contact information to the complainants of a more appropriate authority to resolve their concerns;
- 215 complaints were referred by the OIG to a more appropriate authority for review;
- 348 complaints were closed with no action due to reasons such as insufficient detail, allegations lacked severity, issues not within OIG jurisdiction and better handled through civil venues, stale-dated allegations, allegations that were previously investigated/adjudicated, or allegations related to pending or ongoing litigation or grievance processes;
- 55 complaints were opened as OIG cases or placed in line for assignment for formal investigation/audit by the OIG.

The breakdown of complaints received by month is as follows:



Prior to February 27, 2008, the OIG did not track telephone complaints received and resolved by administrative support staff. Therefore, the total complaints actually received by the OIG for the 2007-2008 fiscal year would have greatly exceeded the 478 complaints we did track.

However, as previously noted, one of our new initiatives was to redesign our database for contemporaneous tracking of all complaints received. With the implementation of this database system on February 27, 2008, every complaint received is now tracked until final resolution.

Report Highlights

For the 18 months ended June 30, 2009, we issued 17 public reports. Those reports are summarized as follows:

January 10, 2008

**Dues and
Subscriptions
Review
[2-07-0001]**

We conducted a statewide review of the \$8.7 million in charges to the expenditure code Dues and Subscriptions in the Integrated Statewide Information Systems, referred to as ISIS or the state's accounting system. Our objective was to determine whether transactions posted to Dues and Subscriptions were appropriately classified and necessary for state agencies to conduct their day-to-day operations.

- We found more than \$360,000 of the Dues and Subscriptions expenditures to be improperly classified in the state's accounting system. This condition may be attributable to incorrect interpretation of the expenditure object codes, or to the need for additional expenditure object codes in the state's chart of accounts. The way many state agencies do business and the services needed appear to have outgrown the available object codes. As a result, the Office of Statewide Reporting and Accounting Policy may need to expand the definition of what should be charged to certain object codes or add new ones to the state's chart of accounts.
- We did not find unnecessary expenditures posted to Dues and Subscriptions. However, in some cases, we could not determine necessity since agencies posted more than \$1.7 million of expenditures to Dues and Subscriptions that we could not readily determine were properly recorded. Agencies charged many transactions that show "Petty Cash Imprest Accounts" as the vendor instead of the actual vendor that provided the service. The reason usually given was the vendor did not exist in the state's vendor file. In addition, agencies used journal voucher transactions to post charges to Dues and Subscriptions, which do not require identifying the vendors. Transactions coded to petty cash imprest accounts, and posted through journal voucher entries cannot be tracked to a vendor without the supporting documentation. As a result, in both situations, it was difficult to determine if the expenditures of these public dollars were necessary or properly classified.

January 10, 2008

**Department of
Economic
Development -
Motion
Picture Tax
Credits
[2-08-0001]**

In September 2007, our office began an inquiry into the potential for duplicate motion picture tax credits being issued for single expenditures. The Office of Entertainment Industry Development (OEID), within the Department of Economic Development, issues and approves the tax credits and the Louisiana Department of Revenue (LDR) processes them. We noted the following:

- The rules created by the Department of Economic Development Office of Film and Television appear sufficient to meet the requirements of Act 456 of the 2007 Regular Legislative Session.
- The risk of duplicate benefits from motion picture tax credits does exist, but some measures are in place to minimize the possibility.
- LDR tracks the motion picture tax credits manually, but that tracking would be more effective if it used an electronic database. In addition, LDR does not have formal written policies and procedures for processing and tracking motion picture tax credits issued and transferred.
- The Division of Administration does not have rules or policies on how it structures the redemption of tax credits earned for infrastructure projects.

January 10, 2008

**Governor's
Office of
Homeland
Security and
Emergency
Preparedness
[1-08-0008]**

Allegations: Wrongdoing by employees at the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). Our investigation resulted in the following findings:

- Joshua Lee McNamara, a GOHSEP temporary unclassified employee at the time, used an agency vehicle for personal use from Saturday, June 23, through Sunday, June 24, 2007, without authorization. Mr. McNamara traveled more than 200 miles in the vehicle that weekend.

Mr. McNamara then altered the official vehicle log (MV-3) in an attempt to hide the use of the vehicle. Mr. McNamara was not truthful when questioned by the GOHSEP Internal Audit (IA) staff regarding the use of the vehicle resulting in the IA issuing a report which contained factual inaccuracies. Although Mr. McNamara was directed by the GOHSEP Acting Director to cooperate with the OIG investigation, Mr. McNamara was not truthful with an OIG auditor when first questioned about his use of

the vehicle. During a second questioning session by OIG auditors, Mr. McNamara gave a more accurate account of his use of the vehicle.

Following the GOHSEP IA investigation and issuance of its report, Mr. McNamara was promoted to a permanent unclassified position in the GOHSEP.

- Annick Leger, a GOHSEP temporary unclassified employee, allowed Delania LeBlanc, a GOHSEP temporary unclassified employee at the time, to “bank” compensatory time (accumulate compensatory time without reporting it through proper channels) after being advised by the Human Resources Manager that the practice was prohibited. Ms. Leger supervised Ms. LeBlanc at the time. Ms. Leger also entered time for Ms. LeBlanc and signed Ms. LeBlanc’s name on an official time sheet submitted to the Human Resources Department which indicated Ms. LeBlanc was on duty from May 7, 2007 through May 11, 2007. Ms. LeBlanc was actually on vacation during that time.
- Delania LeBlanc submitted a copy of an earned compensatory time document to Annick Leger which contained a false date of submission. The document was then submitted to the Human Resources Department as documentation that Ms. LeBlanc had worked 40 hours of overtime. The original document was written in different color ink and the copy was backdated in an attempt to mislead the Human Resources Department into believing the document was prepared contemporaneously (February 1, 2007 through March 23, 2007).

Ms. Leger and Ms. LeBlanc gave false information to the GOHSEP Human Resources Manager during an investigation into the compensatory time issue. Although Ms. Leger had been directed by the GOHSEP Acting Director to cooperate with the OIG investigation, during the original interview conducted by an OIG auditor, Ms. Leger gave false information regarding the documentation of the compensatory time reportedly earned by Ms. LeBlanc. Ms. Leger later requested a second interview at which time she changed her statement.

- The GOHSEP IA issued a report on the incident to GOHSEP management which did not fully outline the extent of the wrongdoing.

March 18, 2008

**State
Licensing
Board for
Contractors
[1-08-0005]**

Allegation: Improper actions taken by State Licensing Board for Contractors (Board) member Donald Lambert concerning a request for examination waivers submitted by an out-of-state contractor.

After reviewing available documentation and conducting interviews, evidence indicates Donald Lambert used his position as a Board Member to improperly delay the Board's handling of a qualifying party and examination waiver request because the applicant, Bruce Dalrymple, owed money to his son, Donald Lambert, Jr. Board Member Lambert personally requested that a staff member remove Mr. Dalrymple's application from the April 2007 Board meeting agenda. Approximately three months later, shortly before the July 19, 2007 Board meeting, Board Member Lambert left a voice mail with Executive Director Charles Marceaux indicating that a sizable sum had been paid to Donald Jr. and that he would not object to the Board granting Mr. Dalrymple's request. Finally, after the voice mail indicated his clear knowledge of a financial relationship between Mr. Dalrymple and his son, Board Member Lambert personally appeared at the July 19, 2007 Board meeting, spoke on behalf of Mr. Dalrymple and made a motion to approve Mr. Dalrymple's request, despite the fact that it was not on the agenda for the July 2007 Board meeting. Board Member Lambert's actions may have violated state law and circumvented Board procedure.

March 19, 2008

**Audit of
LaCarte
Purchasing Card
Program
[1-07-0022]**

We conducted an audit of selected transactions charged to purchasing cards (P-Cards) issued through the state's Purchasing Card Program (LaCarte) from January 1, 2006 through December 31, 2006. Our objective was to determine whether P-Card purchases are appropriate and whether controls are sufficient to ensure purchases comply with the LaCarte Purchasing Card Policy (LaCarte Policy) established by the Louisiana Division of Administration, Office of State Purchasing and Travel (OSP), as well as with all other procurement procedures established by law.

We found the following deficiencies in our audit of LaCarte P-Card transactions:

- Thirteen single purchases from four agencies were split into multiple transactions to apparently circumvent the \$1,000 single purchase limit in the LaCarte Policy, and in the process avoided appropriate procurement procedures.

- A competitive process was not utilized for six of the 13 split purchases as required by the Small Purchase Procedures prescribed in Executive Order KBB 2004-30, in effect at the time of the purchases.
- Two agencies did not ensure that sufficient documentation and/or approval existed to support all P-Card transactions as required by the LaCarte Policy and agency policies and procedures. Therefore, the agencies could not provide assurance that insufficiently documented or unapproved transactions were for official state business.
- OSP lacks sufficient control to ensure that single purchase transactions do not exceed the \$1,000 single purchase limit without prior approval from OSP as required by the LaCarte Policy.

June 4, 2008

**Office of Homeland
Security and
Emergency
Preparedness and
Louisiana State
Police
[1-08-0011]**

Allegations:

1. Some Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) employees have been commissioned as special officers through the Louisiana State Police (LSP) and possibly have not received proper training in the use of a firearm.
2. Steve Wilson, Assistant Deputy Director of Homeland Security, commissioned as a special officer, wears his handgun at work.
3. Mr. Wilson ordered LSP badges for the commissioned employees costing approximately \$2,000.
4. Several executives of GOHSEP commute to and from home daily in agency vehicles without proper approval.
5. GOHSEP did not include the value of the use of the vehicles (\$750 per year) on any of the employees' W-2's for tax years 2006 and 2007. The additional taxable income was not included in most of the W-2's because the executives were commissioned as special officers through LSP.

Our investigation revealed the following:

- In 2006, eight (8) GOHSEP employees applied for and were granted commissions as special officers under the authority granted to the Superintendent of the LSP in R.S. 40:1379.1. All the commissioned GOHSEP employees had received weapons training through the military

and/or law enforcement academies. When Mr. Wilson received his commission, he did carry his weapon into the GOHSEP offices on at least a couple of occasions. This issue was addressed by GOHSEP management at that time and resolved.

- In 2007, GOHSEP obtained badges, similar to LSP badges, from the LSP for the GOHSEP commissioned employees at a cost of \$1,844.50. By allowing its employees to wear the badges, GOHSEP violated R.S. 40:1376. By providing, furnishing, and selling the badges to GOHSEP, LSP also violated R.S. 40:1376.
- The GOHSEP employees commuting in agency vehicles have obtained approval from the Louisiana Property Assistance Agency (LPAA) for home storage of agency vehicles. However, the taxable value of the use of the vehicles was not included in the employee W-2's for tax years 2006 and 2007, as required by federal tax laws.
- The GOHSEP IA issued a report on the incident to GOHSEP management, but that report did not fully outline the extent of the wrongdoing.

June 4, 2008

Louisiana
Public
Service
Commission
[1-08-0020]

Allegation: Possible ethics violations by Louisiana Public Service Commission (Commission) Chairman, Jack A. "Jay" Blossman, Jr. Specifically, the complaint concerned a letter sent on February 22, 2008 by Chairman Blossman to 230 Commission-regulated motor carriers. In the letter – sent using Public Service Commission letterhead and envelopes – Chairman Blossman recommended a vehicle monitoring product sold by Nicholas Larussa and asked that each company allow time for Mr. Larussa to make a private sales presentation.

An investigation conducted by the Office of State Inspector General concluded that the above referenced actions by Chairman Blossman may have violated the Code of Governmental Ethics, Abuse of Office. We recommended that the matter be referred to the State Board of Ethics for further investigation.

June 24, 2008

Teen
Prevention
Pregnancy
Program
[1-08-0001]

Allegation: The Community School for Apprenticeship Learning, Inc. (Community School) improperly wrote 29 checks totaling \$23,146 to the staff of its subcontractor, Aspirations Wholistic Tutorial Services, Inc. (Aspirations). In 2006, Community School wrote 26 of the checks totaling \$20,866, and in 2007, Community School wrote three additional checks totaling \$2,280. Fourteen of the checks in 2006 totaling \$11,308, and one check in 2007 totaling \$678 were for students from Southern University (Southern) who were providing volunteer services to Aspirations.

Our investigation revealed the following:

- Community School improperly reported income in 2006 on federal 1099 forms for 11 of Aspirations' staff totaling \$16,360. Seven of the 1099's totaling \$11,276 were for the student volunteers. Community School's contractual relationship was with Aspirations and not with Aspirations' staff.
- In addition, the owner and director of Aspirations, Ms. Joyce Turner Keller, either deposited the 29 checks in Aspirations' bank account or cashed the checks. The checks were endorsed "For Deposit Only" and/or endorsed with the payee's name and Ms. Keller's. However, Ms. Keller did not report the income Aspirations received from Community School on Aspirations' 2006 federal tax return.
- Community School overcharged the Louisiana Department of Social Services (Social Services) \$49,919 for 11,858 service hours on monthly invoices under two Teen Pregnancy Prevention Program (Pregnancy Prevention) contracts during the 15-month period beginning June 1, 2006 through August 31, 2007. The service hours are ineligible for reimbursement due to missing birthdates for participants, under-aged participants, double billing of service hours, and service hours that were unsupported by attendance sheets.
- Southern's Center for Service Learning is unable to provide adequate information concerning students enrolled in its Service Learning Program in a timely manner, and, therefore, has no way to quickly obtain the whereabouts of a student enrolled in the program in the event of an emergency. In addition, students enrolled in the program accepted cash for the volunteer services they provided to Aspirations, and may have put themselves and Southern at risk when they transported Pregnancy Prevention participants of Aspirations in their personal vehicles.

June 25, 2008

**Review of
Home Storage
of State-Owned
Unmarked Vehicles
[2-07-0002]**

On June 6, 2007, the Office of State Inspector General began an operational review of the State Fleet Management Program. The objectives of our review focused on home storage assignment of state-owned, unmarked vehicles (no state or agency decal with non-public license plate). The results of that review are as follows:

The State Fleet Management Program does not have adequate functioning policies and procedures to ensure that --

- Agency Transportation Coordinators annually obtain completed Division of Administration (DOA) Form MV-2's (Request for Personal Assignment and/or Home Storage of State-Owned Vehicle), and forward the documents to the State Fleet Manager for approval prior to home storage assignment of a state-owned vehicle to an employee, as required by state regulation.
- Reasons/justifications noted on DOA Form MV-2's for the home storage assignment of all state-owned vehicles are accurate and consistent with duties and responsibilities disclosed in official job descriptions of the individuals assigned home storage of a state-owned vehicle.
- Appropriate exceptions granted for home storage of state-owned vehicles are submitted in writing to the State Fleet Manager and subsequently forwarded with recommendations to the Commissioner of Administration for approval by the Commissioner and Joint Legislative Committee on the Budget as required by state regulation.
- DOA Form MV-3 (Daily Vehicle Usage Log) prepared by individuals assigned home storage of state-owned vehicles are: (a) prepared to properly record business and personal vehicle usage, (b) audited and approved by the appropriate supervisor, and (c) received by the agency Transportation Coordinator by the third working day of the month following the month to which the report pertains, as required by state regulation.
- All state-owned vehicles except those exempted by law, or vehicles used in crime prevention, detection and investigative work, which if identified could not be used effectively, have the name of the owning agency, board, commission or political subdivision stenciled, painted or affixed on both sides of the vehicle.

The Division of Administration does not have adequate procedures to ensure non-cash fringe benefits (State Vehicle Usage) are properly valued, classified, and reported as taxable or non-taxable fringe benefits. Policy and Procedure Memorandum (PPM) No. 73 requires that agencies report specific information about employee non-cash fringe benefits to the Commissioner of Administration. The Office of Statewide Reporting and Accounting Policy (OSRAP), designated by the Commissioner of Administration, usually requires that the report be submitted to it in February of each calendar year. However, OSRAP does not use procedures designed to provide reasonable assurance that the information received is accurate and in compliance with PPM No. 73 and Internal Revenue Service Publication 15-B.

October 20, 2008

**State Police
Commission,
Felony Theft and
Abuse of Office
[1-08-0009]**

Debra Johnson, while executive director of the State Police Commission (Commission), used the Commission's state purchasing cards (P-Cards) to obtain more than \$11,839 in personal items. After our audit of the Commission's P-Card transactions revealed likely criminal offenses, we contacted the Louisiana Attorney General (Attorney General), who agreed to participate jointly with the Inspector General in further investigating the matter. On May 12, 2008 that investigation resulted in Ms. Johnson being arrested and charged with felony theft, malfeasance in office, and access-device fraud. The prosecution of Ms. Johnson is being handled by the Attorney General's Criminal Division.

Special Agents from the Attorney General seized three hundred and seventy-nine items from Ms. Johnson's home. Ninety-seven of those -- valued at \$11,839 -- were clearly identified as items purchased on the Commission's P-Cards between July 1, 2006 and April 2, 2008.

Ms. Johnson admitted to using the P-Cards to purchase many of the items that could not be clearly identified on our list of P-Card transactions. We also believe many of the other unidentified items were purchased using the P-Cards. However, the items were difficult to match to our list of P-Card transactions due to the nature of the items, such as cordless phones and laptop cases.

In addition to the theft, more than \$18,770 in items purchased on the Commission's P-Cards, such as computers and medicine, were either purchased for the personal use of employees, which is prohibited, or were unnecessary to the operation of the office. The Commission also paid for the personal use of internet air-cards and cell phones and their monthly services.

The investigation revealed that, in 2001, Ms. Johnson sued the Commission alleging racial discrimination. It appears that fear of another such lawsuit by Ms. Johnson hampered the level of oversight by the Commission, making it possible

for her to engage in systematic misconduct over a significant period of time without detection.

October 27, 2008

**Louisiana
Workforce
Commission
[1-08-0025]**

Michael Harris, an employee of the Louisiana Workforce Commission (LWC), formerly known as the Louisiana Department of Labor (LDOL), improperly used state employees under his supervision to perform work for his private law practice. The employees were on state time while performing the work for Mr. Harris. Mr. Harris then signed state time sheets attesting that the employees had worked full eight-hour days.

In addition, Mr. Harris personally received more than \$1,200 in state compensation for work that was not performed because he was absent from work handling business related to his private law practice and working as a hearing committee member with the Louisiana Attorney Disciplinary Board (LADB). He then signed and submitted state time sheets attesting that he had worked full eight-hour days.

Though actively engaged in his private law practice, Mr. Harris signed a form at the beginning of his employment with LWC attesting that he was not engaged in any other type of employment. Although LWC policy requires employees to request approval from their appointing authority prior to engaging in any outside business or professional activity, Mr. Harris did not obtain approval to engage in a private law practice.

November 17, 2008

**Southern
University at
New Orleans
Police
Department
[1-09-0002]**

Captain Leatrice Warren, the highest-ranking officer of the Southern University at New Orleans Police Department (SUNO PD), used public vehicles and public employees to perform personal errands, including picking up her grandchildren from school, attending dental appointments, looking at houses for sale, performing maintenance work on her house, renewing her driver's license, moving her son's furniture, and shopping, all while being paid with public funds. In doing so, she reduced the normal level of police protection on the SUNO campus from three officers to one. She also failed to properly document the use of public vehicles when performing the personal errands.

In violation of state law and university policy, Captain Warren also failed to re-qualify with her weapon, which is an employment condition for SUNO PD officers. Between her graduation from the Police Academy in 2002 and July

2008, she did not achieve a passing score on the Peace Officer Standards and Training (POST) firearms course. Captain Warren admitted that she failed the course in 2003 and did not attempt to re-qualify before we inquired about it.

Captain Warren's use of overtime also appears to be excessive and an intentional attempt to improperly supplement her income. Between 2006 and 2008, Captain Warren claimed 1,900 hours of overtime, while her Lieutenant claimed only 302 hours during the same period. Captain Warren routinely scheduled overtime in advance with no legitimate justification for doing so.

In 2007, Captain Warren purchased two new firearms with public funds. She stated to us that the weapons were purchased for new officers who could not afford their own weapons and that the weapons were being held in storage. She later stated that one of the weapons was in storage and that she was carrying the other, even though she had never qualified with it. The weapons were not reported to the SUNO Property Control Division until after our inquiry.

December 9, 2008

**ICF Contract
Amendment
Number 7
[1-08-0019]**

At the request of Governor Bobby Jindal and Louisiana Recovery Authority (LRA) Director Paul Rainwater, the Office of the State Inspector General (OIG) undertook an investigation of Amendment #7 (executed in December 2007) to the contract between ICF Emergency Management Services, LLC (ICF) and the State of Louisiana to manage the implementation of *The Road Home* program. Amendment #7 raised the maximum amount payable to ICF -- also known as the "ceiling capacity" -- by \$156 million. The scope of the investigation included determining whether the amendment was justified, how it was negotiated, and whether there was any effort to conceal it from the public or the Louisiana Legislature.

Our investigation revealed that Amendment #7 was justified due to a significantly higher number of eligible applicants and closings than the original contract anticipated. Further, the State of Louisiana through LRA and the Office of Community Development (OCD) Disaster Recovery Unit (DRU) adopted numerous policy and procedure changes concerning the contract, some of which slowed the process and significantly increased costs. As of December 2007, 125 policy and procedure changes were approved in areas including method of appraisal, title verification and validation of occupancy. The change in the method of appraisal alone cost the state \$48 million dollars not reflected in the original contract, according to former Governor Kathleen Blanco. Some of these changes required ICF to go back and re-do unit price activity on large numbers of applications that had already been processed.

Our investigation also revealed that during the time period relevant to Amendment #7, the relationship between LRA and OCD was at best dysfunctional and at worst openly hostile, to the point where OCD's Executive Director on at least one occasion ordered staff not to share information with LRA concerning the contract. The relationship between the two agencies deteriorated so much that Jimmy Clarke, Governor Blanco's Chief of Staff, was asked to mediate the dispute. Despite this, the conflict between the two agencies continued.

The tension between the two agencies was apparently rooted in disagreements over changes in policy and procedure concerning *The Road Home* program. The strained atmosphere between the two agencies was a significant distraction and may have hindered the most efficient oversight of the contract with ICF. The problem of the hostile relationship between LRA and OCD appears to have since been resolved when Governor Bobby Jindal placed Paul Rainwater in a position of authority over both agencies and merged the staff of both agencies into one unit.

Our investigation did not reveal any evidence to suggest an effort to conceal Amendment #7 from the public or the Louisiana Legislature. Shortly prior to the execution of Amendment #7, OCD issued a statement to *The Baton Rouge Advocate* indicating that an increase in the contract ceiling would be necessary. Further, on December 10, 2007 John Carpenter, Staff Director for the Joint Legislative Committee on the Budget, indicated that he was receiving many questions and objections concerning Amendment #7. LRA, OCD and ICF were all asked to come to the December 19, 2007 meeting of the Joint Legislative Committee on the Budget prepared to make a full presentation on Amendment #7. They did come to the meeting fully prepared to make a detailed presentation, but were never called by the committee to do so.

April 3, 2009

**Nicholls State
University –
John Folse Culinary
Institute
[1-09-0015]**

The John Folse Culinary Institute (JFCI) is a part of Nicholls State University (NSU) in Thibodaux, which is a part of the University of Louisiana System (ULS). Dr. Alton Doody, interim dean of JFCI, was required by his supervisor to submit activity logs along with his time sheets to document time he claimed to have worked when off campus. Dr. Doody made time entries in the logs of phone conversations up to four hours in length.

He claimed that phone records that corroborated the conversations were unavailable. Our office asked people he listed as participants in the conversations to verify whether they had spoken with Dr. Doody as he claimed in the logs. Four JFCI employees stated that they were certain that they did not speak with Dr. Doody for the amount of time listed in the logs.

During May 2008, four JFCI employees used NSU resources to perform work for the wedding reception of a family member of Dr. Doody and accepted outside compensation for that work. Randolph Cheramie, George Kaslow, Donald Kasten and John Kozar accepted \$1,000, \$500, \$500, and \$800, respectively. State law prohibits public employees from accepting “anything of economic value” for work done within the scope of their official duties. University resources, specifically JFCI facilities and equipment, were used in preparation for the event, which is prohibited by policies of ULS and NSU. Those policies also require employees to disclose and seek approval for outside employment prior to engaging in outside employment. Mr. Cheramie, Mr. Kaslow, Mr. Kasten and Mr. Kozar failed to notify or seek the university’s approval for their participation in the outside employment. Their activities may have violated Louisiana law and policies of the ULS and of NSU.

April 8, 2009

**Regional
Nutrition
Assistance, Inc.
[1-08-0015]**

During at least the months of October and November 2007, Regional Nutrition Assistance, Inc. (RNA), a company contracting with the Department of Education (DOE) to sponsor and administer a family day care program, knowingly submitted meal reimbursement claims to DOE that it believed to be false. The claims were submitted for at least eight providers who claimed meal expenses for more children than RNA believed were actually served. RNA’s Executive Director, Brian Desormeaux, acknowledged that he was aware that the claims were possibly false, yet still submitted the claims to DOE for reimbursement.

For the contract beginning October 2007 through January 2008, DOE paid RNA \$1,427,285 for administrative costs and meals to be reimbursed to providers. According to the federal program regulations, DOE must initiate action to terminate the agreement with RNA if it determines that RNA committed one or more serious deficiencies or submitted false or fraudulent claims.

RNA did not have functioning internal controls to ensure that providers were reimbursed only for meals actually served. RNA also lacked internal controls to verify that employees were properly monitoring providers and reporting those that were noncompliant, and to ensure enforcement of sanctions for noncompliant providers. As a result, RNA reimbursed at least \$13,471 to providers for meals that were claimed on days that the providers were reported as noncompliant, and, therefore, should have been disqualified.

In addition, RNA lacked functioning internal controls to ensure that travel expenses claimed by its employees performing on-site monitoring functions were valid and properly supported. As a result, RNA reimbursed approximately \$4,876 to two monitors for 12,191 miles claimed on travel logs without the required supporting documentation.

Senior administrators with the DOE Division of Nutrition Assistance limited the scope of their investigation of an RNA employee accused of submitting false travel claims. As a result, DOE failed to adequately investigate and disclose all serious deficiencies found and determine the amount of ineligible reimbursements of travel and/or meals for recovery. Justifications by DOE senior administrators provided inconsistent explanations for limiting the scope of DOE's investigation.

June 5, 2009

**Office of Group
Benefits
[1-09-0014]**

An Inspector General's investigation into participation in the Office of Group Benefits' (Group Benefits) health insurance plans by retirees who had returned to active service with school boards revealed that Group Benefits collected \$631,046 less in premium payments from the school boards than was due. Our investigation revealed that 19 school boards participating in the plans failed to notify Group Benefits of the correct status for employees who retired or for employees who were re-employed retirees. In some instances, we noted that school boards eventually notified Group Benefits of the retirement of employees or of the re-employment of retirees. However, Group Benefits failed to reclassify these employees and continued to submit bills to the school boards at the active employee rate rather than the higher rates for retired or re-employed retirees.

June 26, 2009

**Louisiana
Recreational and
Used Motor
Vehicles
Commission
[1-08-0021]**

The Office of Inspector General received credible information that investigators employed by the Louisiana Recreational and Used Motor Vehicle Commission (the Commission) were submitting timesheets to support compensation for work that they did not perform. It was also alleged that Commission supervisors responsible for overseeing the investigators' activities neglected their duties, which enabled the investigators to be paid for services not rendered.

Our office conducted surveillance to observe the investigators' activities. That surveillance revealed that they performed less Commission related work than they reported on their timesheets. During the days of surveillance, six investigators submitted timesheets for 225 hours of work. Some investigators never left home on those days; others worked at a garage sale, performed yard work, shopped, waited for school buses, had personal vehicles inspected, and drove children to and from school. A comparison of surveillance results with timesheets indicates that the investigators performed 111.5 hours of work, thereby leaving 113.5 hours of pay for work that they did not perform. An

investigator who died and three others who appeared to be performing their jobs acceptably are not included in the numbers above.

Commission employees responsible for managing the investigators failed to properly supervise their subordinates or review their work product to ensure that the compensation paid matched the services provided. Commission investigators submit weekly reports that are supposed to detail the work they perform to justify payment for an eight hour day. In some cases, the only entries during the day were a few phone calls made from the investigators' homes. Their immediate supervisor only reviews these reports every four to five months. Jack Torrance, the Executive Director of the Commission, had been cited in 2001 by the Office of Inspector General and the Louisiana Board of Ethics for failing to properly supervise an employee.

Commission investigators are issued state vehicles to assist in the performance of their work duties. The vehicles contain no markings, emblems, or public license plates to identify them as state vehicles. A representative of the Governor's office advised the Commission that state law requires the vehicles to be properly marked as state vehicles. Mr. Torrance was made aware of the requirement but took no action to comply with the law. His failure to act may incur a penalty of up to \$50 per day per violation.

Our investigation also revealed that Commission investigators regularly tend to personal errands in their state issued vehicles, an apparent violation of Commission policy prohibiting that.

An additional finding involved the enforcement of curbstoning violations. Curbstoning is the practice by which licensed car dealers display vehicles for sale in unapproved locations. Some Commission investigators incorrectly apply the enforcement of curbstoning laws to private citizens who display vehicles for sale on private property. The Commission investigators threaten private citizens with enforcement action if they do not remove their vehicles from sites where they are legally allowed to be. They do so to protect licensed dealers from the competition created by private citizens selling privately owned vehicles.

Finally, Commission investigators carry badges similar to those used by the Louisiana State Police, which are made in the shape of the State of Louisiana. Louisiana Revised Statute 40:1376 provides for the use of such badges by only a few, specifically enumerated agencies. The Commission is not one of those agencies.

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A copy of this report has been made available for public inspection at the Office of State Inspector General and is posted on the Office of State Inspector General's website at www.oig.louisiana.gov. Reference should be made to Case No. [Annual Report 2009](#). If you need any assistance relative to this report, please contact Greg Lindsey, CIA, CIG, State Audit Director at (225) 342-4262.

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