



State of Louisiana

**OFFICE OF
STATE INSPECTOR GENERAL**

**LOUISIANA TECHNICAL COLLEGE
AND
DIESEL DRIVING ACADEMY
COOPERATIVE AGREEMENT**

**Report by
Whitman J. Kling, Jr.**

**Prepared for
Governor Kathleen Babineaux Blanco**

March 1, 2005

File No. 1-03-0027

“This public document was published at a total cost of \$171.80. 100 copies of this public document were published in this first printing at a cost of \$171.80. The total cost of all printings of this document, including reprints is \$171.80. This document was published by the Office of State Inspector General, 224 Florida Street, Baton Rouge, Louisiana, to report its findings under authority of La. R.S. 39:7 and 39:8.” “This material was printed in accordance with the standards for printing by state agencies established pursuant to R.S. 43:31.”

This report is available on the Office of State Inspector General Web Site at www.state.la.us/oig/inspector.htm.



State of Louisiana

**OFFICE OF
STATE INSPECTOR GENERAL**

**Louisiana Technical College
and
Diesel Driving Academy
Cooperative Endeavor**

Report by

WJK Whitman J. Kling, Jr.

Approved by

KRB
JTK
2/23/05
Governor Kathleen Babineaux Blanco

November 12, 2004

File No. 1-03-0027

Louisiana Technical College and Diesel Driving Academy Cooperative Endeavor

The Louisiana Technical College improperly entered into a cooperative endeavor contract with Diesel Driving Academy, Inc. to provide commercial truck driver training. Additionally, it violated state laws and failed to properly monitor the contract. Specifically:

1. Former Chancellor William J. Roden obligated the Technical College to a 5-year cooperative endeavor contract with Diesel Driving without authorization.
2. The Technical College failed to conduct an evaluation to determine if the proposed contract would support the statutory requirements of a cooperative endeavor.
3. The language in the contract is vague as to the "amount of the contract." Depending on how the amount of the contract is interpreted, the Technical College may have violated other statutory requirements.
4. The Technical College violated LSA – R.S. 39:1514 when it entered into the contract for a period of more than 3 years.
5. The Lafayette campus of the Technical College, the only campus that has implemented the Diesel Driving training program, has failed to monitor the program to ensure correct and timely receipts under the contract.

Background

The Louisiana Community and Technical College System is made up of ten 2-year college institutions, one of which is the Louisiana Technical College.

The Technical College's central office is located in Baton Rouge. Its current chancellor, appointed in August 2003, is Dr. Margaret Montgomery Richard. The Technical College has 40 campuses located throughout Louisiana. It offers instructional and skills training programs to the community. Programs offered vary at each campus and depend largely on industry needs within each area.

The 1974 Louisiana Constitution authorized the Board of Regents to plan, coordinate and have budgetary responsibility over the Community and Technical College System. However, it is a policy-making and coordinating board only. The direct responsibility for overseeing the day-to-day operations is reserved for the Community and Technical College System Board of Supervisors, created in 1999.

Cooperative Endeavor Authorization

On Aug. 23, 2001, former Chancellor William J. Roden improperly executed a cooperative endeavor contract between the Technical College and Diesel Driving without a board resolution giving authorization from the Community and Technical College System Board of Supervisors.

The Board of Supervisors' policy provides that contracts exceeding \$20,000 shall require the approval of the Community and Technical College System President or his designee and the approval of the Board of Supervisors. The policy is in accordance with R.S. 39:1508 which delegates authority to the Community and Technical College System to approve contracts up to \$20,000 without approval from the Division of Administration, Office of Contractual Review. Contractual Review must approve amounts greater than \$20,000.

The purpose of the contract is for Diesel Driving to provide commercial truck driver training to students at selected Technical College campuses.

The Technical College receives a \$130 service fee from Diesel Driving for every student upon graduation or within 30 days of tuition receipt. As of July 2004, approximately 184 students have graduated from the truck driver training program resulting in total contract fees of \$23,920. Using this conservative approach of valuing the contract, the contract exceeds \$20,000.

The contract incorrectly states Chancellor Roden was duly authorized by adopted policy of the Board of Supervisors on July 12, 2000, to enter into the contract with Diesel Driving. However, according to the policy, the Board of Supervisors, as well as Contractual Review should have approved the contract.

A true copy of the Board of Supervisor's policy was attached and incorporated by reference to the contract. As such, Diesel Driving should have been aware that Chancellor Roden's authority was limited to contracts of \$20,000 or less.

A review of the minutes of the Board of Supervisors for the period March 2000, through November 2001, indicates the board was not apprised of this program or Chancellor Roden's intentions to enter into a cooperative endeavor contract with Diesel Driving.

The current President of the Community and Technical College System is Dr. Walter Bumphus. He was first appointed interim president in August 2001. Dr. Bumphus stated he does not recall ever discussing or approving this program in any board meeting.

On Sept. 10, 2001, Chancellor Roden submitted the contract to Contractual Review. Contractual Review approved the contract on Nov. 8, 2001. The file for the contract has been misplaced. Therefore, the extent of review prior to approval by Contractual Review could not be determined.

According to Contractual Review Director Susan Smith, normally cooperative endeavor contracts are sent to the Division of Administration's legal section for review. The legal section's records indicate that this contract was logged as received, but does not have a contract file.

Cooperative Endeavor Evaluation

The Technical College failed to conduct an evaluation of its proposed contract to determine if it would support the statutory requirement that a cooperative endeavor provide a benefit to the state, which meets or exceeds the state's obligation. Additionally, the Technical College failed to explore the use of a competitive form of procurement instead of a cooperative endeavor.

Article VII, Section 14 of the Louisiana Constitution permits the state and its political subdivisions or political corporations to enter into cooperative endeavor agreements to achieve a public purpose. Additionally, R.S. 33:9029.2 states cooperative endeavor agreements may obligate the state upon showing reasonable expectations that the obligation of the state will result in the furtherance of a public function of the state or will

result in economic development, the maintenance of existing jobs or will achieve other economic goals that will equal or exceed the value of the obligations of the state.

Neither the Technical College, nor Contractual Review has any records to show that an evaluation was conducted prior to entering into this contract.

An adequate evaluation would have shown all costs and foregone opportunities associated with the contract in addition to its benefits, and would have clearly indicated whether the contract qualified as a cooperative endeavor.

The Technical College cannot show that the services provided in the contract clearly achieve a public purpose that equals or exceeds the value of the obligations of the state. Therefore, the use of the cooperative endeavor may have violated Article VII, Section 14 of the Louisiana Constitution.

Contract Problems

The language used in the contract fails to present a clear and concise amount of the contract.

According to the contract, tuition for the program is set and collected by Diesel Driving, and the Technical College receives a \$130 service fee from Diesel Driving for each student upon graduation or within 30 days of receipt of tuition. Since implementation of the program in mid-2002 through July 2004, Diesel Driving has had approximately 184 students graduate from the program and has charged each \$4,900 in tuition.

It is unclear whether the value of the contract should be computed using the \$130 service fee per student to the Technical College or the \$4,900 tuition per student charged by Diesel Driving. Using the 184 students graduated from the program through July 2004, the contract amount could be \$23,920 or \$901,600.

According to R.S. 39:1484 A(5), "Contract means every type of state agreement..." Also, Executive Order MJF 96-24 issued Aug. 9, 1996 defines a cooperative endeavor agreement as a form of contract. Therefore, the cooperative endeavor is a contract and by state definition is a social service contract.

Depending on how the amount of the contract is interpreted, the Technical College may have violated other statutory requirements as follows:

- R.S. 39:1494.1 for failing to solicit competitive bids from other private commercial truck driver training corporations.
- R.S. 39:1497(4) for failing to implement a written plan providing for monitoring and liaison functions, as well as the periodic review of interim reports or other performance documentation.
- R.S. 39:1497(5) for failing to conduct a cost-benefit analysis.

Multi-year Contract

The Technical College violated R.S. 39:1514 when it entered into a multi-year contract with Diesel Driving for a period of more than 3 years.

R.S. 39:1514 states that unless otherwise provided for in appropriations, a social service contract may be entered into for a period of not more than 3 years. The social service contract with Diesel Driving was entered into for a period of 5-years beginning Aug. 23, 2001.

Program Monitoring

The Lafayette Technical College has failed to monitor the Diesel Driving training program to ensure correct and timely receipts under the contract. The lack of monitoring has left it with no clue as to the amount of money previously paid and due on the contract.

The Diesel Driving training program was implemented in mid-2002 at the Lafayette Technical College campus. According to the contract, Diesel Driving must pay the

Lafayette Technical College a \$130 service fee for every student upon graduation or within 30 days of tuition receipt.

Shelton Cobb, the campus dean of the Lafayette Technical College, stated that he did not think it was necessary to keep track of the students enrolled in the Diesel Driving program because the Louisiana Community and Technical College System would not allow him to include the Diesel Driving students in the count of total students attending the school for budgetary purposes.

The Lafayette Technical College has not maintained records indicating who has been or is currently enrolled in the program and who has graduated from the program. It has also not maintained copies of receipts from Diesel Driving. Therefore, it has no way to calculate how much Diesel Driving should have paid in service fees and for which students, and if the receipts were correct and timely under the contract.

Lack of monitoring by the Lafayette Technical College has left the school in a state of confusion regarding Diesel Driving's performance under the contract. For example, when asked how much in fees it had received from Diesel Driving, Mr. Cobb's original response was \$2,470 through July 10, 2004. On Aug. 10, 2004 this figure was revised to \$5,850 through the same period, with an additional \$9,100 received thereafter for a total of \$14,950. However, these figures are still not correct.

Records used for calculations within this report were obtained from Diesel Driving. According to Diesel Driving's Vice President of Operations, Judd Callicoatte, it has paid the Lafayette Technical College a total of \$25,610. All but \$5,330 has been verified through the review of supporting documentation and checks.

Mr. Callicoatte stated that the \$5,330 was for students who were enrolled through Welfare Investment Act (WIA) centers in Lafayette and Acadiana. He stated that tuition for these students was paid by the WIA centers directly to the Lafayette Technical College. The Lafayette Technical College then sent checks to Diesel Driving for the tuition of \$4,900 less the \$130 service fee.

From supporting documentation and checks reviewed, approximately 184 students graduated from the program including students enrolled through the WIA centers. Tuition revenues generated in cash and accounts receivables total \$901,600.

At 184 students, the Lafayette Technical College should have received \$23,920. Of the \$25,610 actually paid to the Lafayette Technical College, \$1,560 was reconciled as overpayments for either double payment of service fees for graduated students or

payment of service fees for students that dropped from the program. An additional \$130 was apparently an overpayment, which cannot be reconciled to the documentation available.

Mr. Callicoatte stated that upon pulling the supporting documentation and checks for the program, he became aware of \$9,100 owed to the Lafayette Technical College, which had not been paid. As he found monies owed, checks were immediately written. Mr. Callicoatte stated the Lafayette Technical College never informed Diesel Driving of the neglect of payment.

Conclusions:

1. Former Chancellor William J. Roden obligated the Technical College to a 5-year cooperative endeavor contract with Diesel Driving without a board resolution authorization from the Community and Technical College System Board of Supervisors.
2. The Technical College failed to conduct an evaluation of the proposed contract and therefore, failed to support the statutory requirements that a cooperative endeavor provide a benefit to the state, which meets or exceeds the state's obligation.
3. The language in the contract is vague as to the "amount of the contract." Depending on how the amount of the contract is interpreted, the Technical College may have violated other statutory requirements.
4. The Technical College violated R.S. 39:1514 when it entered into a multi-year contract for a period of more than 3 years.
5. The Lafayette Technical College has failed to monitor the Diesel Driving program to ensure correct and timely receipts under the contract.

Recommendations:

1. The Louisiana Community and Technical College System Board of Supervisors should evaluate the contract and take the proper steps needed to ensure the best interests of the System is met.
2. The Lafayette Technical College should immediately take steps to monitor the Diesel Driving training program to ensure correct and timely receipts under the contract.
3. This report should be referred to the proper authorities.

Management Response:

See attached.

IG Comment:

The contract referred to in Diesel Driving Academy Inc.'s response is not attached to this report. However, a copy is available at the Office of the Inspector General.

WK/CS/rp
1-03-0027



LOUISIANA TECHNICAL COLLEGE

Office of the Chancellor

Margaret Montgomery-Richard, Ph.D., Chancellor

150 Third Street – Suite 200
Baton Rouge, Louisiana 70801
Telephone: 225/219-9532
Facsimile: 225/219-9497

CAMPUSES:

Acadian
Alexandria
Ascension
Avoyelles
Bastrop
Baton Rouge
Charles B. Coreil
Delta Ouachita
Evangeline
Florida Parishes
Folkes
Gulf Area
Hammond Area
Huey P. Long
Jefferson
Jumonville Memorial
Lafayette
Lafourche
Lamar Salter
Mansfield
Morgan Smith
Natchitoches
North Central
Northeast Louisiana
Northwest Louisiana
Oakdale
River Parishes
Ruston
Sabine Valley
Shelby M. Jackson
Shreveport Bossier
Sidney N. Collier
Slidell
Sullivan
T. H. Harris
Tallulah
Teche Area
West Jefferson
Westside
Young Memorial

An Equal Opportunity
College

November 3, 2004

Mr. Kenneth J. Albarez
State Audit Acting Director
State of Louisiana
Division of Administration
Office of State Inspector General
Post Office Box 94095
Baton Rouge, Louisiana 70804-9095

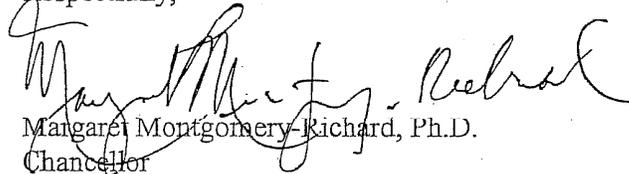
RE: File No. 1-03-0027

Dear Mr. Albarez:

Thank you for the opportunity to review the draft report relating to your agency's review of the cooperative endeavor contract between the Louisiana Technical College and Diesel Driving Academy. Please be advised I have no recommendations/changes, questions, or concerns regarding the content of your report.

Your sharing of information is appreciated.

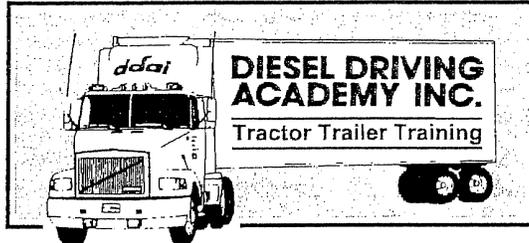
Respectfully,



Margaret Montgomery-Richard, Ph.D.
Chancellor

MMR:ahm

Misc\Alvarez, Kenneth (LTC-DDA) – 11.03.04



ESTABLISHED 1972
November 2, 2004

Mr. Kenneth J. Alvarez
State Audit Acting Director
State of Louisiana
Office of State Inspector General
224 Florida Street, Suite 303
Baton Rouge, Louisiana 70801

Response Reference: File No. 1-03-0027

Dear Mr. Alvarez:

Thank you for sending us a copy of the draft report for File No. 1-03-0027. We appreciate the comments about our cooperation with your office, most of which was done by our Vice President of Operations, Judd Callicoatte. Our comments in this letter are also meant to be cooperative.

Much of the report talks about the value of the contract. In fairness, we are not sure anybody could reasonably forecast what the value of the contract could be because the public-private concept for job training was new to Louisiana. While the questions that are brought up about the Chancellor's authority and conduct may be valid, we must point out two things. First, we are not in a position to supervise the Chancellor of the Louisiana Technical Colleges and can only assume what he tells us is true and correct; and secondly, our copy of the contract is stamped approved and signed by Susan H. Smith, Director, Office of the Governor, Office of Contractual Review. A copy of the contract is enclosed for your review. We believe that this approval from the Governor's office should be noted in your report.

We would like to inform you that this relationship is coming to a conclusion. The contract will be voluntarily terminated in early 2005 by mutual agreement.

If you need any further information, please do not hesitate to contact us and we will gladly continue to respond. Thank you for this opportunity to discuss the draft report and we hope our comments were informative.

Sincerely yours,

Bruce A. Busada
President

BAB/nw
Enclosure



P.O. Box 36949
Shreveport, Louisiana 71133-6949

DDAI is accredited by the Commission of
the Council on Occupational Education (COE)

(318) 636-6300
FAX (318) 636-9736
www.dieseldrivingacademy.com