

STATE OF LOUISIANA

OFFICE OF STATE INSPECTOR GENERAL



LOUISIANA GAMING CONTROL BOARD

Date Released:

November 23, 2005

File No. 1-05-0026

STATE OF LOUISIANA
OFFICE OF
STATE INSPECTOR GENERAL



LOUISIANA GAMING CONTROL BOARD

Sharon B. Robinson, CPA
State Inspector General

KKB
APC
11/1/05
Approved by:
Governor Kathleen Babineaux Blanco

November 1, 2005

File No. 1-05-0026



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October 31, 2005

Honorable Kathleen Babineaux Blanco
Governor of the State of Louisiana
P. O. Box 94004
Baton Rouge, LA 70804-9004

Re: Case No. 1-05-0026

Dear Governor Blanco:

This report addresses concerns raised about the operations of the Louisiana Gaming Control Board. The report includes 9 recommendations that, if implemented, could help the Board.

We provided drafts of the report to the Board, the Department of Public Safety, Ms. Gloria Anne Neeb, and Mr. Douglas Allen. Their written responses are included as Appendix A. After reviewing Ms. Neeb's and Chairman Gaudin's responses, we included additional comments as Appendix B.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sharon B. Robinson".

Sharon B. Robinson, CPA
State Inspector General

Enclosure

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Executive Summary

Audit Initiation

On May 12, 2005, the Office of State Inspector General received a complaint alleging payroll irregularities, improper replacement of hearing officers, and improper ex parte meetings within the Louisiana Gaming Control Board (LGCB). On June 6, 2005, the Office of State Inspector General began an investigation into the allegations.

The objective of the investigation was to determine if the allegations were valid, while reviewing compliance with applicable state laws and guidelines. We substantiated the allegation of payroll irregularities, but we were not able to substantiate the allegations of improper replacement of hearing officers and improper ex parte meetings.

LGCB has regulatory authority, control and jurisdiction, including investigation, licensing, and enforcement over all aspects of gaming activities and operations, including supervisory authority over gaming on Indian lands.

Summary of Findings

- Gloria Anne Neeb, the former LGCB executive director, and staff attorney Douglas Allen did not comply with a directive from Governor Blanco and recommendations from a Department of Public Safety payroll audit report regarding time and attendance. Ms. Neeb and Mr. Allen were paid for hours that they did not work or take appropriate leave hours.
- Chairman Charles Gaudin did not work in the LGCB office in Baton Rouge a minimum of four days per week as required by Governor Blanco's directive.
- Chairman Gaudin's salary exceeded the amount allowed by state law by approximately 10%.
- Chairman Gaudin did not comply with Policy and Procedure Memorandum No. 63 (PPM 63), governing the use and management of the 2004 Dodge Durango SUV assigned to him.

Background

LGCB was created May 1, 1996, and is authorized by LSA R.S. 27:11 to regulate all gaming activities and operations in the state, including gaming on Indian lands. LGCB consists of nine members appointed by the governor, one from each congressional district, serving staggered terms of six years. Additionally, the secretary of the Department of Revenue and the superintendent of Office of State Police serve as ex-officio members of LGCB. The governor appoints the chairman of the board.

The state attorney general serves as the legal advisor and legal representative to LGCB, its chairman, and Office of State Police relative to all gaming matters and in all legal proceedings, and provides criminal investigative services to the board. The Department of Public Safety (DPS), Office of State Police conducts investigations and audits regarding the qualifications of applicants for licenses or permits; and issues permits to non-key gaming employees and licenses to non-gaming vendors.

LGCB meets at least 12 times a year, and is required to conduct those meetings in East Baton Rouge Parish.

During the time of our audit, LGCB employed five people at its administrative office, which consisted of two unclassified confidential assistants, and an unclassified principal assistant. One of the confidential assistants, Gloria Anne Neeb, also served as the executive director. The other two employees were an attorney and a paralegal, who are classified employees. Also, the Attorney General's Office provides a support staff of three employees; a secretary, paralegal and docket clerk, all in the unclassified service.

Subsequently, Ms. Neeb submitted her resignation to LGCB, effective September 4, 2005, in order to accept a position as executive director of the Pennsylvania Gaming Control Board.

A hearing office was also created within the LGCB as a division of the Board. This office conducts public hearings in accordance with the Administrative Procedures Act on any matter which is disputed or contested. The hearing office is headed by a staff attorney of the Attorney General's Office, as well as other support and clerical staff. LGCB contracts with two additional private attorneys as hearing officers.

The 2006 fiscal year operating budget for LGCB is over \$1.2 million.

Scope and Methodology

The procedures performed during this investigation consisted of (1) interviewing pertinent employees of LGCB and DPS; (2) reviewing applicable state laws and regulations; (3) examining selected LGCB and DPS records; and (4) observing activities.

The investigation was primarily limited to activities and occurrences between March 14, 2005 and July 3, 2005. We selected March 14, 2005 because LGCB was instructed to begin implementing, on this date, recommended corrective actions of a previous DPS payroll audit.

Payroll Irregularities

Gloria Anne Neeb, the former LGCB executive director, and staff attorney Douglas Allen did not comply with a directive from Governor Blanco and recommendations from a DPS payroll audit report regarding time and attendance. Ms. Neeb and Mr. Allen were paid for hours that they did not work or take appropriate leave hours.

In an October 5, 2004, letter from Governor Blanco, Chairman Gaudin was instructed that all employees of LGCB must work full-time, and that all LGCB business should be conducted in Baton Rouge.

LSA R.S. 14:138 A. (1), C. mandates that public payroll fraud has been committed when any person knowingly receives payment for services not actually rendered or grossly inadequate for the payment received; and that whoever commits the crime of public payroll fraud shall be fined not more than one thousand dollars, or imprisoned, for not more than two years, or both.

LSA R.S. 14:138 A. (2) directs that public payroll fraud is committed when any public officer permits to be carried, directly or indirectly, upon the payroll of his office, the name of any employee with knowledge that such employee is receiving payment for services not actually rendered or for services grossly inadequate for such payments.

LSA R.S. 14:134 (3) mandates that malfeasance in office is committed when any public officer shall knowingly permit any other public officer or public employee, under his authority, to fail to perform any duty lawfully required of him, or to perform any such duty in an unlawful manner.

The LGCB operating hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, and is located in Baton Rouge.

Gloria Anne Neeb

On February 9, 2005, the DPS Human Resource section audited the payroll records of LGCB. The audit report revealed that Ms. Neeb was not preparing daily sign-in sheets as required by DPS policy. DPS's required corrective action for this deficiency was that, beginning March 14, 2005, Ms. Neeb must complete employee sign-in sheets.

We found that Ms. Neeb did not comply with that requirement. Furthermore, we found that Ms. Neeb falsely certified her attendance, was not working full-time as required, and was absent from work without taking leave.

According to DPS payroll reports from the period March 14, 2005 through July 1, 2005, Ms. Neeb certified that she was on leave for 25.5 hours out of 624 available work hours. However, from interviews of LGCB staff, a review of documents provided by Ms. Neeb to account for her work activity, and other information, we determined that Ms. Neeb was absent 234 hours or 37.5% of the time during that period, a discrepancy of 208.5 hours.

Subsequently, on August 10, 2005, Ms. Neeb submitted leave adjustment forms to DPS Human Resources to reclassify 152 of the 208.5 hours as leave hours rather than work hours. The late leave adjustment forms were for periods beginning in March 2005, or five months earlier. In the transmittal letter that Ms. Neeb submitted along with her leave adjustment forms, she explained that the majority of the leave dates were a result of unexpected travel out-of-state while her son was hospitalized. Yet, prior to Ms. Neeb's adjustment for those 152 hours, Ms. Neeb signed a DPS time entry summary report five different times, certifying she worked the 152 hours.

As further explanation of other absences, Ms. Neeb stated that she considered herself to be on duty, while commuting with Chairman Gaudin to Baton Rouge from Metairie, Louisiana. Chairman Gaudin is a Metairie resident, and Ms. Neeb resided in Metairie prior to resigning from LGCB. She stated that they discussed official business during their commute to work. Ms. Neeb's official work domicile was Baton Rouge, not Metairie. Moreover, Governor Blanco's directive instructs that LGCB business shall be conducted in the Baton Rouge office, and does not state or imply that commute hours can be substituted for working in the office.

Ms. Neeb also stated that she frequently accompanied the chairman at official meetings of LGCB. However, Ms. Neeb did not provide sufficient documentation about dates, times, locations, and attendees for those meetings, despite having a personal assistant who Ms. Neeb stated always knew her whereabouts.

Chairman Gaudin is responsible for the daily operations of LGCB, and was Ms. Neeb's supervisor. As evidenced by the conditions mentioned previously, Chairman Gaudin did not adequately supervise Ms. Neeb. In addition, we noted that LGCB did not have adequate written policies and procedures that sufficiently outline requirements for both the employee and supervisor regarding time and attendance.

Prior to her resignation, Ms. Neeb did not submit leave adjustment forms for 57 of the 208.5 hours that we determined she was absent from work without taking appropriate leave. Based on her annual salary of \$98,499, Ms. Neeb improperly received approximately \$2,700 for the 57 hours she did not work.

Douglas Allen

Mr. Allen has been employed as a staff attorney with LGCB since June 1, 2005. Based on interviews of the LGCB staff and other information, Mr. Allen was absent at least 56 hours or 30% of the time, for his first 184 hours of employment

when he arrived to work late, left early, or was out for the entire day. Mr. Allen has not submitted any leave slips since his employment began.

Mr. Allen is a classified state employee, with a current annual salary of \$66,008, and is eligible to earn annual, sick and compensatory leave. He is required to work 40 hours per week or submit a leave slip for absences.

Mr. Allen stated that he normally gets to work between 8:15 and 8:30 a.m., does not take a lunch break, and leaves at 4:00 p.m. each day. Following this schedule, Mr. Allen would still not be working the 40 hours per week required of most full-time classified state employees.

In response to a request from our office, Mr. Allen provided a written response to explain the 56 hours of absences; however, the information was vague, and lacked specific details. Also, in his response, Mr. Allen stated that he had no independent recollection of the times and dates cited in this report, and that he had to rely on his memory.

Mr. Allen further explained that he is frequently assigned to perform special projects for Chairman Gaudin. He stated that these special projects generally require him to go to the 19th Judicial District Court in Baton Rouge, the State Legislature, the State Supreme Court Library, Tulane University Law Library, Loyola University Law Library and LSU Law Library. While out of the office, he conducts legal research and checks on the status of pending legislation, which might impact the law pertaining to the jurisdiction and responsibility of LGCB.

According to statements from LGCB staff, Mr. Allen told them that on several occasions he would not be coming into the office, but would be working from home or at the courthouse. Mr. Allen further stated that he reports directly to Chairman Gaudin. As evidenced by the conditions mentioned previously, Chairman Gaudin did not adequately supervise Mr. Allen.

Because Mr. Allen had to rely on his memory, and could not provide sufficient references to any work product that would account for the time he was not in the office, we question whether he worked the 56 hours. Mr. Allen was paid \$1,777 for the 56 hours, based on his annual salary of \$66,008. Furthermore, we question the necessity of the duties provided by Mr. Allen, because they appear to duplicate duties already provided by the Attorney General, as required by state law.

This report has been provided to the District Attorney for the Nineteenth Judicial District of Louisiana. The actual determination as to whether these individuals are subject to formal charges is at the discretion of the district attorney.

Recommendations:

1. All LGCB employees, including the executive director, should complete daily sign-in sheets as required.
2. Ms. Neeb should reimburse the state \$2,700, as she is no longer employed by LGCB.
3. Mr. Allen should immediately begin working 40 hours per week. He should also submit leave slips for the 56 hours of absences or reimburse the state \$1,777, if he lacks sufficient leave balances.
4. LGCB should establish written policies and procedures that sufficiently outline requirements for both the employee and supervisor regarding time and attendance.
5. Chairman Gaudin should exercise his fiduciary responsibilities to adequately supervise LGCB staff by ensuring that all staff work their required hours and perform necessary duties.

Non-compliance with Governor's Directive

Chairman Charles Gaudin did not work in the LGCB office in Baton Rouge a minimum of four days per week as required by Governor Blanco's directive.

According to interviews of LGCB staff members and other information, on 40 different dates during our three and one-half month review period, Chairman Gaudin was either absent from the office in Baton Rouge, or only worked half-days. Chairman Gaudin stated that he generally does not come into the office on Fridays. Based on interviews with LGCB staffers, and other information, the number of hours Chairman Gaudin worked in the office averaged a total of two days per week. This routine does not comply with Governor Blanco's directive, which requires him to work in the Baton Rouge office a minimum of four days per week. As an appointee of Governor Blanco, Chairman Gaudin does not earn leave, and is not required to record his attendance on a daily sign-in sheet.

To account for his time away for the office, Chairman Gaudin stated that the days he is not in Baton Rouge are spent handling phone calls from his home in Metairie. However, Governor Blanco's directive requires Chairman Gaudin to conduct LGCB business in the Baton Rouge office. As a result of his noncompliance with Governor Blanco's directive, Chairman Gaudin's ability to effectively direct LGCB in its mission could be hampered.

Recommendation:

6. Chairman Gaudin should strictly adhere to Governor Blanco's directive and conduct LGCB business a minimum of 4 days per week in the Baton Rouge office. Should the Chairman not be able to adhere to this directive, he should consult directly with Governor Blanco about having the directive amended.

Improper Salary for LGCB Chairman

Chairman Gaudin's salary exceeded the amount allowed by state law by approximately 10%.

Chairman Gaudin received an annual salary of \$112,041 since his appointment to LGCB on April 14, 2004, until July 28, 2005. According to the State Court of Appeals, the current annual salary of an active appeals court judge is approximately \$101,841. The supplemental compensation currently provided to active judges is \$10,200, which when added to their salary, pays \$112,041.

LSA R.S. 27:14 authorizes the chairman to receive an annual salary equal in amount to a judge of the State Courts of Appeal, as provided in R.S. 13:311, which designates the salaries of those judges, with provisions for pay raises.

LSA R.S. 13:10.3 establishes the Judges' Supplemental Compensation Fund to be used for salary supplements, for related costs of state or municipal retirement funds, and for necessary and associated administrative expenses of the Fund.

However, LSA R.S. 27:14 does not provide for the payment of the supplemental compensation to the chairman of the LGCB, merely the salary of the state appeals court judge. According to Tina Boudreaux, director of DPS Human Resources, DPS is not receiving any funds from the Supplemental Compensation Fund on behalf of Chairman Gaudin. Ms. Boudreaux further stated that DPS requested information from the State Court of Appeals regarding the correct salary for Chairman Gaudin; however, the information was misinterpreted. As a result, from the date of his appointment, through July 28, 2005, LGCB has overpaid Chairman Gaudin \$13,185.

Subsequently, Ms. Boudreaux has informed our office that DPS has adjusted Chairman Gaudin's salary to the appropriate amount.

Recommendation:

7. DPS should immediately seek to recover the \$13,185 in salary overpayments made to Chairman Gaudin since his appointment in April 14, 2004.

Violations of State Vehicle Regulations

Chairman Gaudin did not comply with Policy and Procedure Memorandum No. 63 (PPM 63), governing the use and management of the 2004 Dodge Durango SUV assigned to him.

LAC 4:V.2501 provides the legal authority for the provisions of PPM 63, the state vehicle regulations. PPM 63 requires:

That a personal assignment agreement for home storage must be completed, signed, and filed with the state fleet manager annually by May 1, with all agreements expiring each June 30.

Each user of a state vehicle must complete a daily vehicle log indicating all miles traveled, odometer readings, gas purchases, dates and places visited.

All drivers must submit a current authorization and driving history.

Authorization by the Division of Administration to use a state vehicle for commuting between home and work, which otherwise would be defined as personal mileage and prohibited.

DPS serves as the transportation coordinator for LGCB, and is required to maintain all required forms and documentation for the vehicle. In a March 14, 2005 letter to all agency heads, DPS requested that the annual personal assignment agreement form be updated and returned. Chairman Gaudin, as the agency head, did not submit the required annual forms in connection with the 2004 Dodge Durango. DPS, as the transportation coordinator for LGCB, did not ensure that all necessary annual forms were received as requested.

Chairman Gaudin uses the 2004 Dodge Durango for travel in connection with his full-time, statewide duties for LGCB and commuting from his home in Metairie, Louisiana. Since the Commissioner of Administration, or his designee, had not approved a written waiver or the personal assignment agreement form, Chairman Gaudin does not qualify to use the 2004 Dodge Durango. According to PPM 63, all unauthorized commuting mileage by Chairman Gaudin is prohibited personal mileage and may be considered taxable compensation by the Internal Revenue Service.

Ms. Neeb said that she routinely drove to Chairman Gaudin's home in her personal vehicle, and then drove the 2004 Dodge Durango with him present, to the office, and destinations in Baton Rouge. Ms. Neeb had been observed driving the vehicle to work on days when Chairman Gaudin did not come into the office. Ms. Neeb had not been authorized to drive the vehicle by completing the driver authorization and history form, nor had she been given approval for home storage of the vehicle by completing the personal assignment agreement for home storage. Without the proper authorization, all mileage driven by Ms. Neeb

from her home would have been considered a prohibited personal use, and may be considered taxable compensation by the Internal Revenue Service.

Furthermore, while using the 2004 Dodge Durango, Chairman Gaudin and Ms. Neeb did not prepare the official daily mileage log. Therefore, official state business miles cannot be accurately ascertained from the commuting miles driven by Chairman Gaudin and Ms. Neeb. Chairman Gaudin began using the 2004 Dodge Durango in August, 2004, and as of August 25, 2005, the vehicle had an odometer reading of 25,633 miles.

Chairman Gaudin said that he was not aware of the requirements for completing the various forms. As a result, continued use of any vehicle assigned to LGCB without strict compliance with the requirements of PPM 63 places the state at risk in the event of a motor vehicle accident.

Recommendations:

8. Chairman Gaudin should immediately begin complying with PPM 63.
9. DPS should ensure that LGCB submits the required annual vehicle management forms or take immediate steps to revoke Chairman Gaudin's vehicle privileges.

APPENDIX A

Responses



Department of Public Safety and Corrections
Public Safety Services

KATHLEEN BABINEAUX BLANCO
GOVERNOR

HENRY L. WHITEHORN, COLONEL
DEPUTY SECRETARY, PUBLIC SAFETY SERVICES
SUPERINTENDENT, OFFICE OF STATE POLICE

October 28, 2005
0140/400/KDW/1649
HQ-1-1167

Ms. Sharon B. Robinson, CPA
State Inspector General
P.O. Box 94095
Baton Rouge, LA 70804-9095

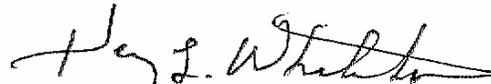
Re: Your File No. 1-05-0026

Dear Ms. Robinson:

As per your request and with regard to the "draft audit report" you prepared relating to an investigation into activities at the Louisiana Gaming Control Board (LGCB), enclosed herein is the written response by the Department of Public Safety and Corrections, Public Safety Services. Specifically addressed by the Department are findings and recommendations related to Proposed Recommendations No. 2, 3, 7 and 9.

If you have any questions or require additional responses or information, please contact me at 925-6118.

Sincerely,


Henry L. Whitehorn, Colonel
Deputy Secretary

Attachments

COURTESY LOYALTY SERVICE
P.O. BOX 66614 BATON ROUGE, LOUISIANA 70896-6614
(225) 925-6118

Proposed Recommendation No. 2

Ms. Neeb should reimburse the state \$2,700 as she is no longer employed by LGCB.

Response

The Department of Public Safety and Corrections, Public Safety Services (Department) concurs with the finding that Ms. Neeb was paid for work that she did not perform from March 14, 2005 through July 1, 2005. The Department further concurs with the finding that it is responsible for obtaining reimbursement from Ms. Neeb for the payments made for which work was not performed. With regard to the specific amount Ms. Neeb should reimburse the State, the Department will review documentation provided by the Inspector General as well as records maintained by the Department, in order to formulate a specific demand.

Further, the Department specifically asserts that it has become aware that even after July 1, 2005, Ms. Neeb may have continued to get paid for work that she did not perform and for which she did not submit leave slips. Specifically, the Department has been informed that allegedly for a period of approximately one month before her departure from the Department on September 4, 2005, Ms. Neeb stopped reporting to work, but continued to receive her pay check. Ms. Neeb did not take leave in connection with the alleged extended absence just prior to the effective date of her resignation on September 4, 2005.

Until her resignation with an effective date of September 4, 2005, Ms. Neeb continued to serve as the Executive Director of LGCB at an annual salary of \$98,499. Ms. Neeb's position was an unclassified one, but required her presence at work for 40 hours per week. On July 7, 2005, Ms. Neeb was appointed as Executive Director of the Pennsylvania Gaming Control Board contingent on passage of a background investigation. It is unknown what date Ms. Neeb began working with the Pennsylvania Gaming Control Board and if there was an overlap in her two employments.

The Department understands that after Ms. Neeb became aware that she was the subject of an investigation pertaining to her failure to take leave in connection with absences, on August 10, 2005 Ms. Neeb submitted leave slips to cover some of the absences. In spite of the knowledge that there was an investigation pertaining to her failure to take leave in connection with absences, Ms. Neeb apparently continued to absent herself from work without taking leave. Allegedly for approximately one month prior to her departure, although Ms. Neeb allegedly failed to report for work, she continued to receive a paycheck for 40 hours of work per week. No leave slips were turned in for any of these absences.

In deference to your investigation, the Department has not undertaken an investigation into these allegations. If Ms. Neeb did in fact not report to work for a period of approximately one month from on or about late July to early August, 2005 through

September 4, 2005, did not take leave for that period of time, but was paid, her actions may have arguably risen to the level of the commission of a crime. The Department requests that this matter be turned over to an appropriate law enforcement agency for a criminal investigation and possible prosecution.

Status of Action Taken

No action has been taken by the Department to date.

Proposed Corrective Action Plan

The Department proposes the following corrective action plan to recover the monies Ms. Neeb owes the Department:

The Department first reiterates its position that the Office of Inspector General should turn the matter over to a law enforcement agency for a criminal investigation, with the possibility of criminal charges in connection with this matter. The Department further suggests that it may be appropriate to defer implementation of a corrective action plan until such time that the Department has the opportunity to discuss the matter with the prosecuting authority.

After discussion with the prosecuting authority, and in accordance with the Department's Recoupment of Overpayments Policy, the Department will notify Ms. Neeb in writing that an overpayment has occurred, providing the date of the overpayment, the amount of the overpayment, and the reason for the overpayment. The Department shall demand repayment with a one-time personal check or money order. Ms. Neeb would be given the opportunity to dispute the debt and/or the repayment plan in accordance with policy.

Name of contact person responsible for corrective actions: Steve Hymel, Undersecretary

Anticipated date of completion: Payment will be demanded within 30 days of receipt of the notice, which will be sent certified mail, return receipt requested. If payment is not made as demanded, in accordance with the Department's Recoupment of Overpayments Policy, Ms. Boudreaux will contact the Office of Legal Affairs to determine what legal recourse is warranted.

Proposed Recommendation No. 3

Mr. Allen should immediately begin working 40 hours per week. He should also submit leave slips for the 56 hours of absences or reimburse the state \$1,777 if he lacks sufficient leave balances.

Response

The Department of Public Safety and Corrections, Public Safety Services concurs with the finding that Mr. Allen was paid for work that he did not perform from March 14, 2005 through July 1, 2005. The Department further concurs with the finding that it is responsible for obtaining reimbursement from Mr. Allen for the payments made for which work was not performed. With regard to the specific amount Mr. Allen should reimburse the State, the Department will review documentation provided by the Inspector General as well as records maintained by the Department, so that it can formulate a specific demand.

The Department also concurs with the finding that Mr. Allen should immediately begin working 40 hours per week, but asserts that it is Chairman Gaudin's responsibility, as the direct supervisor of Mr. Allen, to ensure that Mr. Allen works 40 hours per week.

Status of Action Taken

No action has been taken by the Department to date.

Proposed Corrective Action Plan

The Department proposes the following corrective action plan to recover the money that Mr. Allen allegedly owes the Department:

Mr. Allen will be ordered to submit time and attendance adjustment forms for leave without pay for the relevant pay periods to ensure corrections are made in the ISIS-HR payroll system.

Mr. Allen at this time only has approximately 10 hours of annual leave available, so the option that he submits leave slips for the 56 hours of absences is not viable. As such, in accordance with the Department's Recoupment of Overpayments Policy, Mr. Allen will be notified in writing that an overpayment has occurred, providing the date of the overpayment, the amount of the overpayment, and the reason for the overpayment. A proposed repayment plan for the overpaid wages will be made, which would require that for 26 consecutive pay periods the Department deduct from Mr. Allen's paycheck an amount equal to 1/26 the amount overpaid. Mr. Allen would be advised of the date the recoupment would begin, and would be given the opportunity to dispute the debt and/or the repayment plan in accordance with policy.

With regard to the recommendation that Mr. Allen "begin working 40 hours per week," as stated above, it is Chairman Gaudin's responsibility to assure compliance. In an effort to promote compliance, the Department shall require that payroll time entries for

all LGCB employees be Positive Pay Entries. Positive Pay Entries will require that a manual entry be made for each LGCB employee as opposed to Negative Pay Entries, which pay employees 80 hours per pay period by default.

Name of contact person responsible for corrective actions: Steve Hymel, Undersecretary

Anticipated date of completion: 12 months from the date on which recurring deductions begin.

Proposed Recommendation No. 7

DPS should immediately seek to recover the \$13,185 in salary overpayments made to Chairman Gaudin since his appointment in April 14, 2004.

Response

While the Department concurs with the finding that salary overpayment occurred and that the Department should immediately seek to recover the overpayment made to Chairman Gaudin since his appointment on April 14, 2004, it disputes the amount of overpayment. It is the Department's position that Chairman Gaudin's annual salary should be \$100,166.98 and not \$101,841. As such, it is the Department's contention that Chairman Gaudin as of October 7, 2005, was overpaid \$15,608.75 as opposed to \$13,185, and that the Department should recover this amount, plus any amounts that may accrue subsequently, from the Chairman.

Reasons for Response

The Department concurs with the proposed finding that the Chairman of the Louisiana Gaming Control Board should only be paid the salary established by La. R.S. 13:311, as increased by HCR No. 29, 1996 and HCR No. 30, 2001. The Chairman is not entitled to have his salary adjusted to reflect the supplemental pay that Court of Appeals judges are paid by virtue of La. R.S. 13:10.3. The Department disputes the calculations regarding the salary the Chairman should be paid, and the amount he was overpaid.

The "draft audit report" reflects the current base salary for court of appeals judges is \$101,841. It is my understanding however, after discussing the matter with Mr. Randy Certoma, the Accounting Services Manager for the Louisiana Supreme Court, that in implementing the 4% and 5% pay increases authorized by the House Concurrent Resolutions, factored in was supplemental pay, which the Chairman is clearly not entitled to collect. As such, it is the Department's position that after implementation of only the two 4% pay increases and the three 5% pay increases authorized by House Concurrent Resolutions, the salary for the Chairman should be \$100,166.98, and not the \$101,841 figure proposed. It is the Department's position that as of October 7, 2005, Chairman Gaudin was overpaid \$15,608.75 since his appointment on April 14, 2004.

Status of Action Taken

Immediately after the Department became aware that Chairman Gaudin was being overpaid, it took steps to correct the error. Chairman Gaudin is currently being paid an annual salary of \$101,840.96. As stated above however, it is the Department's position that the Chairman's salary should actually be \$100,166.98, and that he continues to be overpaid \$64.38 per pay period.

Proposed Corrective Action Plan

The Department proposes the following corrective action plan to recover the salary overpayments, plus any overpayments that continue to accrue, made to Chairman Gaudin since his appointment on April 14, 2004:

After a determination is made regarding the correct salary Chairman Gaudin should be paid, and the amount of monies requiring reimbursement is decided, in accordance with the Department's Recoupment of Overpayments Policy, Chairman Gaudin will be notified in writing that an overpayment has occurred, providing the date of the overpayment, the amount of the overpayment, and the reason for the overpayment. A proposed repayment plan for the overpaid wages will be made, which would require that for 26 consecutive pay periods the Department deduct from Chairman Gaudin's paycheck an amount equal to 1/26 the amount overpaid. Chairman Gaudin would be advised of the beginning date that the recoupment would begin and would be given the opportunity to dispute the debt and/or the repayment plan in accordance with policy.

Name of contact person responsible for corrective actions: Steve Hymel, Undersecretary

Anticipated date of completion: 12 months from the date on which recurring deductions begin.

Proposed Recommendation No. 9

DPS should ensure that LGCB submits the required annual vehicle management forms or take immediate steps to revoke Chairman Gaudin's vehicle privileges.

Response

The Department concurs with the proposed finding that Chairman Gaudin did not submit to the Department the annual vehicle management forms as required for use of the Department's 2004 Dodge Durango SUV. The Department also concurs with the recommendation that the Department should ensure that LGCB submits the required annual vehicle management forms or that they should take immediate steps to revoke the Chairman's vehicle privilege.

Status of Action Taken

The Department has provided Chairman Gaudin and his staff with all the information they need to comply with the rules and regulations pertaining to use of state-owned vehicles and the use of any other vehicle for state business.

Proposed Corrective Action Plan

The Department recommends the following corrective action plan:

The Department will permit the LGCB and Chairman Gaudin to retain use of the Department's 2004 Dodge Durango SUV subject to the following specific restrictions:

1. Chairman Gaudin shall on an annual basis complete and submit the Authorization and Driving History Form (Form DA2054);
2. Chairman Gaudin shall immediately complete and submit a Request for Personal Assignment and/or Home Storage of State-Owned Vehicle (Form DA5210).
3. Chairman Gaudin shall ensure that there is no personal use of the state-owned vehicle with the exception of home storage commute miles if approved by the commissioner of administration via the DOA form MV-2.
3. Chairman Gaudin shall complete a daily MV-3 log for the state-owned vehicle, including the mileage for each trip, the destination, purpose of the trip, the driver, and any maintenance performed on the vehicle other than by the Department;
4. Chairman Gaudin shall submit the signed and completed MV-3 report to Support Services once a month, with such report due on or before 10th of each month;
5. Chairman Gaudin shall not permit any LGCB employee to drive a state-owned vehicle or any vehicle on state business unless the employee has completed and submitted the Authorization and Driving History Form on an annual basis (Form DA2054);
6. Chairman Gaudin shall ensure that home storage of the state-owned vehicle shall be limited to persons authorized by virtue of a Request for Personal Assignment and/or Home Storage of State-Owned Vehicle (Form DA5210)
7. Chairman Gaudin shall ensure that no person will travel in a state-owned vehicle unless that person is a state employee.

Name of contact person responsible for corrective actions: Lt. Col. Stanley Griffin

Anticipated date of completion: Strict adherence to the above-enumerated restrictions will be required and the Department will consider immediate revocation of vehicle privileges of the LGCB and Chairman Gaudin in the event of non-compliance.



State of Louisiana
Gaming Control Board

KATHLEEN BABINEAUX BLANCO
GOVERNOR

H. CHARLES GAUDIN
CHAIRMAN

October 18, 2005

Sharon B. Robinson, CPA
State Inspector General
Post Office Box 94095
Baton Rouge, Louisiana 70804

Re: Your file No.: 1-05-0026

Dear Ms. Robinson:

This is in response to the draft audit report I received recently.

I first saw Paula Williams On June 20, 2005. She said that she was investigating an anonymous complaint regarding payroll irregularities, improper replacement of hearing officers and improper ex parte meetings. I asked for but was refused a copy of the complaint which seems to have been sent with ulterior motives.

I next heard from Paula Williams on August 24th when she called to ask for the odometer reading on the Dodge Durango. I told her 25,633 miles.

The next and final time I saw Paula Williams was on September 22nd when I was handed a copy of her draft audit report.

The only finding by Paula Williams that I might agree with is that some of our office's bookkeeping was not what she expected to find. Otherwise, I respond as follows:

GOVERNOR BLANCO'S DIRECTIVE 01 1 8 2005

Paula Williams has in her possession a copy of a letter sent to me personally by Governor Kathleen Blanco. If Paula Williams obtained this copy from the Governor, I see no problem. If, however, the letter came from an outside source, it may have been illegally obtained or conveyed.

In any event, the Governor requested that I be in my Bluebonnet Centre office four days a week. According to my daily log book, which I offered to Paula Williams the first time we met, I was in my office 86 times from January 3, 2005 to June 27th, when I was hospitalized for serious knee surgery. This is an average of 3.44 times a week, including weeks with official holidays like Mardi Gras, Memorial Day and Good Friday. I did, assisted by a walker, return to work on July 18th and I did preside over the Board meeting on July 19th. Since returning full time, I have averaged about four days a week in my Bluebonnet Centre Office. I should add that I have never taken a vacation since becoming Chairman.

When I was not at the Bluebonnet Centre, I was either working at my residence or up and about Gaming Control Board business in New Orleans, Baton Rouge, Lake Charles or elsewhere, as I believe my job required.

EXCESSIVE SALARY

Without any prior notice or a hearing, I was advised by telephone on August 1, 2005 that my salary was being reduced. I immediately took issue with this by letter to Tina Boudreaux on August 10th, a copy of which is attached. Curiously, Paula Williams did not find my letter in her investigation and was unaware of its existence on September 22nd.

As this salary dispute is between me personally and the Human Resources Director and has absolutely nothing to do with gaming regulating or the Gaming Control Board, I wonder why this matter is included in the draft audit report. Regardless, I firmly believe my position is legally sound. I remain hopeful that this disagreement can be resolved without resorting to the courts.

USE OF VEHICLES

When I became Chairman, I was assigned a used Ford Victoria automobile and later a Dodge Durango. I was never advised by the State Police or anyone else that I had to execute a "Request for personal assignment and/or home storage of state-owned vehicle" form. I have now received this simple one-page form from Captain Brad McGlothren and I have returned it to him filled out. I am now keeping a daily log of the Dodge Durango's use, something I did not know I was supposed to do until recently.

In her draft audit report, Paula Williams stated: "Mrs. Neeb said that she regularly drove the vehicle to pick up Chairman Gaudin from his home, commuted with him to the office and drove to destinations in Baton Rouge. Ms. Neeb had been observed driving to work on days when Chairman Gaudin did not come in the office." Mrs. Anne Neeb, my chief assistant who is now Chief Executive Officer of the Pennsylvania Gaming Commission, did not say this to Paula Williams as it is inaccurate.

When I drove to Baton Rouge with Mrs. Neeb in the Dodge Durango, which was often, she drove her automobile to my residence and parked her car there. The Dodge Durango was kept by me parked at my home in an off street driveway. The only times Mrs. Neeb drove alone to Baton Rouge in the Dodge Durango was when I was bedridden following knee surgery and she delivered gaming-related letters and documents to me at my home where we, at length, discussed Gaming Control Board business. The State Police were informed of her using the vehicle and they had no objection.

HEARING OFFICERS

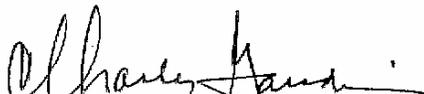
I interviewed a number of highly qualified retired judges from the New Orleans area and was prepared to recommend to the Gaming Control Board that it consider hiring two different hearing officers once the contracts of the then sitting hearing officers expired on June 30, 2004. Everything was done above board and legal.

I was prepared to recommend two new hearing officers to the Board but I was requested not to do so and I complied with the request.

EX PARTE MEETINGS

Paula Williams could find no evidence of any ex parte meetings because there had been none.

Sincerely,


H. Charles Gaudin, Chairman
Louisiana Gaming Control Board

HCG:jl

Anne L. Neeb
907 North 2nd Street, Harrisburg, Pennsylvania 17102

October 18, 2005

Sharon B. Robinson, CPA
State Inspector General
Post Office Box 94095
Baton Rouge, Louisiana 70804

Re: Your file No: 1-05-0026

Dear Ms. Robinson:

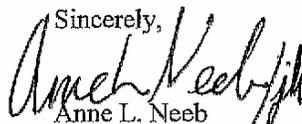
I do not concur with the findings made by Paula Williams, of the Office of the Inspector General, nor do I concur with the recommendations made, due to the inaccurate information used by Ms. Williams to make her report. Additionally, I was not allowed to review or confirm the facts contained in the alleged anonymous "complaint".

Response to Ms. Williams's findings of payroll non-compliance.

1. Ms. Williams incorrectly states that Ms. Neeb resigned on September 9, 2005. This is wrong. I submitted my written resignation on September 4, 2005. Therefore her calculations as to how many hours were worked are inaccurate.
2. Ms. Williams wrongly assumed that I was employed by the Department of Public Safety. I was employed by the Louisiana Gaming Control Board, and hired by the Chairman of the Gaming Control Board, to whom I reported to directly. Ms. Williams failed to ask the Chairman of the Gaming Control Board what my duties and responsibilities were, failed to inquire into the type of work done, failed to comprehend the organization structure of the Louisiana Gaming Control Board and failed to accurately confirm the information provided by her anonymous sources, leading to wrong conclusions concerning my duties.
3. I correctly prepared all leave slips. I correctly certified my time entries. Any delay in completing the forms was due to inaccurate information provided by the timekeeper concerning my rights under the Family Medical Leave Act (FMLA). Additionally, at the end of my employment I was "owed" leave time and simply reconciled all time entries with the Time and Adjustment Forms routinely used by Department of Public Safety. This time keeping system is the same system that was used by the Office of the Attorney General during the 9 years I was employed there.
4. Ms. Williams asked me to provide for her the name of every person I ever met with outside of the office. I informed her that some of the meetings I attended were with

federal law enforcement officials and I would not be able to disclose the confidential nature of those discussions or meetings with her.

5. Prior to the Chairman of the Gaming Control Board having knee surgery, he contacted Colonel Whitehorn, to ask if it was permissible for me to drive his vehicle back and forth from his home to the office to deliver documents and mail while he was unable to walk. As head of the Department of Public Safety, Colonel Whitehorn approved the use of the vehicle in that manner.

Sincerely,

Anne L. Neeb

cc: H. Charles Gaudin, Chairman, Louisiana Gaming Control Board



State of Louisiana
Gaming Control Board

KATHLEEN BABINEAUX BLANCO
GOVERNOR

October 17, 2005

H. CHARLES GAUDIN
CHAIRMAN

Sharon B. Robinson, CPA
State Inspector General
Post Office Box 94095
Baton Rouge, Louisiana 70804

Re: Your file No.: 1-05-0026

Dear Ms. Robinson:

Please accept this letter as my response to the draft audit report, as it applies to me, in addition to my previous response to inquiries made by Ms. Paula Williams of the Office of the Inspector General which I submitted on September 8, 2005, a copy of which is attached hereto.

The issue in my case is whether or not I actually worked at my official duties 40 hours each week during the month of June 2005, the contested amount being 56 hours, for which I was asked to account.

The demand for an accounting came on September 6, 2005, a little over two months after the fact. Since I kept no diary of work related events at that time, I had to rely on my memory of events to answer. I do believe, however, that the substance of that reply was accurate, and I insist that I worked at least 40 hours in each of those weeks on the proper business of the Louisiana Gaming Control Board.

Nevertheless, in order to forestall and set at rest any such questions about my work time in the future, I have adopted the following schedule and procedures:

- 1- Arrive at the office at 8:00 A.M. and leave at 4:00 P.M. (I take no lunch time because of severe diet restrictions).
- 2- Any time necessarily spent out of the office is carefully documented.
- 3- If out of the office, always available to other staff members by cell phone.

Very truly yours,


Douglas A. Allen, Staff Counsel
Louisiana Gaming Control Board

Enclosure

cc: H. Charles Gaudin, Chairman, Gaming Control Board

DAA:jll

APPENDIX B

Additional IG Comment

State Inspector General: Additional Comment

The previous reference that Ms. Neeb drove the 2004 Dodge Durango to pick up Chairman Gaudin from his home was unintentional. The report has been amended to reflect that Ms. Neeb drove to Chairman Gaudin's home in her vehicle.

The report has also been amended to reflect September 4, 2005 as Ms. Neeb's resignation date instead of September 9, 2005.