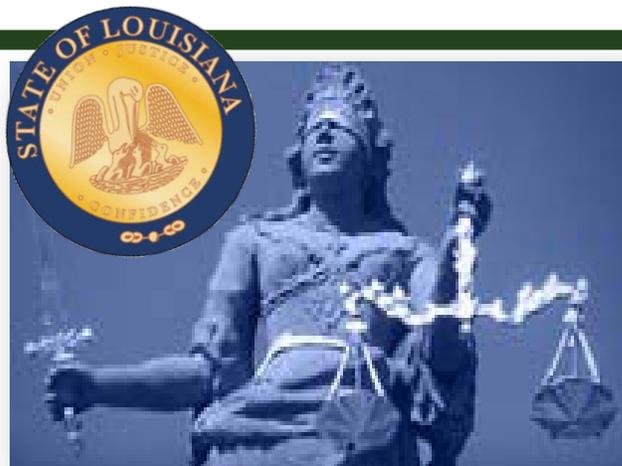


STATE OF LOUISIANA

**OFFICE OF
STATE INSPECTOR GENERAL**

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



Annual Report

**For the 12 Months Ending
June 30, 2011**

Date Issued: January 18, 2012

BOBBY JINDAL
GOVERNOR



STEPHEN B. STREET, JR.
STATE INSPECTOR GENERAL

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

January 18, 2012

Honorable Bobby Jindal
Governor, State of Louisiana
Post Office Box 94004
Baton Rouge, LA 70804

Representative James R. "Jim" Fannin – Chairman
Senator Jack Donahue – Vice Chairman
Joint Legislative Committee on the Budget
Post Office Box 44294
Baton Rouge, LA 70804

Re: Fiscal Year 2010-2011 Annual Report

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

This Annual Report outlines the work of our office for the 12 months ended June 30, 2011. During this period, using the various law enforcement authorities granted it by law, the Office of State Inspector General conducted numerous criminal investigations, both solely and jointly with other investigatory agencies, and forensic audits. These investigations and audits resulted in criminal arrests and prosecutions as well as identifying misspent and/or wasted state dollars, questionable expenditures, and weak internal controls in agency operations that increased the risk of fraud and corruption. You will find a summary of these investigations and audits later in this report in the Case Highlights section.

For the first time, as part of our participation in the state's budgeting for outcomes initiative, OIG's performance was measured by a yardstick requiring that our office identify fraud and waste dollars that meet or exceed our annual general fund budget. I am pleased to report that OIG not only met, but nearly doubled this goal in FY 2010-2011, identifying over 3.2 million dollars as a result of cases successfully worked. Many of those cases have already resulted in successful criminal prosecutions.

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.

Annual Report Transmittal Letter
January 18, 2012
Page Two of Two

I am honored to hold this position and serve with you. On behalf of the citizens of Louisiana, we will continue to do everything we can to fight fraud and corruption in government.

With kindest regards, I remain

Respectfully,

A handwritten signature in black ink, appearing to read "Stephen Street", written in a cursive style.

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

SBS/ss

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Joint Legislative Committee on the Budget

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Introduction

In keeping with its statutory designation as a law enforcement agency with a mission to root out fraud and corruption in government, the Office of State Inspector General has implemented significant changes over the past year. The office has been reorganized according to the law enforcement model, with criminal investigators and forensic auditors working together as a team on serious fraud and public corruption cases. OIG has now completely shifted its focus away from being an agency that primarily generates reports, and now emphasizes investigations of white-collar criminal activity to be presented for prosecution.

As a law enforcement agency, the office is statutorily authorized to access confidential criminal databases maintained by the FBI and Louisiana State Police, can obtain and execute criminal search warrants, obtain criminal arrest warrants and apply for and serve criminal investigative subpoenas. OIG criminal investigators are experienced law enforcement officers trained and certified under Peace Officer Standards and Training (POST) to carry firearms, and have received Special Officer Commissions from the Louisiana State Police. OIG forensic auditors are Certified Inspector General Auditors (CIGA) with extensive experience conducting audits focusing on areas within state government at risk for fraud and corruption.

In FY 2010-2011, OIG took pro-active steps to more efficiently use its resources and get maximum return for the taxpayers. For example, OIG implemented new legislation to create an Inspector General Reserve Investigator Program. This new law became effective in August of 2010, and has allowed OIG to supplement permanent staff with seasoned law enforcement professionals who serve on a volunteer basis at virtually no cost to the taxpayers.

Importantly, for the first time ever, the effectiveness of OIG is now measured by a yardstick that requires it to identify a dollar amount of fraud and waste that equals or exceeds the dollar amount provided to it from the state general fund. As will be explained in detail below, OIG not only met, but nearly doubled this goal in FY 2010-2011, identifying over 3.2 million dollars as a result of cases successfully worked. Many of those cases have already resulted in successful criminal prosecutions.

The establishment of a statutorily independent law enforcement agency within the Office of the Governor, staffed with seasoned law enforcement, financial investigation, and audit personnel is unprecedented in Louisiana and provides a tool for achieving a more effective government. The office will continue its efforts to increase public confidence and trust in state government by providing the

citizens with a place to report their concerns, and have those concerns investigated.

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 his successors. 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 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 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., as the third State Inspector General in January 2008.

Resources and Staffing

For fiscal year 2010-2011, after sustaining mid-year and year-end budget cuts and reductions of approximately \$157,851, the office received a revised budget of \$1.6 million (nearly 85% for salaries and related benefits). Besides the State Inspector General, the staff consists of an Administrative Program Manager, 6 State Auditors, 6 Criminal Investigators, an Administrative Assistant, and General Counsel. Except for the General Counsel and the State Inspector General, all other employees are classified. The General Counsel is an Assistant Attorney General under an interagency agreement with the Louisiana Office of Attorney General. Employee service in this office ranges from less than one year to more than 23 years, with two having served since the office's inception. Many of the office's staff maintain professional certifications and/or are commissioned law enforcement officers. Those certifications and commissions include the following:

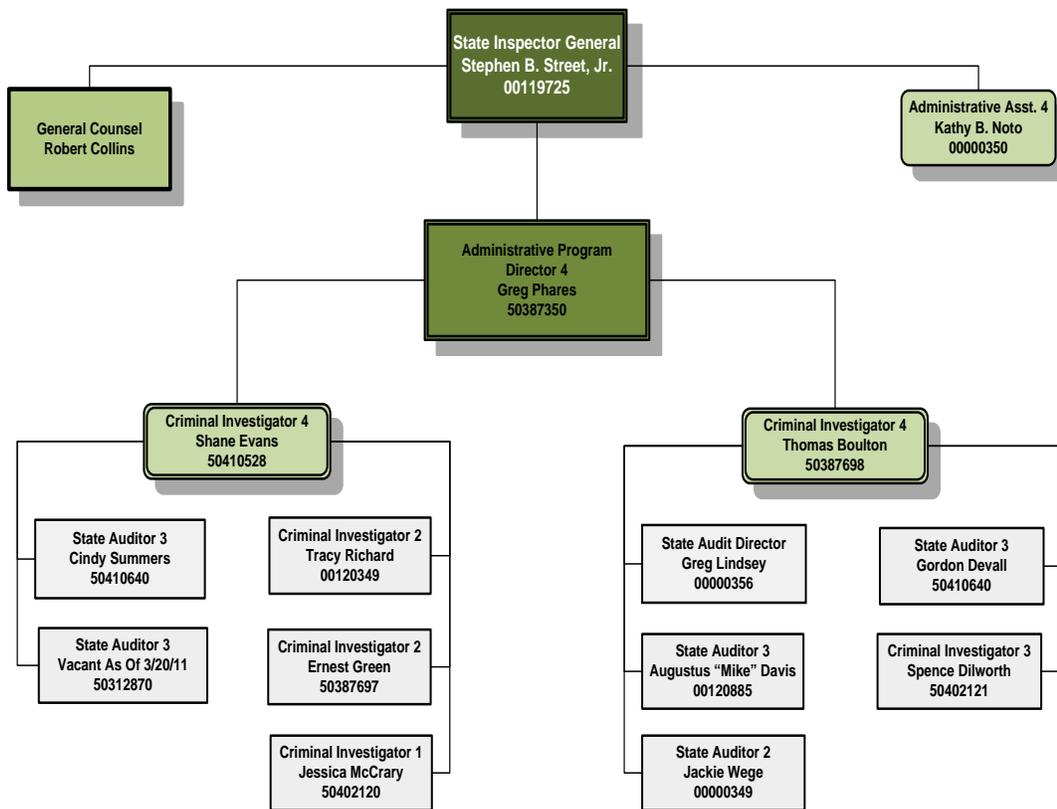
Certified Inspector General	2
Certified Public Accountants	1
Certified Internal Auditor	1
Certified Fraud Examiners	3
Certified Inspector General Investigator	4
Certified Inspector General Auditor	2
Commissioned Law Enforcement Officer	7

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 30, 2011)

Office of State Inspector General

As of June 30, 2011



Investigative and Audit Processes

We conduct our work in accordance with the *Principles and Standards for Offices of Inspector General* as promulgated by the national 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
Office Municipal Address	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 our internet web site, a citizen 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 reviewed to determine if it is a matter this office needs to address or would be better addressed by another entity. Within 30 days, the matter is reviewed by staff to determine 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, criminal investigators and forensic auditors function as a team, using their experience and skills as needed to work the case.

If the investigation uncovers evidence of criminal conduct, we work closely with prosecutors and fellow law enforcement agencies through arrest, indictment and trial. 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, 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 backgrounds 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 normally send the agency head a letter outlining our findings and any recommendations, if applicable. Once this letter is received by the agency head or his designee, it is considered a public record by this office.

State Inspector General's Press and Speaking Engagements

In keeping with the State Inspector General's emphasis on criminal investigations, Mr. Street continues to make regular public speaking and press appearances, and provide education and training on the investigation and prosecution of white collar fraud and public corruption cases. The Inspector General continues to serve as an instructor in courses offered by the National White Collar Crime Center (NW3C) on Financial Investigation Practical Skills (FIPS) and Financial Records Examination and Analysis (FREA). These courses are offered to law enforcement throughout the United States. Mr. Street also continues to teach courses for the Association of Inspectors General (AIG) certification institutes, the Louisiana District Attorneys Association and a number of other professional organizations dedicated to the prevention and detection of fraud and public corruption.

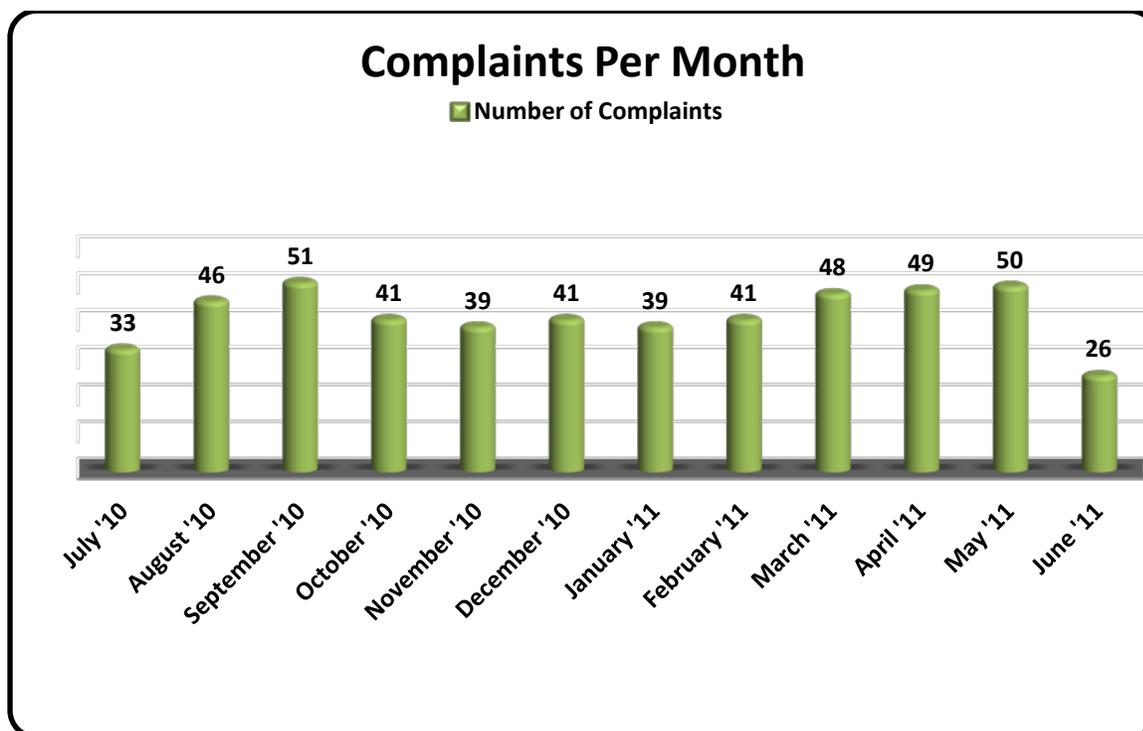
Date	Organization/Event
July 1, 2010	Louisiana District Attorneys Association (LDAA) Annual Conference -- Professionalism
July 16, 2010	Louisiana State Bar Association – Government and Public Law Section CLE
July 20, 2010	Baton Rouge Area Bank Security Association
August 4, 2010	Louisiana Sheriff's Association Conference
August 9-11, 2010	Association of Inspectors General (AIG) Summer Institute -- Certified Inspector General Investigator Institute – Interview Techniques and Report Writing
October 11-12, 2010	Florida Chapter, Association of Inspectors General (AIG), Tallahassee, Florida – Fraud Investigation
October 24-30, 2010	National White Collar Crime Center (NW3C) Financial Investigation Practical Skills (FIPS)
November 3-5, 2010	Association of Inspectors General (AIG) Fall Conference
February 9, 2011	Institute of Internal Auditors, Monroe Chapter
February 18, 2011	WJBO Morning Drive with Matt Kennedy and Kevin Meeks
February 28, 2011- March 4, 2011	Association of Inspectors General (AIG) Winter Institutes -- Certified Inspector General Investigator Institute – Interview Techniques and Report Writing
May 10, 2011	Baker Rotary Club
June 3, 2011	Illinois Chapter Association of Inspectors General (AIG), Chicago, Illinois – Fraud Investigation
June 29, 2011	Louisiana District Attorneys Association (LDAA) Annual Conference – The Electronic Thicket – Where E-Mail, Privacy and Criminal Investigations Intersect

Analysis of Complaints

During the period July 1, 2010, through June 30, 2011, we received at least 504 complaints and resolved them as follows:

- 93 complaints resulted in the OIG providing contact information to the complainants of a more appropriate authority to resolve their concerns;
- 56 complaints were referred directly by the OIG to a more appropriate authority for review;
- 311 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;
- 44 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:



Case Highlights

The following is a summary of the cases conducted by the office either solely or jointly with another investigatory agency for which the audit/investigation results were communicated via public reports to the Governor, letters to management, and/or criminal arrests and prosecution during the period July 1, 2010, through June 30, 2011:

TOTAL DOLLARS OIG IDENTIFIED IN FY 10-11: \$3,200,628

FY 10-11 OIG GENERAL FUND BUDGET: \$1,736,051
(as originally appropriated)

July 13, 2010

LP Gas Commission

Investigation revealed that Randy Hayden, through his company, Creative Communications, submitted false documents to support **\$52,280** billed to the LP Gas Commission for producing annual safety seminars.

July 22, 2010

State Loses Funds On Unused Airfare

Investigation revealed that since 2006, 58 state agencies purchased non-refundable airline tickets that cost at least **\$229,853**, and those tickets expired because they were not used within one year of the scheduled travel dates.

The OIG report noted that the total loss was probably significantly higher than **\$229,853**, but the fact that State Travel Office records for several months of the period reviewed could not be located prevented a precise determination of the amount of loss. Projections suggest the loss could have exceeded **\$362,000**. As a result of our report, controls were implemented to ensure that the one year deadline to use or lose airline tickets does not expire in the future.

October 20, 2010

**Man Gets
Prison In
Fertilizer Case**

Investigation revealed that Wallace “Gene” Fletcher overbilled the Louisiana Department of Corrections for fertilizer sold to prison farms. Mr. Fletcher pleaded guilty to federal mail fraud charges in connection with contracts his farm-supply company had in 2004 and 2005 to provide several tons of fertilizer to Prison Enterprises. Prison Enterprises is an agency within the Louisiana Department of Public Safety and Corrections that oversees prison farm operations. Mr. Fletcher was sentenced to six months in federal prison and ordered to pay **\$247,000** in restitution. OIG worked the investigation jointly with the Federal Bureau of Investigation.

October 25, 2010

**Jefferson
Parish Public
School System**

Investigation found a total of more than **\$400,000** of overtime had been paid to four employees. Each received overtime in excess of 25% of his or her annual salary, which was prohibited by Jefferson Parish Public School System policy.

October 27, 2010

**LSU Health
Sciences Center
Employees
Arrested**

Investigation revealed that two employees of the LSU Health Sciences Center in New Orleans were involved in stealing LSUHSC copper and brass fittings, which were then sold as scrap at New Orleans recycling centers. Thomas Bradley, an LSUHSC maintenance worker, had been employed there for 15 years. Amelia Martin, a warehouse supervisor, had worked at LSUHSC for 13 years. The Inspector General’s Office determined that Mr. Bradley had sold LSUHSC copper and brass fittings to local recycling centers four times during September, with the assistance of Ms. Martin. Mr. Bradley was arrested October 4, 2010, and charged with felony and misdemeanor theft. Ms. Martin was arrested October 19, 2010, and charged with felony theft. LSUHSC terminated both from their employment.

December 6, 2010**Inmate Work
Release
Program
Forgeries**

An OIG investigation into Louisiana Workforce, LLC, a private company that contracts with parish sheriffs to operate inmate work release facilities under the authority of the Louisiana Department of Corrections (DOC), revealed that certain employees of Louisiana Workforce altered dates and forged signatures on Employer's Work Release Agreements. Those agreements are required by DOC whenever state inmates participate in privately managed work release programs. The forms were altered in advance of a DOC site audit scheduled for August 12, 2010. Upon receiving credible information that documents were forged, OIG investigators obtained a search warrant for the Louisiana Workforce location at the East Baton Rouge Parish Prison and seized all inmate and employer files. An extensive review of the Employer's Work Release Agreement forms revealed that approximately 68 documents appeared to have been altered. Louisiana Workforce Assistant Warden Reggie Felker admitted in an interview that he altered at least 26 of the documents to make them appear to be authentic so that they would pass inspection by the DOC auditors.

January 31, 2011**Town of Arcadia
Employee
Arrested For
Embezzlement**

An OIG investigation uncovered embezzlement of **\$33,000** in water and sewer fee payments to the Town of Arcadia. The town's water and sewer clerk has been arrested and awaits prosecution for this loss of fees to the town.

February 2, 2011**Lawyer Guilty of
Mail Fraud**

Investigation revealed that Baton Rouge Attorney Randy Zinna stole nearly **\$1.6 million** from a police retirement system, a city-parish retirement system, and an 83 year old widow. Mr. Zinna pleaded guilty to mail fraud and admitted in open court to the theft. OIG worked the case jointly with the Attorney General, Legislative Auditor and FBI. Following Mr. Zinna's guilty plea, United States Attorney Don Cazayoux said, "I want to commend the investigative efforts of the Louisiana Inspector General's Office, the Louisiana Attorney General's Office, the Louisiana Legislative

Auditor's Office, and the Federal Bureau of Investigation. Through the leadership of Inspector General Street and the whole investigative team, we were able to prosecute this man who first betrayed the trust of his client, MPERS, and the public in general by stealing from the pension fund he represented. His efforts to cover up his crime by stealing from another client, an elderly widow, make his actions all the more reprehensible. We will not tolerate this behavior and will continue to make prosecuting crimes involving the breach of the public trust a priority." Mr. Zinna was sentenced to 30 months in federal prison and ordered to pay restitution in the amount of **\$1,573,521**.

February 17, 2011

Murphy Painter, Louisiana Office of Alcohol and Tobacco Control

Investigation revealed that Murphy Painter, former Commissioner of ATC, misused his public office to engage in widespread illegal use of confidential law enforcement databases. OIG issued a detailed public report. Mr. Painter resigned from his position, and the matter was referred to the United States Attorney's Office and East Baton Rouge District Attorney's Office for possible criminal prosecution.

February 24, 2011

Southern University Professor and I.T. Director Indicted

Investigation revealed that two Southern University of Baton Rouge employees, Professor Parviz Razi, and Information Technology Director Scott Woodall, concocted a scheme to defraud the university of **\$157,366** through fraudulent invoices from fictitious companies. A federal grand jury in Baton Rouge indicted the two men for money laundering, mail fraud, and theft of federal program funds.¹

¹ After the close of the 2010-11 fiscal year, one of the two defendants, Mr. Woodall, pleaded guilty to defrauding the university of the amount in the indictment. At the time of publication of this report, Mr. Woodall had not yet been sentenced. Also as of the date of publication of this report, the other defendant remains a fugitive from justice.

March 16, 2011**Miracle Place
Church
and Ricky
Sinclair**

Investigation revealed Ricky Sinclair, the head of Miracle Place Church in Baker, submitted false information to state and federal agencies to obtain more than **\$750,608** in public funds in connection with Hurricane Katrina, Hurricane Gustav, All The Way House substance abuse facility, and Caring To Love Ministries. OIG issued a detailed public report, and the matter was referred to the United States Attorney's Office for criminal prosecution.

June 24, 2011**Chad Doyle,
Oakdale Ward 5
City Marshal,
Arrested for Theft
and Malfeasance**

At the request of the Allen Parish District Attorney, OIG conducted an investigation into Oakdale City Court Marshal Chad Doyle for the possible theft and misuse of public funds. Investigation revealed that Mr. Doyle used public funds to purchase emergency lighting equipment and have it installed on the privately owned vehicle of a woman not employed by the Ward 5 Marshal's Office. It was also determined that Mr. Doyle used a City Marshal's debit card that drew public funds to make donations to the National Rifle Association. Finally, an audit revealed that Doyle's overspending on the general operations and equipment of the Marshal's Office led to shortages that resulted in Doyle spending garnished funds held for other parties. By law, Doyle was allowed to collect 6% of the garnishment to cover the expense of distributing that money; however, the audit revealed that Doyle spent more than that on his own budget, and he failed to remit collected garnishment funds. On June 24, 2011 Mr. Doyle was arrested for theft over \$500 and malfeasance in office. Shortly following his arrest, Mr. Doyle resigned from office. OIG worked the investigation jointly with the Attorney General.

Twelve copies of this public document were published in this first printing at a cost of \$68.19. The total cost of all printings of this document, including reprints is \$68.19. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 150 Third Street, Third Floor, Baton Rouge, LA 70804-9095 to report its findings under authority of LSA-R.S. 39:7-8. This material was printed in accordance with the standards for printing by state agencies established pursuant to LSA - R.S. 43:31.

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. 1-10-0009. If you need any assistance relative to this report, please contact Stephen B. Street, Jr., State Inspector General at (225) 342-4262.

REPORT FRAUD, WASTE, AND ABUSE

To report alleged fraud, waste, abuse, or mismanagement relative to state programs or operations, use one of the following methods:

- Complete complaint form on web site at www.oig.louisiana.gov
- Write to Office of State Inspector General, P. O. Box 94095, Baton Rouge, LA 70804-9095
- Call the Office of State Inspector General at (225) 342-4262