



State of Louisiana

**OFFICE OF
STATE INSPECTOR GENERAL**

**SOUTH TERREBONNE TIDEWATER MANAGEMENT
AND CONSERVATION DISTRICT**

Report by

Inspector General Bill Lynch

Prepared for

Governor M.J. "Mike" Foster, Jr.

JANUARY 6, 1998

File No. 1-97-0052



State of Louisiana

**OFFICE OF
STATE INSPECTOR GENERAL**

**South Terrebonne Tidewater Management
and Conservation District**

December 18, 1997

Report by

A handwritten signature in black ink, appearing to be "BL", written over a horizontal line.

Inspector General Bill Lynch

Approved by

A handwritten signature in black ink, appearing to be "mf", written over a horizontal line.

Governor M.J. "Mike" Foster, Jr.

File No. 1-97-0052



State of Louisiana
DIVISION OF ADMINISTRATION

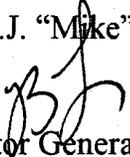
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M. J. "MIKE" FOSTER, JR.
GOVERNOR

BILL LYNCH
INSPECTOR GENERAL

MEMORANDUM

TO: Governor M.J. "Mike" Foster, Jr.

FROM: Bill Lynch 
State Inspector General

DATE: June 30, 1999

This is to advise you that in a report on the South Terrebonne Tidewater Management and Conservation District, dated Jan. 6, 1998, we are reducing the amount of questioned billing by \$13, 311 from \$61,356 to \$48,045. A further review of the work papers indicates that a discrepancy between the amount of labor billed for workers claiming to have worked 24 hours a day for 11 consecutive days and the amount actually paid by the contractor, was previously included in the amount showing the overall discrepancy between amounts billed to three separate entities and that paid to workers. We erred by adding the same item again.

We are sending a copy of this memo to the mailing list.

BL/fs

File No. 1-97-0052

South Terrebonne Tidewater Management and Conservation District

A contractor working on two projects for the South Terrebonne Parish Tidewater Management and Conservation District following Hurricane Andrew in 1992 and on a levee along Humble Canal in 1994 overcharged the Tidewater District \$61,356 for work which he cannot substantiate.

Payroll records of the contractor, Stoufflet Dump Truck, Dozer & Backhoe Service Inc., owned by Gilbert and Judy Stoufflet of Houma, showing actual payments by the company for labor did not match the amount of labor billed to the Tidewater District. The contractor attempted to explain the discrepancy by claiming workers were paid in cash without any company records to show it. Records also showed that the company billed more than one entity for work by the same employee on different projects. Some of which totaled more than 24 hours a day.

Additionally, the Tidewater District violated the Public Bid Law for construction of a levee foundation undertaken from December, 1994 to May, 1995, at a cost of over \$165,000 on Bayou Dularge, which is southwest of Chauvin, in the opinion of the State Inspector General.

Background

The Legislature established the South Terrebonne Parish Tidewater Management and Conservation District by Act 761 of 1986. The board of commissioners is comprised of seven members, who are residents of the Tidewater District, and are appointed by the governor. The board has the authority to establish adequate drainage, flood control, and water resources development to include, but not limited to, construction of reservoirs, diversion canals, gravity and pump drainage systems, erosion control measures, marsh management, and other flood control works as it relates to tidewater flooding, hurricane protection, and saltwater intrusion.

Overbillings

Stoufflet overbilled the Tidewater District for work done for the clean up after Hurricane Andrew in 1992 and work done on a levee on the Humble Canal in 1994. On the work done for the clean up after Hurricane Andrew, Stoufflet overbilled the Tidewater District \$56,309. Stoufflet overbilled the Tidewater District \$5,047 for work done on the levee along Humble Canal. The total overbilling was \$61,356.

Hurricane Andrew Project

During the period Aug. 24-Sept. 30, 1992, Stoufflet performed work for the Tidewater District, the parish of Terrebonne and G&W Construction Co., which had a maintenance contract with the parish government for clean up after Hurricane Andrew. Stoufflet submitted 80 daily invoices to these three entities totaling \$330,379 for labor and equipment rental provided on the levee cleanup projects.

The Federal Emergency Management Agency reimbursed the Tidewater District for the cost of the clean up after the hurricane.

Payroll records which reflect the weekly hours of work performed by the contractor's employees disclosed the following discrepancies:

- A. Total hours billed by the contractor exceeded the total payroll paid by the contractor.
- B. Seven Stoufflet employees were billed to more than one entity for the same day at different locations.
- C. The Tidewater District was billed for six employees each working 24 hours a day for 11 consecutive days.

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- D. Invoices to Terrebonne Parish government, which listed initials of those employees who worked on a given day, contained initials of an individual which did not correspond to any employees on Stoufflet's payroll.

The company did not have daily time cards reflecting actual hours worked per day by each individual during this period.

A. Hours Exceed Payroll

For the three weeks in 1992 ending Sept. 2, Sept. 9 and Sept. 16, Stoufflet's records showed more hours of labor were billed than the payroll records reflect were paid to employees. Stoufflet did not have time cards showing how many hours or where the individual employees worked each day. The difference between the hours billed and those paid out by Stoufflet are as follows:

<u>Pay Period</u>	<u>Hours Billed</u>	<u>Hours Paid</u>	<u>Hours Difference</u>
8/27 - 9/2	1,452.5	1,148.0	304.5
9/3 - 9/9	1,715.5	1,216.0	499.5
9/10 - 9/16	<u>922.0</u>	<u>822.5</u>	<u>99.5</u>
Total	4,090.0	3,186.5	903.5

In order to estimate the dollar value Stoufflet overcharged the Tidewater District, we used the following process. We used the assumption that the overcharge was spread over the three entities. The amount billed for the three weeks to the Tidewater District for the employees was \$196,563. It was determined the hours paid to Stoufflet employees is the amount that should have been billed. Dividing the hours billed by the hours paid gives you a ratio of 1.28. This means for every hour Stoufflet paid his employees 1.28 hours was billed to the entities. The amount billed was divided by 1.28 hours to calculate the amount that should have been billed which was \$153,565. The difference between the amount billed and the amount that should have been billed is \$42,998.

B. Multiple Billings

The questionable billing by Stoufflet for labor is highlighted by the following:

1. Seven of Stoufflet's employees were charged to more than one invoice on the same day at different locations. The least amount of hours billed for one day's work was 22 hours.

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2. On five instances, an employee's labor was billed for more than 24 hours in a day.
3. On one day, one employee's labor was charged to the parish for 12 hours for pushing trash at a land fill, the Tidewater District was billed for 12 hours for hauling shells to Dularge, and the construction company was billed 9.5 hours for the employee hauling trash to Robertson Canal South. The invoices to G&W Construction Co. and the parish government listed the time of day the employee supposedly worked. On the construction company invoice the time was shown as 10 a.m. to 7:30 p.m., while on the parish invoice, the time was shown as 7 a.m. to 7 p.m.

C. 24 Hour Work Day

The Tidewater District was billed by Stoufflet for six employees working 24 hours a day for 11 consecutive days during the clean up after Hurricane Andrew.

Payroll records for a one week period during the clean up were matched against the invoices for which the Tidewater District was billed. None of Stoufflet's employees was paid for working 24 hours a day for 11 consecutive days. The one week reviewed was chosen because it was the only complete payroll period for comparing invoices to payroll. For the seven days compared, the Tidewater District was billed for six employees working a total of 402 hours more than they were paid, which amounted to excess payment of \$13,311.

When questioned about the discrepancy, Mr. Stoufflet stated that he paid extra workers cash out of his pocket. He claimed he paid six to eight persons no more than \$3,000 and was not reimbursed by the company. He said that workers were shifted in and out of the project but names were not changed on the invoices. He said his company did have workers there 24 hours a day.

Both District Executive Director Jim Erny and foreman Bobby Carlos stated that Stoufflet employees were on the job site 24 hours a day.

D. Employee Not on Payroll

Stoufflet charged Terrebonne Parish \$13,500 for clean up work allegedly performed by his brother-in-law, but whose name was not listed on the company's payroll. The invoices submitted to the parish government bore the initials of the brother-in-law. Judy Stoufflet, the contractor's wife, identified the initials on the invoice as her brother and stated that he

worked without pay as a means of paying off a loan. His work was billed at \$75 per hour for 12 hours a day for 15 days, or a total of 180 hours.

Humble Canal Project

Invoices for work performed on levees of the Humble Canal on the East Bank of Terrebonne Parish for March and April, 1994, were examined.

Stoufflet contracted with a company named Area Labor for laborers. Area Labor invoiced Stoufflet daily, listing each worker's name and the hours worked. A comparison of the Area Labor invoices and the Stoufflet invoices submitted to the Tidewater District showed the following:

1. Out of 42 Stoufflet invoices, 23 had discrepancies as compared with Area Labor invoices.
2. Stoufflet charged the Tidewater District for more laborers than Area Labor listed.
3. Stoufflet charged the Tidewater District for more hours of labor than Area Labor charged Stoufflet.

The total number of hours unsubstantiated on the invoices is 335.5. The labor charged to the Tidewater District at \$15 per hour was \$5,047.50 above the documented amount.

Stoufflet stated that his company provided at different times a pump and a pickup truck, which were not on the bid, to the Tidewater District. He said that his foreman was instructed by Mr. Carlos to list the expenses as labor costs. After initially denying that he had done so, Mr. Carlos later acknowledged instructing Mr. Stoufflet to list the costs as labor.

Public Bid Law Ignored

The Tidewater District awarded \$165,464 of levee construction without advertising or obtaining bids as required by public bid law for the Bayou Dularge project.

When constructing a levee in a marsh area, the foundation for the levee must be laid and allowed to settle for two years depending on the marsh. After the foundation has settled, the levee can be completed. The foundation that was laid for the project in question is 1,500 feet long and 80 feet wide and has not been completed because the Tidewater District is waiting on the funding. The total length of this section of levee will be eight miles. This levee is the southwestern edge of a 100 mile Hurricane Protection System. This system protects Terrebonne Parish from flooding and storm surges associated with a hurricane. This section also protects the people who live along the Bayou Dularge Ridge.

The normal process for bidding new projects is by public bids. On this case the Tidewater District used prices for equipment and an operator from a bid taken three years prior. Instead of bidding by project, the Tidewater District leased equipment and operators from Stoufflet Dump Truck, Dozer & Backhoe Service, Inc. to do the job. The Tidewater District was charged a per hour rate which was chosen from a bid done in May, 1991. Items listed on invoices from Stoufflet include labor and equipment, which includes a person to run the piece of equipment. The invoices were filled out daily and were signed by a representative of the Tidewater District. They were compiled monthly and sent to the Tidewater District for payment.

La. R.S. 38:2212(1)(a) requires all public works exceeding \$50,000 to be advertised and let by contract to the lowest responsible bidder.

According to Mr. Erny, a property owner on the bayou agreed to provide free dirt for use in the project in exchange for the Tidewater District digging a boat slip, which was near the site where the levee was to be built, for him. Stoufflet dug the slip and used the dirt to lay the foundation for the levee. However, there is nothing to show that the free dirt would not have been available had the Tidewater District followed the public bid process.

The Tidewater District's monthly ledgers show that \$165,464 was paid to Stoufflet from December, 1994 through May, 1995 to do the work.

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The Tidewater District contends it conformed to the Public Bid Law by relying on the 1991 Stoufflet price list because it was publicly bid. We disagree. In our opinion, the requirement in the public bid law that all public work exceeding \$50,000 be bid clearly requires specific projects be individually bid.

Because the Tidewater District used hourly rates from a previous bid rather than bidding this specific project, competing firms who might have offered a lower price were unable to bid. A firm bidding on a specific public works project may offer a lower total price than one renting equipment by the hour. Additionally, other factors--such as a company's expertise, its equipment and workforce, its relative efficiencies, the extent to which it is equipped to do particular types of work, or its workload at a given point in time--will affect the price a company can bid on a given project. One of the major purposes of the public bid law is to prevent favoritism in the award of public contracts. The continued use of one bidder's old prices, project after project, in effect favors that bidder over other potential bidders. Thus, the fact that the prices charged by Stoufflet were originally obtained through a public bid process does not assure that the Tidewater District's and public's best interests were served.

Conclusion:

1. Stoufflet overcharged the Tidewater District for \$61,356 of work.
2. It is our conclusion that the Tidewater District did not follow the public bid law.

Recommendation:

1. Stoufflet should repay the \$61,356 that was overcharged.
2. A copy of this report should be sent to the Terrebonne Parish government, the Attorney General and the Federal Emergency Management Agency.

Management Response:

See attached.

WEIGAND & DODD

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JOSEPH J. WEIGAND, JR.

WILLIAM F. DODD

December 17, 1997

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Honorable William Lynch
Inspector General
Office of State Inspector General
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RE: Our Client: Mr. Gilbert Stoufflet
Stoufflet Dump Truck, Dozer & Backhoe Service, Inc.
Your File No. 1-97-0052

Dear Mr. Lynch:

Please be advised that this firm represents Mr. Gilbert Stoufflet and his business, Stoufflet Dump Truck, Dozer & Backhoe Service, Inc., with respect to your draft report concerning work his company did for the South Terrebonne Parish Tidewater Management and Conservation District, following Hurricane Andrew, and work along the Humble Canal in Terrebonne Parish. As requested by your office, a response to your findings is as follows:

First, let me say that we respectfully disagree with the discrepancies as alleged in the draft report insofar as they suggest that Mr. Stoufflet and his company overcharged the Tidewater District to the tune of \$61,356.00. We feel, if necessary, a further in depth review of this matter, perhaps even if litigation is necessary, will show that Mr. Stoufflet's company and employees did perform all work for which he billed and that the errors which your draft report alleges occurred were due perhaps to some unorthodox accounting methods, yet ones which when fully examined, will show that individuals were indeed at all the locations they were supposed to be and worked the hours for which the district was ultimately charged.

As you are aware, Hurricane Andrew was devastating to south Louisiana and, in particular, to Terrebonne Parish. The ability to find workers to engage in the type of employment/labor that Mr. Stoufflet performed and was requested to perform following Hurricane Andrew was extremely difficult and Mr. Stoufflet, in many cases, was forced to use what we would call "itinerant labor". We believe that the testimony of individuals who

will be produced at an appropriate forum will clearly show that all projects were properly manned and when that is taken into account, that the monetary differences you allege resulted in overcharge to the District show Mr. Stoufflet's billing to be justified.

Mr. Stoufflet, during the course of your investigation, provided all of the information that he could provide to your employees regarding the payroll discrepancies. He also cooperated with FEMA, who found no discrepancies and has freely and openly made his records available. Representatives of Terrebonne Parish, the District and G & W all approved the Stoufflet billings and I am sure they were satisfied that the bills were correct or they would not have approved same.

Perhaps the arrangement Mr. Stoufflet had with his brother-in-law who performed work for him during this time as a means of paying off a loan appears to be questionable, but once again, during an appropriate forum, since it seems there are those who do not wish to believe such an arrangement existed, it will be clearly shown that the arrangement was justified and proper.

With respect to the work performed on the Humble Canal project, laborers manned the specific area in question for the appropriate amount of time. Likewise, the listing by Mr. Stoufflet of a pump and a pick-up truck as additional labor costs, following specific instructions to do so, was a result of the emergency situation and the instructions came specifically from Mr. Carlos who works for the District.

In conclusion, Mr. Stoufflet feels that the District was properly charged for the work performed. It would seem at this point that there may well be civil litigation growing out of this report and if that is the case, then we fully expect to defend and justify the work performed by Mr. Stoufflet.

I look forward to hearing from you if you wish to discuss this matter further. My best to you for a Merry Christmas and Happy New Year.

Very truly yours,

William F. Dodd

WFD/toh

cc: Mr. Gilbert Stoufflet

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RE: File No. 1-97-0052
South Terrebonne Parish Tidewater
Management and Conservation

Dear Mr. Lynch:

In connection with the above captioned matter, as the attorney for the South Terrebonne Parish Tidewater Management and Conservation District, I have been asked to respond to the draft report resulting from your inquiry which was initiated at the request of some of the current members of the District.

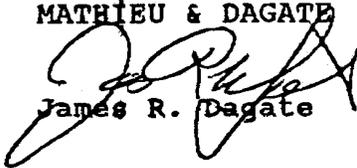
As far as the public bid law is concerned, the current members of the Board of Commissioners, only one of whom served during the time in question, should not be held responsible for the actions of the prior board. In fact, they have indicated that all future projects exceeding the threshold amount in the public bid law will be placed out for public bid on a project by project basis rather than on an hourly basis as was done in the past.

With regards to the allegations concerning one of the District's contractors, the District does not have any additional information to provide to you at this time, but appreciates your efforts in bringing this matter to their attention and stands ready to assist you in anyway possible in your continuing efforts concerning this matter. The current members of the District intend on reviewing all policies and procedures to assure that the public interest is protected at all times.

With kindest regards, I remain

Very truly yours,

MATHIEU & DAGATE


James R. Dagate