

# LOUISIANA OFFICE OF STATE INSPECTOR GENERAL

---

Sharon B. Robinson, CPA, MBA  
State Inspector General



Annual Report  
Fiscal Year 2006  
Baton Rouge, Louisiana



*State of Louisiana*  
DIVISION OF ADMINISTRATION

OFFICE OF STATE INSPECTOR GENERAL  
Sharon B. Robinson, CPA  
(225) 342-4262  
1-800-354-9548  
FAX (225) 342-6761

KATHLEEN BABINEAUX BLANCO  
GOVERNOR

JERRY LUKE LEBLANC  
COMMISSIONER OF ADMINISTRATION

September 27, 2006

Dear Governor Blanco:

It is my pleasure to submit my first annual report as I complete my first full year as State Inspector General. The report summarizes the accomplishments and contributions this office made as we work toward achieving our mission of helping to prevent waste, fraud, and abuse in state government. This report covers the fiscal year ended June 30, 2006.

During the fiscal year, we opened 54 cases based on allegations received from a myriad of sources. However, many of these allegations were either invalid or were referred to a more appropriate authority. Seven cases resulted in reports that were submitted to you. Highlights of these reports are included later in this report.

With the devastating effects of Hurricanes Katrina and Rita, much of our office's effort this fiscal year was focused on assisting state departments with ensuring proper documentation for requests for Public Assistance reimbursements through the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) from Federal Emergency Management Agency.

Among our new initiatives, we have adopted the *Principles and Standards for Offices of Inspector General*. These principles will help guide our work to ensure that our audits are objective, independent, and competently performed.

Our other accomplishments include:

- Implemented a new audit software package to improve our audit process
- Developed and implemented a web-based complaint form
- Prepared and distributed a brochure about our office's functions and showing how anyone can report suspected fraud, waste, or abuse to us
- Added a Frequently Asked Questions segment to our web site to help educate the public about our office's functions
- Established relationships with internal auditors in most state agencies

I proudly submit this report to you and the residents of the state of Louisiana.

Sincerely,

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

Sharon B. Robinson, CPA, MBA  
State Inspector General

# Table of Contents

Office’s Mission.....	1
Office’s History.....	1
Office Resources and Staffing.....	2
Our Investigative Process.....	3
Coordination with Other Entities.....	4
State Inspector General’s Activities.....	5
Case Highlights.....	6
Louisiana Gaming Control Board [1-05-0026].....	6
Sabine River Authority [1-05-0028].....	7
Louisiana Motor Vehicle Commission [1-05-0023].....	7
Non-Public Schools Early Childhood Development Program [1-05-0013]...	8
Dental Services Contracts [1-06-0002].....	10
Orleans Levee District [1-06-0009].....	10
Louisiana Manufactured Housing Commission [2-05-0002].....	11

# Office's Mission

---

The Office of State Inspector General's mission is to help prevent waste, mismanagement, abuse, fraud and corruption in the executive branch of state government without regard to partisan politics, allegiances, status, or influence.

However, this mission was expanded during this fiscal year to include review and advisory services on behalf of the Office of Homeland Security and Emergency Preparedness.

# Office's History

---

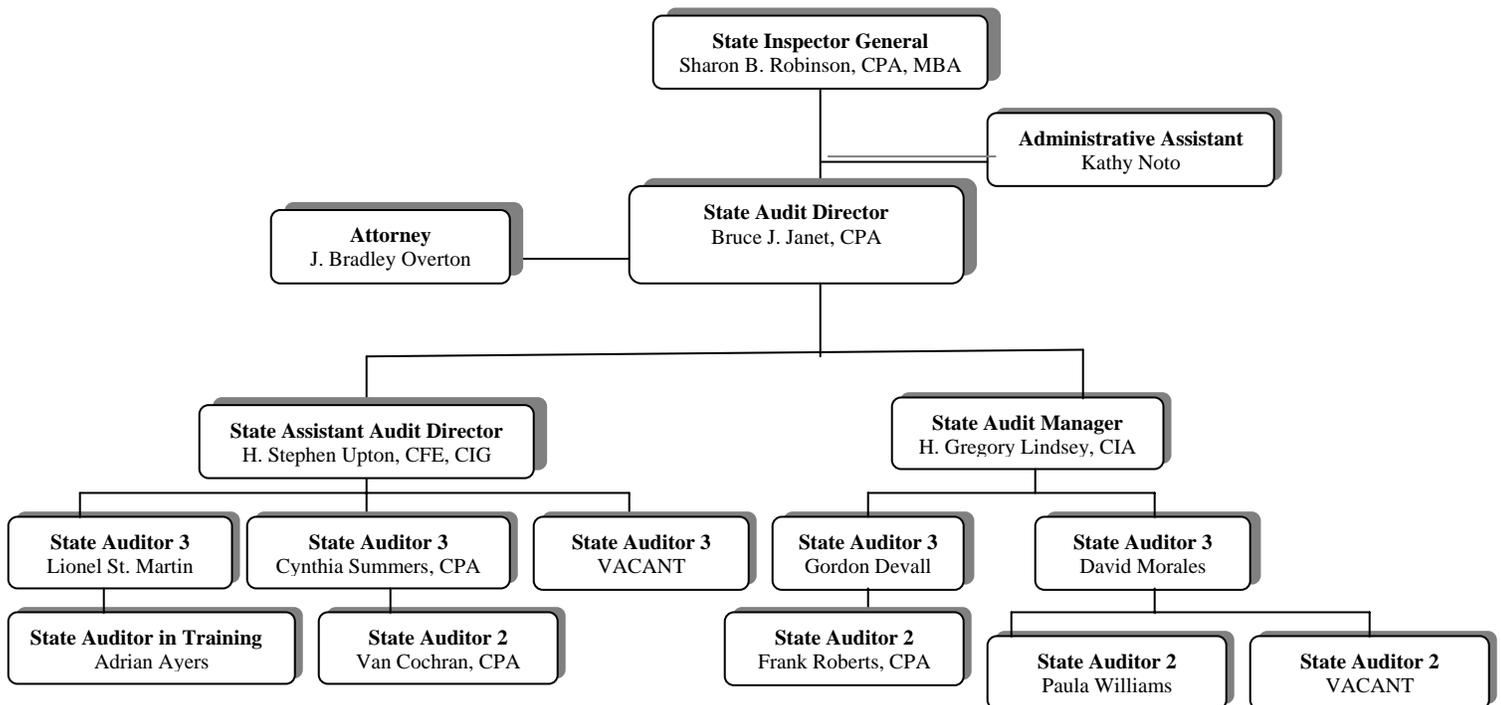
On April 1, 1988, Governor Buddy Roemer issued Executive Order BR 88-10 creating the Office of State Inspector General. In 1992, Governor Edwin Edwards recreated the office through Executive Order EWE 92-59. Subsequently, both Governor M.J. "Mike" Foster and Governor Kathleen Babineaux Blanco have continued the office's existence.

Governor Roemer appointed Bill Lynch as the first State Inspector General in April 1988. He held the position until his death in February 2004. In March 2005, Governor Blanco appointed Sharon B. Robinson, CPA as the state's second State Inspector General.

The office currently operates under the authority of Louisiana Revised Statutes (R. S.) 39:3, 39:7, 39:8, and 49:212. Although the office is not specifically created in statute, the previously mentioned statutes collectively empower the Office of State Inspector General to act as the governor's designee to require state agencies to provide information about their finances and operations.

# Office Resources and Staffing

For fiscal year 2006, the office received a budget of \$1,138,994 (over 75% for salaries and related benefits). The Office of State Inspector General currently employs 10 auditors, 2 administrators, 1 administrative assistant, and 1 attorney. All of the office's employees are under State Civil Service, except the attorney and the State Inspector General. On average, the employees have been with the office 13 or more years, with several having served since the office's inception. The employees of this office have an average of 20 years state service.



Many of the office's staff maintain professional certifications. Those certifications include the following:

Certified Fraud Examiners	1
Certified Inspector General	1
Certified Internal Auditor	1
Certified Public Accountants	5

The office also provides continuing professional education to all staff to maintain their skills along with any certifications a staff member may have.

# Our Investigative Process

---

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

Office Mailing Address	Office of State Inspector General Post Office Box 94095 Baton Rouge, LA 70804-9095 Or 224 Florida Street, Suite 303 Baton Rouge, LA 70801
Telephone	(225) 342-4262
Fax	(225) 342-6761
Internet	<a href="http://www.doa.louisiana.gov/oig/inspector.htm">http://www.doa.louisiana.gov/oig/inspector.htm</a>

At our internet web site, the complainant may complete the form online and submit it electronically or he/she may print out the form and mail it to the mailing address above.

The Inspector General and office managers evaluate each complaint to determine if it is a legitimate complaint or whether it would better be addressed by another entity. If a case is opened on a complaint, an investigation begins. After a thorough investigation, if we determine that a report will be issued, the audited entity is given an opportunity to review a draft audit report. Once the report is finalized, we submit it along with the audited entity's written response to the Governor for review and approval. Once the report is approved, we distribute our audit reports to a set list of recipients. We also publish the reports on our website.

# Coordination with Other Entities

---

Shortly after Hurricane Katrina, we joined forces with the Office of Legislative Auditor to develop and implement a plan for monitoring the billions of dollars that we anticipated coming into the state through FEMA's Public Assistance Program.

In a cooperative effort with the Office of Legislative Auditor, most of our audit staff was reassigned to work with specific state departments to review their reimbursement requests. This effort had a two-fold purpose: (1) help the department ensure that its request would move swiftly through the process; and (2) assure GOHSEP, which had very limited staff at the time, that the reimbursement request met all appropriate guidelines. Nearly every state department incurred some loss as a result of either or both storms. Just a few examples of the departments and their related projects follow:

- **Department of Transportation and Development** submitted nearly 40 project worksheets totaling approximately \$30.6 million early in the process. Expenses incurred before, during and after the hurricanes included such things as debris removal, road and bridge repairs, and emergency communications. More project worksheets are expected.
- **Department of Public Safety and Corrections, Corrections Services** submitted nine project worksheets totaling \$28.7 million to cover the costs of evacuating and housing inmates from affected areas.
- **Department of Social Services** submitted ten project worksheets. We reviewed the documentation associated with four of them totaling approximately \$6 million. This department incurred significant expenses related to employees who manned shelters for evacuees and related costs.
- **Department of Wildlife and Fisheries**, which incurred costs related to its search and rescue efforts, had seven project worksheets that we reviewed. These project worksheets totaled over \$1.5 million.

In addition, we attended many meetings with various fraud task forces that were composed of both state and federal law enforcement entities. Among the entities involved in these efforts were the state's Attorney General, United States Attorneys, the federal Government Accountability Office, the Department of Homeland Security Inspector General, and inspectors general from many other federal agencies.

# State Inspector General's Activities

---

Occasionally, the State Inspector General is asked to provide information or to speak on issues explaining and educating the public on the office's functions.

Listed below are a few of those opportunities.

<b>Date</b>	<b>Entity and Location</b>
7/21/2005	Louisiana Chapter of the National Conference of Black Mayors (Opelousas)
4/3/2006	Freeman-Matthews Head Start Center (Baton Rouge)
4/25/2006	2006 National Fraud Prevention Conference (Orlando, FL)
5/2/2006	Banks Elementary School's Career Day (Baton Rouge)
6/21/2006	Institute of Internal Auditors 2006 International Conference (Houston, TX)

# Case Highlights

---

During this fiscal year, we opened 54 cases. We determined many to be invalid. Of those that were valid, we disposed of them as follows:

- **21 cases** were referred to a more appropriate authority.
- **15 cases** resulted in a letter to the audited agency because the issues addressed did not warrant a full report. However, during our investigation, if we noted areas where the audited agency could improve internal controls or processes, we sent a letter outlining recommendations for improvement. Two examples include:
  - We received a complaint alleging the Department of Insurance did not properly investigate an allegation of fraud against an insurance agent. We found that department personnel did not exercise due diligence in following through with established policies and procedures. We recommended additional training for department personnel.
  - Another complaint alleged the Department of Health and Hospitals' Office of Citizens with Developmental Disabilities (OCDD) unfairly awarded the purchase of a wheelchair lift to a company whose bid was higher than the complainant's company. We found no problems with OCDD's procedures. We subsequently informed the complainant of our findings and provided him with information on OCDD's procedures.

We also issued seven public reports. A summary of those reports follows.

## 4 Reports Issued November 23, 2005

### Louisiana Gaming Control Board [1-05-0026]

We received allegations of payroll irregularities, improper replacement of hearing officers, and improper ex parte meetings within the Louisiana Gaming Control Board (LGCB).

Our findings were as follows:

- 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.

END

### **Sabine River Authority [1-05-0028]**

SRA awarded an Option and Ground Lease Agreement to the Mississippi-based company for the construction of a telecommunications tower to increase cellular reception in the Toledo Bend area. SRA used a Request for Proposal (RFP) process for the bidding of the lease. SRA began the RFP process on February 7, 2005 and made an award to the successful contractor on March 28, 2005. The resulting agreement was executed on September 22, 2005.

We found that the Louisiana company received proper consideration. In addition, Louisiana law gives preference to a Louisiana company only if an out-of-state company's state preference law gives preference to in-state companies. Mississippi and Louisiana have reciprocating contract preference laws under the existing circumstances, negating any competitive advantage to a domestic company.

We also found that:

- SRA used the wrong process for the bidding of a state land lease.
- SRA did not obtain proper approvals from the Director of State Purchasing and the Commissioner of Administration prior to using the RFP process. However, state law requires these approvals.

END

### **Louisiana Motor Vehicle Commission [1-05-0023]**

We received allegations of misuse of public funds, misuse of state vehicles, and overtime irregularities within the Louisiana Motor Vehicle Commission (LMVC). A summary of our findings follows:

- LMVC has not abided by state travel regulations (PPM-49) as it relates to travel expense allowances. At least four employees' allowances for meal and/or hotel expenses violated PPM-49. In addition, meal receipts paid with a LMVC credit

card did not identify meal participants, resulting in our inability to determine if all participants were entitled to meals at the LMVC's expense.

- Executive Director Lessie House and Assistant Executive Director Ginger Gunter did not maintain accurate travel logs for vehicles assigned to them for business purposes. The logs contained numerous omissions, errors, and discrepancies causing us to conclude the logs are unreliable. As a result, we are unable to conclude with confidence the vehicles are solely used for business activities.
- In FY 2005, Ms. House approved expenditures of LMVC funds on two separate occasions for employee lunches in violation of Article VII, Section 14(A) of the Louisiana Constitution. The inappropriate expenditures totaled \$645.57.
- The LMVC has not adequately addressed human resource needs resulting in employees working excessive overtime. Overtime payments for the first nine months of FY 2005 exceed \$77,000. At the current rate, overtime payments could exceed \$100,000 for FY 2005.
- The LMVC violated the Fair Labor Standards Act (FLSA) as it relates to compensation for overtime. At least one employee was ruled, in error, to have exempt status and is being paid straight time for overtime hours worked as opposed to time and one-half as required by the FLSA.
- For fiscal years 1999 through 2004, the LMVC contributed over \$480,000 to the State Employee Deferred Compensation Plan for its permanent employees as part of an additional benefits package. Although the contribution does not violate any state laws, the state constitution, or Department of State Civil Service rules; we question whether this additional retirement benefit is a prudent use of the commission's resources.



### **Non-Public Schools Early Childhood Development Program [1-05-0013]**

Our audit for the period August 2004 through February 2005 revealed that Perrault's monthly reimbursement invoices and supporting attendance documentation are unreliable. As a result, attendance of 13 students and reimbursement claims totaling \$7,020 are questionable. The audit identified the following weaknesses requiring improvement in the governance of the NSECD Program:

- The Memorandum of Understanding (MOU) does not provide sufficient time for the NSECD Program to submit invoices to Social Services, but allows excessive time between the submission of invoices and payment to the NSECD Program. Additionally, the NSECD Program policies and procedures

do not provide sufficient time for participating schools to submit invoices to the NSECD Program. These inefficiencies have resulted in noncompliance with MOU invoicing requirements, NSECD Program policies and procedures, and delayed reimbursements to participating schools.

- The MOU, NSECD Program guidelines, and NSECD Program certification forms fail to adequately communicate attendance requirements. As a result, participating schools and parents lack awareness of the requirements, and therefore, inadvertently fail to comply.
- Participating schools may be motivated to falsify reimbursement claims, because schools are only reimbursed a set amount (\$540) if students have at least 74% attendance for the month.
- The NSECD Program does not provide attendance tracking procedures for participating schools. Therefore, attendance records are inadequate and unreliable. In addition, attendance records throughout the program lack uniformity.
- Monitor assessment reports contain subjective and unverified ratings. In addition, the reports contain student headcounts, which hold no value because the counts do not determine which children are present, and may not account for only NSECD Program children. As a result, the reports are inaccurate and possibly biased.
- The NSECD Program does not provide an adequate number of workshops for teachers to attend its required 3-day curriculum training. As a result, teachers hired after available workshops are held will not meet the training requirements.
- The title of the NSECD Program guidelines' equipment and material list is misleading, and its requirement regarding 25 or more books per topic is unclear. As a result, participating schools may find it difficult to comply with the requirement.
- The MOU does not define "contractors" of the program. As a result, the NSECD Program guidelines do not require participating schools to comply with the MOU's administrative expenditure limitations for contractors, because it does not consider the schools to be contractors.

**3 Reports Issued April 3, 2006****Dental Services Contracts [1-06-0002]**

We received information raising questions regarding dental services provided by Robert B. Phillips, DDS, MSD. Dr. Phillips had four separate contracts. The contracts were with the following four state entities:

1. Huey P. Long Medical Center (HPL) located in Pineville
2. Pinecrest Developmental Center (Pinecrest) located in Pineville
3. Louisiana State Penitentiary at Angola (Angola)
4. Avoyelles Correctional Center (Avoyelles) located in Cottonport

Our audit objective was to determine if Dr. Phillips fulfilled his contractual attendance requirements for each contract, and if any of the dates and times of services reported by Dr. Phillips overlapped among the four contracts.

Our findings were as follows:

- For the fiscal year ended June 30, 2005, HPL paid Dr. Phillips the maximum amount of his contract (\$178,000) although he only provided services 28% of his required time. As a result, Dr. Phillips was overpaid by approximately \$128,160 in FY 2005.
- Thirty-six percent (36%) of the audited work dates in timesheets submitted by Dr. Phillips to HPL conflicted with records from Angola and/or Avoyelles. Due to this high discrepancy rate, we believe the timesheets that Dr. Phillips submitted to HPL have little reliability. Thus, the credit hours added to Dr. Phillips' actual hours worked each month in FY 2005 were calculated using unreliable records.

**Orleans Levee District [1-06-0009]**

We investigated an allegation that Mr. James Huey, then President of the Board of Commissioners of the Orleans Levee District (OLD), directed Mr. Max Hearn, OLD Executive Director, to have an OLD check issued to Mr. Huey for salary retroactive to June 1996 (nearly 10 years in arrears). Mr. Huey was electing to receive a monthly salary rather than a \$75 per diem. Mr. Huey also allegedly directed Mr. Hearn to advise the finance department to set up a regular monthly salary payment of \$1,000 to Mr. Huey. These directives by Mr. Huey were allegedly issued without required board of commissioners' approval.

Subsequent to the start of the investigation, our office became aware of the other areas of concern, which we also address in this report.

Our findings were as follows:

- Mr. Huey authorized his own salary of \$1,000 per month, in lieu of per diem, without obtaining board approval. Also, the salary request was not submitted to the commissioner of administration and the Joint Legislative Committee on the Budget for review, prior to implementation of the salary, as required by state law. The Attorney General has opined the salary was improperly granted.
- Mr. Huey directed the OLD staff to issue him a check for retroactive salary back to June 1996. The OLD issued the check to Mr. Huey totaling \$91,425 (gross) for the retroactive salary. The OLD reduced the retroactive pay total by the total per diem payments Mr. Huey received for the same period. The Attorney General has opined that the payment of retroactive salary to Mr. Huey is a prohibited donation (La. Const. Art. VII, Sec. 14). (*Note: Mr. Huey subsequently refunded the agency the entire amount he received.*)
- Mr. Huey, on behalf of the Board, authorized Marine Recovery and Salvage, LLC (MRS), to conduct a project of recovery and storage of vessels damaged during Hurricane Katrina located in the Orleans Marina and the South Shore Harbor. Mr. Huey did not obtain board authorization by resolution, therefore, did not have authority to act on behalf of the Board in this matter. In addition, this arrangement appears to have ethical ramifications. OLD's executive director entered into two lease arrangements without Board approval.
- The OLD has spent over \$3.2 million between September 2003 and September 2005 to engage attorneys as special counsel without obtaining approval from the Attorney General as required by LSA – R.S. 42:263.



### **Louisiana Manufactured Housing Commission [2-05-0002]**

We received an allegation that Mr. Gary Millet, Sr., a Louisiana Manufactured Housing Commission (LMHC) member, allowed an unlicensed salesman to initiate sales of manufactured homes at his retail lot. We expanded the scope to include an overall review of LMHC operations.

Our findings were as follows:

- LMHC member Mr. Gary Millet, Sr., allowed an unlicensed salesman to initiate sales on his retail lot, America's Best Homes, which violates state law.
- We identified several management control weaknesses in LMHC operations:

- LMHC has imposed and collected fines based on amounts adopted during commission meetings without amending its rules in accordance with the Louisiana Administrative Procedure Act.
- LMHC has not provided its employees with an adequate policy and procedures manual governing operational and reporting activities.
- LMHC databases contain incomplete and inaccurate information.
- LMHC often holds funds it receives for several days before submitting them for deposit.
- LMHC has not developed adequate written procedures that ensure it has properly accounted for the sale and issuance of installation permits, which could lead to lost revenue.
- LMHC lacks an effective system to ensure its employees work installation complaints timely. Extended periods elapsed between LMHC receiving the complaint, investigating the installation, and issuing fines when necessary.
- LMHC does not ensure past due fines are properly tracked and aggressively collected.
- LMHC lacks uniform reporting requirements to ensure its field investigators accurately report the number of home installation inspections conducted.

This public document was published at a total cost of \$ 34.65. Fifteen copies of this public document were published in this first printing at a cost of \$ 34.65. The total cost of all printings of this document, including reprints is \$34.65. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 224 Florida Street, Suite 303, 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.doa.louisiana.gov/oig/inspector.htm](http://www.doa.louisiana.gov/oig/inspector.htm). If you need any assistance relative to this report, please contact Bruce J. Janet, CPA, State Audit Director 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.doa.Louisiana.gov/oig/inspector](http://www.doa.Louisiana.gov/oig/inspector)
- 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