STATE OF LOUISIANA

OFFICE OF
STATE INSPECTOR GENERAL

HOUSING AUTHORITY OF THE TOWN
OF ARCADIA

Sharon B. Robinson, CPA
State Inspector General

Approved by:
Governor Kathleen Babineaux Blanco

March 22, 2007
File No. 1-07-0020
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March 22, 2007

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

Re: Case No. 1070020

Dear Governor Blanco:

This report addresses concerns raised about the operations of the Housing Authority of the Town of Arcadia (Authority). The report includes three recommendations that, if implemented, could help improve the Authority's operations.

We provided a draft of the report to the Authority. Their written response is included as Appendix A.

Respectfully submitted,

Sharon B. Robinson, CPA
State Inspector General

SBR/GL

Enclosure
**Executive Summary**

**Audit Initiation**

On January 9, 2007, the Office of State Inspector General began investigating an allegation of improper activities by some members of the Housing Authority of the Town of Arcadia (Authority) Board of Commissioners.

Our audit objective was to determine the validity of the allegations. We determined that most of the allegations were not valid. However, two of the allegations proved to be valid.

**Summary of Findings**

- Ms. Bonnie Critton, chairperson of the Authority Board of Commissioners, was paid $300 as compensation for duties normally performed by the executive director. The Arcadia town council, governing body for the town of Arcadia, did not approve the compensation as required by LSA-R.S. 40:540. (Page 3)

- In November 2006, the Authority paid Mr. Larry English $5,000 as a retainer for future legal services. The Authority paid Mr. English an additional $5,000 retainer in December 2006. We question whether the use of public funds as payment in the form of a retainer (i.e., payment before services are rendered) constitutes a prudent and sound business practice as required by LSA-R.S. 40:489. (Page 4)
Background

The Housing Authority of the Town of Arcadia (Authority) was organized May 1, 1952, and is controlled by the Housing Authority law, LSA-R.S. 40:381, et seq. The Authority is located in Arcadia, LA within Bienville Parish.

The Authority is an agent of the U.S. Department of Housing and Urban Development (HUD), established to provide subsidized housing to low-to-moderate income residents. All administrative and operating costs are funded through HUD subsidies and grants, and tenant rent collections, with the Authority receiving no state funding.

The mayor of Arcadia appoints five commissioners to the Authority and the chairman is elected annually by the commissioners. The Authority’s staff employees are state employees. The executive director is an unclassified civil servant and all other employees are designated as classified civil servants. The executive director is responsible for day-to-day operations and also serves as the Board’s secretary.

Scope and Methodology

We conducted our audit in accordance with Principles and Standards for Offices of Inspector General as promulgated by the Association of Inspectors General.

Our scope was limited to the issues raised in the complaint and primarily covered the period November and December 2006. Our procedures included:

1. Reviewing state laws regulating Authority operations;
2. Reviewing pertinent Authority records;
3. Interviewing Ms. Critton and Mr. English.
Compensation Paid to Authority Chairperson

On December 19, 2006, Ms. Bonnie Critton, chairperson of the Authority Board of Commissioners, was paid $300 as compensation for duties normally performed by the executive director. The Arcadia town council did not approve the compensation as required by LSA-R.S. 40:540.

LSA-R.S. 40:540 requires that the governing body of the municipality or parish for which the local housing authority was formed approve compensation to housing authority commissioners.

As chairperson of the Board of Commissioners, Ms. Critton is paid $150 per month for attending Authority meetings. According to Ms. Critton, the Authority fired its executive director in November 2006, so she performed the duties of the executive director until the position could be filled. The $300 compensation she received was for the performance of those duties.

According to Mr. Larry English, contract attorney for the Authority, he believes the Board of Commissioners approved the $300 compensation for Ms. Critton but was not sure if a vote was actually taken. He said if a vote was not taken, he would have the commissioners vote on the matter at the Authority’s next meeting. However, no approval was requested from the town council, as required by law.

Recommendation:

1. The Authority should seek approval from the Arcadia town council for the $300 compensation paid to Ms. Critton. If approval is not granted, Ms. Critton should repay the $300 she received. Future compensation should not be paid to commissioners unless the town council has given prior approval.
$10,000 Retainer Paid to Attorney

On November 29, 2006, the Authority paid Mr. Larry English $5,000 as a retainer for future legal services. The Authority paid Mr. English an additional $5,000 retainer on December 19, 2006. We question whether the use of public funds as payment in the form of a retainer constitutes a prudent and sound business practice as required by LSA-R.S. 40:489.

LSA-R.S. 40:489 requires the Authority to conduct its financial affairs in a prudent and sound manner.

At a special meeting held on November 29, 2006, a majority of the Authority commissioners voted to approve a resolution to name Mr. English as attorney and legal counsel for the Authority. The resolution also granted authority to Ms. Critton to negotiate and sign a retainer agreement. On the same date, Ms. Critton signed an agreement with Mr. English. The agreement states that Mr. English will provide legal services to the Authority. In addition, he will redraft policy, by-laws, employment agreements, contracting policies, and tenant policies and train commissioners and staff. The agreement letter requested a retainer of $10,000 to provide these services for one year. The retainer does not include any litigation services that may become necessary. An additional fee will be negotiated if litigation services are needed.

Although the agreement states that Mr. English will provide detailed statements on his work, no statements have been provided to the Authority.

According to Mr. English, he agreed to perform legal services for the Authority for one year in return for the $10,000 retainer. He said that as of the date of our interview with him (January 25, 2007), he had already performed legal services valued at more than the retainer amount. He said he would continue to provide legal services to the Authority at no additional charge.

Paying a retainer or any other advance prior to services being rendered subjects public funds to loss if the contractor subsequently fails to provide the commensurate services. In addition, advances of public funds constitute an interest-free loan to the contractor. These practices violate the spirit of the state’s constitution (Article VII, Section 14).

Recommendations:

2. The Authority should ensure that any future agreements for legal or other contractual services require payment after billing for services performed.

3. The Authority should require Mr. English to furnish a detailed monthly accounting of services performed in association with the retainer.
APPENDIX A

Authority’s Response
March 14, 2007

Sharon B. Robinson  
State Inspector General  
P.O. Box 94095  
224 Florida Street, Suite 303  
Baton Rouge, Louisiana 70804-9095  

RE: Case No. 1070020

Dear Ms. Robinson:

I am in receipt of your letter dated March 8, 2007 in the above reference matter. I have reviewed your findings and recommendations with our Attorney Larry English and make the following response:

1. A resolution will be introduced by Arcadia Town Council directing that Ms. Bonnie Critton be compensated for work she did for Housing Authority in the months of December and January. If resolution does not pass council, Ms. Critton will reimburse Authority.

2. Attorney Larry English has been instructed to submit invoices for the legal work he has done for the Authority. Mr. English will have those to us by the end of the month and we will forward your office a copy.

If you require an additional response, please let me or Attorney English know.

Sincerely,

Bonnie Critton
Twenty-five copies of this public document were published in this first printing at a cost of $202.36. The total cost of all printings of this document, including reprints is $202.36. 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. Reference should be made to Case No. 1-07-0020. If you need any assistance relative to this report, please contact Bruce J. Janet, CPA, State Audit Director at (225) 342-4262.

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