

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**East Baton Rouge Parish
Gas Utility District No. 1**
Baton Rouge, Louisiana

December 2, 1997



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

East Baton Rouge Parish Gas Utility District No. 1

December 2, 1997



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

December 2, 1997

**MS. JANELLE O'NEAL, PRESIDENT,
AND MEMBERS OF THE BOARD
EAST BATON ROUGE PARISH
GAS UTILITY DISTRICT NO. 1
Baton Rouge, Louisiana**

Transmitted herewith is our investigative report on the East Baton Rouge Parish Gas Utility District No. 1. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendation, as well as your response. Copies of this report have been delivered to the Honorable Doug Moreau, District Attorney for the Nineteenth Judicial District of Louisiana, and others as required by state law.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

AFB/dl:ka

GASUTIL]

Executive Summary

Investigative Audit Report East Baton Rouge Parish Gas Utility District No. 1

The following summarizes the finding and recommendation that resulted from this investigation. Detailed information relating to the finding and recommendation may be found at the page number indicated. Management's response may be found at Attachment I.

District Funds and Equipment Used for Personal Purposes

(Page 1)

Finding: Between January 1995 and August 1997, several district board members and employees used district funds and equipment in violation of Article 7, Section 14 of the Louisiana Constitution, which provides that public funds shall not be loaned or donated to or for any person.

Recommendation: We recommend that the district comply with Article 7, Section 14 of the Louisiana Constitution by establishing and implementing a written policy prohibiting the use of district funds and equipment for personal purposes. Furthermore, the district should determine whether all public funds that were used for employees or board members benefit were properly repaid and seek reimbursement of any outstanding amounts.

Management's Response: The board has resolved to adopt the written policy of East Baton Rouge City Parish Council regarding personal use of public assets. The board will also implement a written policy that will require employees to reimburse the district for personal phone calls and preclude any equipment use for personal purposes by any customer, employee, or board member.

Background and Methodology

The Office of the Legislative Auditor received information alleging misuse of public funds under the control of the East Baton Rouge Parish Gas Utility District No. 1.

We conducted our investigation to obtain additional information regarding these allegations. Our procedures consisted of (1) interviewing employees and officials of the district; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the district; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable Louisiana laws.

The result of our investigation is the finding and recommendation presented herein.

Finding and Recommendation

DISTRICT FUNDS AND EQUIPMENT USED FOR PERSONAL PURPOSES

Between January 1995 and August 1997, several district board members and employees used district funds and equipment in violation of Article 7, Section 14 of the Louisiana Constitution, which provides that public funds shall not be loaned or donated to or for any person.

Use of District Funds for Personal Purchases

The district board allowed employees and board members to use district funds to make personal purchases from Sam's Wholesale Club, Carquest Auto Parts, Big River Tire, and other vendors. When personal purchases were made, an IOU was prepared and maintained in the district office. As payments were made on the personal purchases, the balances owed on the IOUs were reduced. This practice allowed those making the personal purchases months and even years to repay the district. Therefore, the district was in effect loaning money to employees and board members and allowing them to repay it at their leisure. District records indicate that during the period January 1995 through August 1997, personal purchases totaling \$25,379 were made using district funds. Of this amount, \$18,103 was spent on auto parts. We were informed that all outstanding balances have now been repaid. However, because of the method used to record these purchases and repayments in the district's official records, we are unable to verify the accuracy of this information.

Repair Work Performed on Personal Vehicles

As previously mentioned, \$18,103 of the personal purchases were auto parts. These parts were used to repair vehicles that do not belong to the district. Though not all of these repairs to personal vehicles were performed at the district's facility, Mr. Randy Croft, operations manager, and Mr. Phillip Freeman, mechanic, agreed that Mr. Freeman has worked on personal vehicles at the district shop.

Mr. Freeman stated that he has worked on personal vehicles before office hours, during his lunch breaks and on occasion, he has worked on vehicles during office hours. Mr. Freeman stated that he has worked on the vehicles of employees and three board members, Mr. Scooter Davis, Mr. Mac White, and Mr. Ralph Gilpin. Mr. Davis confirmed that he had Mr. Freeman look at his vehicle when it was not running properly, but only in the morning before office hours. Mr. White also confirmed that he had Mr. Freeman replace a fuel filter in his vehicle during office hours.

Personal Use of District Telephones

District employees have used the mobile telephones to make personal calls and office telephones to make personal long-distance calls. The district is not reimbursed for the costs of these calls. During the period January 1995 through August 1997, 374 calls were made from the district's five mobile phones that appear to be for personal purposes. This telephone usage includes calls to friends, spouses, beepers, employees' residences, and a grocery store. During the same period, 197 long-distance calls were made from office telephones that appear to have been for personal purposes. These long-distance calls were to family members and other businesses and were related to personal matters. Though the amount of district funds involved was small, less than \$600 over 32 months, district employees should have reimbursed these costs.

District Equipment Used for Personal Purposes

Several employees and board members used district equipment, including a backhoe, trencher, trailer, pump, and bulldozer for personal use. The equipment was used for a variety of reasons including:

- Ms. Arlene Norwood, district employee, borrowed the district's bulldozer and backhoe to clear land. She used the equipment for six weekends and allowed her sons to operate it.
- Ms. Rhonda Boatner, former business manager, used the district's trencher to prepare the foundation of her house and her husband used the district's welding machine.
- Mr. Thomas Smith, operations foreman, used the district's bulldozer to spread the spoil from the pond he dug on his property.
- Mr. Randall Croft, operations manager, used the district's trailer to haul trash.
- Mr. Frank Parker, board member, used the district's welding machine to weld a firebox on a barbecue grill.
- Mr. Mack White, board member, used the district's backhoe to bury trash and limbs.
- We were informed that Mr. Ralph Gilpin, board member, used the district's backhoe to dig up a culvert.
- Ms. Janelle O'Neal, board member, used a pump to drain a swimming pool.

The above actions appear to be in violation of Article 7, Section 14 of the Louisiana Constitution. Article 7, Section 14 of the Louisiana Constitution provides that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned,

pledged, or donated to or for any person, association, or corporation, public or private.

We recommend that the district comply with Article 7, Section 14 of the Louisiana Constitution by establishing and implementing a written policy prohibiting the use of district funds and equipment for personal purposes. Furthermore, the district should determine whether all public funds that were used for employees or board members benefit were properly repaid and seek reimbursement of any outstanding amounts.

Attachment I
Management's Response

**Gas Utility District #1
of East Baton Rouge Parish**

10633 ZACHARY-DEERFORD RD.
PHONE: 654-5205
ZACHARY, LOUISIANA 70791-9304

November 12, 1997

Dr. Daniel G. Kyle, CPA, CFE
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, La. 70804-9397

Dear Dr. Kyle:

Please find the preliminary draft of your investigative report on the East Baton Rouge Parish Gas Utility District No. 1 and the Board's formal response to its findings. As you know, there have been certain Board members who have questioned various alleged practices of the management of the District for several years. The East Baton Rouge Parish Audit Division was contacted over eighteen months ago to initiate a review in which their office found no irregularities.

Your office was finally contacted by the Board to conduct an audit after our dismissal of the District's Business Manager for misrepresentation of finances to the Board as well as certain other questionable activities. The auditing firm retained by the District was dismissed and replaced as well. The Board has resolved to comply with Article 7, Section 14 of the Louisiana Constitution by adopting a written policy prohibiting the use of district funds and equipment for personal purposes.

We appreciate your efforts in assisting this Board with this endeavor. Please advise.

Sincerely,



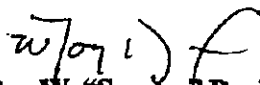
Janelle O'Neal
President



Frank Parker
Asst. Secretary



Ralph Gilpin
Secretary



Roy W. "Scooter" Davis
Vice President



Mac White
Commissioner

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LEGISLATIVE AUDITOR

**Gas Utility District #1
of East Baton Rouge Parish**

10633 ZACHARY-DEERFORD RD.

PHONE: 654-5205

ZACHARY, LOUISIANA 70791-9304

RESPONSE

DISTRICT FUNDS & EQUIPMENT Used for Personal Purposes

The Board has resolved to adopt in total the written policy of East Baton Rouge Parish regarding personal use of public assets. It is our understanding from your office that it is impossible to ascertain what has been paid and what has not been re-paid since this activity was not disclosed to the Board and records were actually being kept "off balance sheet" to conceal this practice. Those records could not be found according to our information.

In fairness to all employees, the Board has agreed with the recommendation of Mr. Purpera of your office to "wipe the slate clean" and go forward with a written policy which will call for the district's being reimbursed for personal phone calls and will preclude any equipment use for personal purposes by any customer, employee or Board member of the District.