

# LEGISLATIVE AUDIT ADVISORY COUNCIL

## Minutes of Meeting September 16, 2010

A meeting of the Legislative Audit Advisory Council was held on Thursday, September 16, 2010, in Senate Committee Room F of the State Capitol.

### CALL TO ORDER AND ROLL CALL

Senator Murray called the meeting to order at 2:30 p.m. A quorum was present with the following members in attendance:

#### **Members Present**

Senator Nick Gautreaux  
Senator Edwin Murray, Chairman  
Senator Willie Mount  
Senator Ben Nevers  
Senator John Smith  
Representative Cameron Henry  
Representative Charles Kleckley  
Representative Anthony Ligi

#### **Members Absent**

Representative Noble Ellington, Vice Chairman  
Representative Cedric Richmond

### APPROVAL OF MINUTES

Representative Kleckley moved to approve the minutes of June 29, 2010 meeting, and with no objections, the motion carried.

### EXTENSION REQUESTS

Ms. Joy Irwin, Director of Advisory Services for Louisiana Legislative Auditor, presented the ten page nonemergency extension list for entities requesting less than 90 days and recommended to the Council approval of the extensions. Senator Gautreaux moved to approve the nonemergency extension requests for 90 days or less, and with no objection the motion passed.

Ms. Irwin presented the nonemergency extension list greater than 90 days, and explained that they invited each agency to send a representative to the Council.

#### **Jefferson Community Health Care Center**

Dana Delpit, Chief Financial Officer, requested an extension to October 29, 2010. She said they have selected the auditor, and prepared the needed documents to submit to the auditor. Ms. Delpit said they have no one from the previous executive staff, and the board recently adopted the new accounting policies and procedures, and she is ensuring those are being adhered to. Representative Ligi moved to approve their extension request, and with no objections, motion passed.

#### **Louisiana Sheriffs' Association**

Michael Ranatza, Assistant Director for the Louisiana Sheriffs' Association, explained the reason for their extension request is due to changing audit firms. During the late stages of the audit there were questions regarding accounting practices related to retiree benefits and that was the only thing to reconcile. Senator Gautreaux moved to grant the extension request to September 30, 2010, and there were no objections.

#### **Webster Parish Fire Protection District No. 8**

Adam Hurley, Assistant Fire Chief of Special Operations, in Cotton Valley, Louisiana. He said they changed accounting firms, because the first firm was not on the approved list and when they submitted the report it was rejected. They requested a 90 day extension to do a GASB 34 compliant audit for the district. Representative Kleckley asked for nonemergency extensions over 90 days to receive their filing history for five years to see if there was a pattern of issues or challenges. Ms. Irwin

said that will be provided at the next meeting. Representative Kleckley moved for approval of their extension to October 31, 2010, and with no objections, motion was approved.

#### **Orleans Parish Assessor – 4<sup>th</sup> Municipal District**

Ms. Irwin reported that Ms. Wilson, the Chief Deputy with the Assessor's office was unable to attend but told her that they believed they could have their audit done by September 30, 2010. The CPA performing the audit agreed to also have it in by September 30<sup>th</sup>, and understands the ramifications of missing their deadline. Senator Murray said they would not act on the Orleans Parish Assessor's office at all.

#### **River Region Human Development, Inc.**

Edgar Irvin, Executive Director, said he obtained a CPA who should be starting on October 1<sup>st</sup>, and expects to have it complete by late November. Senator Gautreaux moved to approve the extension to November 30, 2010, and the motion was approved.

#### **Emergency Extension Requests**

Mr. Irwin explained the four entities on the emergency extension requests that are 90 days or less. In the audit law there is a provision for requesting extension requests under emergency situations, and she recommended approval. Representative Kleckley moved to approve the Emergency Extension Requests for 90 days or less, and with no objections, the motion passed.

#### **OIL SPILL UPDATE**

Mr. Purpera gave an update of the Auditor's office efforts in related to the Oil Spill, giving the schedule of Roadshow meetings held with the Attorney General's Office in parishes affected by it. He discussed the purpose and the steps taken to create electronic documents for filing claims acceptable to FEMA, and that BP was the collector of the claims and only allowing the state access to management reports. Mr. Purpera said he would encourage the state to collect that information regarding losses, and additional costs, and economic losses for possible future use by the Attorney General. Senator Murray and Mr. Purpera discussed the Division of Administration's need for access to BP records.

Mr. John Morehead, Director of Recovery Services, met with the Division and BP three weeks prior, and the state presented to BP Web EOC (Emergency Operations Center) capabilities and factuality. The BP representatives were uncomfortable with the format and how Web EOC was designed. The state offered to design it so that it meets BP's needs, but BP chose to build their own system using their contractor. Mr. Purpera said Mr. Morehead has requested real time access to BP's systems, and have been denied that access, and the Administration is aware of that. Senator Murray said the point is that the Administration should make the demand to keep the claims information, because the legislation may be asked to play a role in resolving it.

Senator Murray requested that Mr. Purpera speak with Mr. Brady regarding the state keeping its own records rather than BP having all the records and only giving the state management reports. He asked to have a representative from the Division of Administration at the next council meeting to discuss the oil spill issues further.

#### **LOCAL AUDITEES**

Mr. Purpera explained the listed entities were invited and brought to the council's attention for reasons of either significant audit findings or failed to provide an audit in a timely period or at all. Ms. Irwin said additional reasons for inviting the agencies were concern about their financial stability or the condition of their records, and well as other items as in their audits.

#### **Town of Jonesboro**

Mr. Irwin said for the last two years the auditor has issued a disclaimer of opinion. The reason the auditor was unable to opine on the financial statements in Jonesboro because of numerous control and compliance problems, and the town did not maintain adequate records. Senator Murray asked if the Board of Alderman and the Mayor was aware of these issues. Ms. Irwin said they were not invited, but her staff went twice to the town to give them assistance.

Representative Kleckley said the council has the ability to withhold funds if they are not timely filing audits, but asked what can the council do if they do not correct their findings. Mr. Purpera said the council has the ability to determine whether an entity is compliant or noncompliant with the audit law. In the case of Jonesboro, the opinion was a disclaimer of opinion, which is that the town's records do not permit the auditor to conduct an audit. The audit is designed for ensuring accountability within the town,

but the records are such that the auditor cannot do the audit, only a report. Representative Kleckley asked if they can withhold funding. Mr. Purpera said the council can determine the town to be noncompliant, but it would then be the responsibility of the transmitting funds to the town to withhold the funding.

Vickie Stephens, Town Clerk for the Town of Jonesboro, explained that she was very ill prepared to replace the town clerk who left two years previously. She said they had engaged an accountant to correct their financials. She said they are moving to implement internal controls, and some things were changed over her suggestions, as well as creating rules and regulations for the employees. Melba Murphy Holland, Office Manager, had written most of the rules and given it to the Mayor for his approval. Senator Gautreaux suggested to Ms. Stephens also call the Municipal Association for assistance. Ms. Stephens stated there is a lot of conflict between the Mayor's office and the Board of Alderman.

Mr. Purpera stated that his Advisory Services staff have visited the Town of Jonesboro and given them detailed instructions. Ms. Stephens said the accounts have not been reconciled, but has checked off items that cleared the bank, because it was not until their 2008 audit was done that she understood how to reconcile the bank statements. She stated they did not have audit adjustments prior, but now has the ability to do that, so expect it to fall into place.

Senator Nevers asked who overruled the changes and recommendations to deal with some of these issues. Ms. Stephens said the Mayor is her only supervisor, and she saw a lot of things not being done as she thought were done. Senator Nevers asked the Legislative Auditor what he would suggest the council to do. Mr. Purpera recommended to ask the Mayor and members of the Council to come to a meeting, as these are serious issues and do need to see they are moving forward.

Senator Nevers' motion to subpoena the Mayor and invite the Board of Alderman to attend the next meeting passed with no objections. Senator Nevers asked if there are any indications that there could be activities that the Attorney General needs to look into, he suggested that he be brought into this matter. Senator Murray asked if the auditor's office sends notification to the District Attorney or U.S. Attorney if there could be any findings with criminal activity. Ms. Irwin said they do, but sometimes it is difficult to discern such unless a forensic audit done. Ms. Irwin said it is difficult to tell if it is bad accounting and bad controls for the Town of Jonesboro. Senator Murray said that this would be put on the agenda for the next meeting and requested to see Ms. Stephens and Ms. Holland as well.

### **Housing Authority of Slidell**

Ms. Irwin said after Hurricanes Katrina, the Housing Authority lost their accounting records and system, and there has not been a lot of progress in recreating those records or system. The auditor was not able to opine on the 3-31-09 financial statements, except there are even more audit findings than seen with the Town of Jonesboro. Ms. Irwin said they have been in contact with the Inspector General with HUD who did an assessment in 2009, which some of those findings were included in the council's information. Senator Murray pointed out to the council that this entity had been before them several times, granted extensions to them and done everything to get this audit completed.

Pat Berrigan, attorney for the City of Slidell, said that the Mayor received a phone call the day before regarding this entity. He pointed out that the city has no control over the authority, but can only appoint the members of the commission. Mr. Berrigan said the Mayor and the council president will become directly involved with this Housing Authority to make them responsive to the law, and if this means some changes on the commission, that will be done. They have also said that if there is a vacuum in the leadership, one of the administrators of the City of Slidell will fill for the interim, and get responsive to what the legislative auditor requests.

Ms. Irwin said that Mr. Marvin Butler, the Executive Director, said he would not attend the meeting. Mr. Purpera contacted the Mayor of Slidell to be sure he was aware of what was happening, and he volunteered for Mr. Berrigan to attend. They discussed that Mayor Freddy Drennan took office July 1<sup>st</sup>, and heard of some things but was not aware of the magnitude. Senator Mount asked if anyone in city government knew prior to yesterday of something going on since 2006. Mr. Purpera said he would think they should because numerous reports have been issued. Senator Mount asked the city attorney if they could take action today, since such a long history of neglect. Mr. Berrigan said that the executive director has resigned, and they are moving forward since the Mayor and council has put this on the front burner. Senator Mount said within 30 days, by the next council meeting, all of this would be taken care of.

Senator Murray asked if the Housing Authority of Slidell has engaged an auditor yet to get started on it. Ms. Irwin said no engagement had been submitted by the Authority as of yet. Mr. Berrigan said the steps will be quickly taken based on the Mayor's conversation. Mr. Berrigan said the only item in their file on the Housing Authority was the oath of office of the last people serving on the board. He said until Mr. Purpera called the Mayor, they did not know about this.

Senator Murray suggested that when Mr. Barrigan returns there is a plan of what had been implemented and a timetable. Senator Nevers made a motion to invite the Mayor, the City Council and if there is a Board appointed by then for the Housing Authority, and the new Executive Director if appointed by that time, to advise the council at the next meeting what progress has been taken, and if an auditor has been engaged. Senator Murray asked if any opposition to the motion, and none given.

### **Louisiana Community Developers**

Ms. Irwin said that Louisiana Community Developers will not provide to the auditor the audit reports for 2008 and 2009, and some history was shown in the packets. She pointed out that an extension was granted to them until 9/30/10, but have not had communication with her office and not received the reports. Ms. Irwin said right after the previous extension granted in August 2009, funds of approximately \$180,000 were expended from the state to Louisiana Community Developers. No further funds have been given after 9/30/09 extension request because they were put on the noncompliant list.

Senator Murray asked when she would comply and engage an auditor. Bertha Coleman, Executive Director, said they have an auditor and all the information requested had been given to him. She said the hurricane caused the problem, and they could not recreate the documents, but gave all that they had. Ms. Irwin asked which hurricane. Ms. Coleman said Gustav. Senator Murray asked if the auditor has been approved by the Auditor's office. Ms. Irwin said yes, and had been in touch with the auditor numerous times, and had a lot of difficulty getting the records from Ms. Coleman to the auditor, and took a lot of time, but had not spoken to the auditor to know if he has the records. Ms. Coleman said she has submitted the documents requested to the auditor, but do not know when it will be completed. She said since the last time she was before the council, she had been in a car accident and on medical leave and just returning to work.

Representative Ligi asked what and where the entity is primarily located. Ms. Coleman said they have not had any grant activity in over a year, and the last grant activity was the Freedom School, summer program. She said they were reorganizing the organization and trying some suggested ideas, when she had the car accident.

Senator Gautreaux asked her current checking account balance and what the funds were used for. Ms. Coleman said it was \$0, and everything was done from her personal account. She said they did the program, and then received the money, so they did bad accounting because she put her personal money in to run the program and the funds came after the fact, and probably not the best thing to do and would not do it anymore. Ms. Coleman said after Gustav in their location in New Orleans East the roof caved in and lost their computers, records, furniture. Senator Gautreaux asked if the CPA was approved. Ms. Irwin said Bobby Howard is the approved CPA, and according to Ms. Coleman he is working on it, but have not spoken with the auditor since May. Ms. Coleman said her accident was February 12<sup>th</sup> and has been out with a concussion, and at the time she did contract labor and only herself and the secretary in the office. Senator Gautreaux asked for the source of the funds. Ms. Coleman said it was TANIF funds and could not remember what Teen Pregnancy was. Mr. Purpera said money given by Department of Social Services, and Department of Education, but none direct.

Senator Murray instructed Ms. Coleman to ask the CPA to speak to the auditor's office directly with the expected completion date. Ms. Irwin said that the 2009 audit had not been engaged. Ms. Coleman said she would engage an auditor, and only had problems with documents from 2007 and 2008, and the rest should be fine. Senator Murray asked for a report at the next meeting to have the engagement done by then.

### **Town of Waterproof**

Ms. Irwin said the town's former mayor is in jail and was convicted of malfeasance and theft, and the town was in a decline. However, the newly elected Mayor Flood has engaged a contract accountant to help with the records and accounting system, and engaged an auditor to perform the next two audits. The last one filed was 2007, and hoping to receive an opinion for the Town of Waterproof. Mayor Flood is currently in Shreveport to secure grant money for the Town, and was not able to attend the LAAC meeting.

Bobby Wilkerson, Alderman, joined the council in October 2009, and was a concerned citizen regarding town issues during 2007-2008. Ms. Irwin explained that due to the criminal investigation many of the records were seized by the District Attorney and thereby making it difficult to prepare financial statements. Ms. Irwin stated she has seen progress and the auditor expects to have both audits turned in by the end of November, but she is skeptical if he can render an opinion on the financial statements because of the condition of the financial records. Senator Murray asked that at the next meeting for an

update on the progress, and that a plan is in place and implemented. Ms. Irwin said there is a Mayoral election in October.

Ms. Irwin mentioned there are two outstanding grants proposed for the Town of Waterproof to receive: a streets grant from the Office of Community Development, and for the sewer and water system from the Department of Environmental Quality. Those moneys cannot flow to the Town of Waterproof because they are on the noncompliant list, and her office is monitoring them to receive those grants. Mr. Wilkerson said the grant for the sewer and water system was given to the Police Jury, who will act as fiscal agent, so the work can proceed. Mr. Wilkerson said that Mayor Flood was in Shreveport trying to defend the law enforcement grant, and hold off redistributing the funds. Senator Murray said for the Town to be eligible they must turn in their audits and be removed from the noncompliant list.

Senator Gautreaux asked if the streets grant could be distributed through the police jury, asking if given through DOTD federal money or capital outlay. Mr. Purpera said the money comes through OCD, and his office approached them a year prior to discuss, and after their review of regulations determined that they could not distribute through the police jury.

### **Natchitoches Parish Police Jury**

Ms. Irwin said when they saw a going concern comment in the financial audits, and their financial audits are prepared assuming that the governmental entity will continue as a viable entity, but there are doubts in the auditors mind because of the financial instability of the government. Ms. Irwin said she has sent an advisor to get an assessment, and to give recommendations. There are some mandates in the law for the parish to fund, such as the court system and the parish jail, which is very difficult for them to do. One fund overspent and the general fund had to compensate for it.

Catherine Hamilton, Parish Administrator for the Police Jury, said included on the ballot this October is to rededicate some Health Unit funds that have a big surplus. She said they are also calling sales tax to help the criminal court system. The issue is unfunded mandates, whereby the criminal court system is taking most of the funds.

Deborah Miley, Treasurer, explained that the employees of the criminal court went on a 32 hour work week at the end of June. She said they have asked some employees to pay insurance at 100% and making no extra purchases because their general fund is at a deficit. Ms. Miley said the inmates have created a situation because it requires approximately 50% of their general fund, and have actually had decreased funds in the past several years. Ms. Miley said the grant funds such as OCS and Head Start went into a deficit several years ago and could not cover it, and the general fund of the police jury covered their shortage. She said after this happened, the police jury has become involved in the spending of the grant funds and their budget process. Ms. Miley said the inmate expense topped over \$700,000 in a calendar year and explained how they worked with the Sheriff, the District Attorney and judges regarding their situation.

Gerald Longlois, Vice President of the Jury, said the tax was going on the ballot, because it failed on the ballot previously. He said tried working through the District Attorney and court system to alleviate the population in the detention center, and had a plan with the Sheriff last year, but it has elevated again. Mr. Longlois said better than half are city arrestees to the parish, and have to pay for the city detainees. Senator Gautreaux questioned if they only house the city detainees would they still be in a deficit. Ms. Miley said that the sheriff has the detention center, which houses around 430 inmates, and she said they only average 130 a month that are between the city. She said the law enforcement district has the money, not the police jury, so they have to pay \$15.50 per day.

Dan Garrett, General Counsel for Police Jury Association, explained the parish's situation with housing and costs for healthcare of inmates, but without a robust tax base it eats away at their budget. He said they additionally have 100% cost of operating the criminal court system, including cost of prosecution as well as the cost of the judges' offices. Senator Murray said every parish has the same obligations. Ms. Miley said they have met with the sheriff and judges and District Attorney over 15-20 times to work out programs to help the situation, but the majority of their budget is statutory requirements they must pay. Senator Murray said he hopes they will have some plan in place after October 2<sup>nd</sup> and November 2<sup>nd</sup> elections, and asked Mr. Purpera to put this on the agenda for after November 2<sup>nd</sup>, so they will know what they have to deal with and have a plan.

### **Town of Richwood**

Ms. Irwin said for both the Town of Richwood and Richland Parish Police Jury there have been repeat findings for both, and again just to notify the council. Ms. Irwin explained that the mayor was recalled and then reelected, but during the time between there was another administration that took over the town and saw some deterioration in the financial record keeping. She said now the mayor is back in office, and her office is monitoring the situation.

Mayor Steve Hunter explained he has hired the CPA firm Allen, Green & Williamson to set their financial documents into order, to ensure they concur with the Legislative Auditor. He said he has also hired Husley, Harwood (& Sheridan, LLC) to perform the audit. However, after the recall of five and half months, the newly elected Mayor removed Allen, Green and Williamson, and returned to the old habits of the town. Mr. Hunter said they are back on track and know they need professional people to ensure all the findings would be addressed. Senator Murray encouraged Mr. Hunter to continue working with the Legislative Auditor to get the town back into compliance with the audit law. Mr. Hunter explained more of their many issues and plans to resolve them.

### **Richland Parish Police Jury**

Ms. Irwin said this is another example of an entity with significant problems, and her staff had gone to Richland Parish and made recommendations, and have made some progress, but still have some issues of concern. Ms. Kathy Burns, Secretary/Treasurer, said they do not have enough office help because only two of them. She said they have adopted a policy manual and updated it to solve their problems as of August 18<sup>th</sup>. Senator Murray asked if the Auditor's office had a copy of it. Ms. Burns said it was revised at their last meeting, so she would send Ms. Irwin a copy.

Senator Murray asked Representative Kleckley about his request for the history of the entities that return for extensions, and if what was provided for these entities would be what he wanted. Representative Kleckley said mainly applying to those entities requesting extensions over 90 days, to receive some history of how many times out of compliance for the past five years. Representative Kleckley asked for the towns' populations and annual budgets, since they are very small, thus have more of a challenge than the larger cities. He asked Mr. Purpera if the entities were out of compliance. Ms. Irwin said some of the entities are not in compliance, and cannot receive any funds from the state if no extension request has been given by the council. Ms. Irwin told him the list on the LLA website is fairly extension. Representative Kleckley asked if the towns and entities know what is at risk when they are not in compliance. Ms. Irwin said her staff does their best to inform them and do field phone calls from entities that are not receiving their funding, communicating by letter and phone.

### **RECOVERY SCHOOL DISTRICT**

Senator Murray explained that the Superintendent had made a recommendation on the governance of the majority of the schools that Department of Education (DOE) had control over in Orleans Parish. He wanted to discuss the financial stability of the Recovery School District (RSD) and concerned about how they handle their finances.

Mr. Purpera explained that his office performs an audit of the RSD as a part of the state's financial statements, so an audit on RSD's financial statements are not done. Invited to the meeting were Superintendent Pastorek, Mr. Fulton and Ms. Beth Scionneaux, who could provide better information on the finances of RSD. Mr. Purpera informed the council that Patrick Goldsmith, Director of Performance Audit Services was beginning a performance audit related to the RSD, and Ernie Summerville, Assistant Director of Financial Audit Services, was available to address any prior findings.

Mr. Summerville said the findings were presented January 25, 2010, for the fiscal year end 2009 audit, and offered to review their findings. Senator Murray asked if they had corrected those findings, even though he has not completed the next audit, but to see if they have cooperated and if any progress on repeat findings. Mr. Summerville said the auditors are currently working in RSD and seen an effort by the district to address the findings and to incorporate their corrective action plans. Senator Murray asked if they have done anything concrete to correct the findings in the previous two to three audits. Mr. Summerville said they have seen corrections on certifications, improvements and implementations of controls, and improvement in coding of federal expenditures. He said one main issue was in payroll and while there are still some problems, but have seen some improvement in accuracy, availability of documents and controls. He said they had a finding on inadequate annual fiscal report, and have worked closely with the agency, and think this area has been addressed. The areas that they are continuing to have issues with are the moveable property issues, and not having items tagged timely, and unlocated issues and stolen property. He said one issue mentioned a lot in the January 25<sup>th</sup> meeting was not paying vendors in a timely manner which continues to be an issue.

Senator Murray asked for more information about property problems. Mr. Summerville said that the Louisiana Property Assistance Agency did a thorough review during the fiscal year 2010 and found numerous problems, and the auditors are finding similar issues. Senator Murray asked for an estimate for how much in terms of not paying vendors timely. Mr. Summerville said RSD is supposed to pay within 90 days, but did not have that information with him. Senator Murray asked if there is something that the council can do to assist in correcting the findings, and to hear what the plan is to not have the findings in the next audit report.

Paul Pastorek, Superintendent for Department of Education, said he was pleased to hear the auditor's report. As he had explained to the council previously, RSD was undercapitalized and having difficulty with cash flow issues to pay expenses, with no ability to raise funds. He said some major obligations related to time periods that predated his term, because in the first year after Katrina, there were some extremely high costs that RSD was incurring because of the hurricane affected area. He said most of those have been resolved, and the auditors should see good progress in the payable area.

Senator Murray asked if the Orleans Parish School Board (OPSB) loaned RSD money, because other school district could sell bonds based on taxes incoming so does OPSB provide money to RSD from that. Mr. Pastorek said yes, they do receive their fare share. Robert Fulton, Chief Financial Officer for the Recovery School District, clarified that RSD provides OPSB support in raising funds to fund their MFP local requirements to the charters in RSD, covering approximately 70% of their interest expense on the small bond issue that they did. That enabled them to make the monthly MFP payments to the type 5 charters, to their own charters and to RSD. Mr. Fulton said they do not borrow from OPSB. Mr. Pastorek said if OPSB raises money, it is shared with RSD, but RSD does not have the ability to borrow money since not a school district. Senator Murray said he feels that RSD is still undercapitalized. Mr. Pastorek said the good news is RSD is posturing itself to actually have a fund balance by the end of this school year, for the first time.

Senator Nevers questioned Superintendent Vallas' leave of absence and benefits during that time. Mr. Pastorek said Mr. Vallas was on an unpaid leave of absence and his benefits are determined by his salary, including any housing. Mr. Fulton said Mr. Vallas pays for his health insurance while on leave. Senator Nevers asked regarding the issue of use of his paid vehicle, if it has been taken care of. Mr. Pastorek said he volunteered to make a payment and requested the Division of Administration board to calculate the cost to the state. Mr. Pastorek said that Mr. Vallas has spent about four weeks in Haiti, as well as a week in Chili during the summer, and while he is gone, Mr. Pastorek is directly responsible for RSD at all times.

Mr. Pastorek said the Orleans Parish Schools before Katrina were on the verge of bankruptcy, and under high risk status by the U.S. Department of Education, and academically pretty broken down, and the facilities were in awful condition. The academic achievement level, the district performance score was somewhere in the 45 – 50 range. Today the district performance score including the Orleans Parish schools, including all the charter schools, RSD, and OPSB if include in one system, the increase in academic achievement is around 35-40%. It is probably one of the biggest growths in academic achievement of a single school district in the country ever. The rate of growth far exceeds the state rate of growth in academic achievement. There were 49 grants given by the U.S. Department of Education and one of those grants was a \$30 million grant given to a partnership between the RSD and New Schools for New Orleans Organization, and the Tennessee Recovery School District.

Mr. Pastorek told the council about a grant from the Gates Foundation for \$1 million to pilot the Value Added program in New Orleans that had been mandated by the legislature. Mr. Pastorek told about the Master Plan for the construction of new schools in the City of New Orleans, which took one year to do. From a financial perspective, RSD should have a \$8 million surplus even though under funded in the first place. On a capital perspective, \$460 million worth of schools have been built in New Orleans in the past two and half years, and built an academic achievement program which has gotten everyone in Jefferson Parish worked up because they may actually fall behind New Orleans in academic achievement. Senator Murray asked if the Orleans Parish school district is still financially at risk. Mr. Pastorek said it is technically on the high risk status by the U.S. DOE. However, they have made tremendous strides to improve and after meeting with them, there is a plan to get them off the high risk status.

Senator Murray asked Mr. Pastorek if he could have broken down the statistics that he mentioned of all the schools in Orleans Parish together have increased their scores by 30-35%. Mr. Pastorek said he has it by charter, direct run schools for both Orleans Parish and RSD, and can provide all the details for the past five years. Senator Murray said he would like to receive that. Senator Murray questioned the \$1.8 billion from the feds to build new schools or renovate existing schools, asked if there is a timetable or is it the same master plan in place already.

Mr. Pastorek said the master plan was the basis by which FEMA issued the money, and the master plan does explain phases 1-6. He said they are also looking into expediting some of the phases now that full funding is available, for example expediting a school into the lower Ninth Ward, and actually exploring those opportunities.

Senator Murray questioned if RSD would control all or most of the \$1.8 billion, or does the OPSB receive some funds. Mr. Pastorek said that GOHSEP has access to the funds, and everyone must go through GOHSEP, and believe the controls are pretty good. Orleans Parish can go to GOHSEP for the schools that they have, and RSD likewise. Senator Murray asked if there is a calculation on how much. Mr. Pastorek said it is all in the plan, so all the schools in OPSB can request their funds. He said they



also have a project manager who has construction oversight for both entities, because neither actually runs construction. Senator Murray said normally Facility Planning would handle a regular state project. Mr. Pastorek said he begged them to take it, but they did not want to touch it with a 10 foot pole because it was New Orleans.

Senator Murray said previous mistakes were done using recovery money by spending it with out of state firms. He hoped that local contractors would be used, and to put people to work in the effected areas, and do business within our state. Mr. Pastorek said they have internal targets to meet regarding local and disadvantaged businesses and now that they have the funds are looking at putting requirements in their plan.

#### **DISCUSSION OF HB1 SECTION 18.B.(1)**

Mr. Purpera explained that when any funds in HB 1 are transferred to an agency or nonprofit, then there must be a budget submitted to the transferring agency as well as the Legislative Auditor. In this session the words were added "for approval", and as discussed in the last meeting and informing the council that his office would begin to look at the controls at each of the transferring agencies and assess those controls. Then provide information to those agencies if their controls are adequate, as well as review if the controls are functional as audits are done by LLA's Financial Audit Division.

Mr. Tom Cole, Director of Financial Audit Services, said the initial step was to see whether the agencies had the controls in place as per HB1. He asked fourteen state agencies and the four university systems for those policies and procedures, and currently have three responses and based on review appear to be adequate. Those agencies include the State Treasurer's office, the Division of Administration – Office of Financial and Support Services, and the Department of Natural Resources. Mr. Cole said that eight agencies represented to them that they had no transfers subject to HB1, and the remaining seven are refining their policies to be compliant with HB1.

Senator Murray asked Mr. Purpera about the agencies that may require review. Mr. Purpera said the DHH has approximately 5,000 of these types of contracts, and DOE has 3,000 or more. He said the Act requires that the documents be provided to the Legislative Auditor, and one thing considering with the DOE as discussed with Mr. Pastorek if they would give electronic access to their database, would be receipt of those documents which would be acceptable to us. Mr. Purpera told the council that DHH was actually copying the 5,000 contracts, and he asked them to stop until this has been figured out because it would cost their agency and his office to put it into a form for storing. These issues are being worked out and want to be sure the Council was aware of it.

Senator Murray asked if necessary to bring to Joint Budget to clarify HB1 and possibly give approval that this complies with the law. Mr. Purpera said he is worried that his office is not complying with the law exactly as it is written. Senator Mount made a motion to bring before JLCB to clarify the language of HB1, and with no objections, the motion passed.

#### **DISCUSS 2010 SR88**

Mr. Purpera explained this Senate Resolution from the last session urged and requested the Legislative Auditor to conduct a performance and compliance audit of the District Attorney's office for the 16<sup>th</sup> Judicial District office. The council requested that he speak with the author of the resolution and return with the scope and cost of performing the audits, which he presented that information to the council. Mr. Dan Daigle, Director of Compliance Audit, further explained the details of the audit scope and cost range based on hours.

Senator Murray asked if the author of the resolution contemplated the costs to be paid by the 16<sup>th</sup> JDC, or the District Attorney, or the Council absorb and reduce other work done by the auditor's office. Mr. Purpera said he understood the Senator expected that to be paid from his existing resources. Senator Murray said this would require replacing other audits to perform this work. Senator Murray said maybe have the House Chairman speak with the President of the Senate and Speaker of the House to discuss where they believe it should go, and then he would report back at the next council meeting.

#### **OTHER BUSINESS**

Senator Murray asked for an update of what information can be shared on the uncompleted audits of HBPA and LHSAA. Mr. Purpera said his office is receiving responses to LHSAA. Mr. Daigle said the estimated date to be a public report is October 4<sup>th</sup>. Mr. Purpera said regarding the HBPA audit, they are conducting the audit since the council requested the audit in earlier that year, but they have met roadblocks getting information sometimes. Senator Murray asked if it was intentional or due to them not having the documents. Mr. Purpera said he believes it goes back to the concern from the beginning if they are a public entity or not, and whether they should be audited. He said what they find a lot of times with Horsemen's, they have to speak to their attorneys to ask if they can give the records to them.



Senator Murray asked if there was an agreement to allow the audit and forego other things. Mr. Purpera said there is an agreement and also legislation that says he has a right to audit. Senator Murray asked Mr. Purpera to invite HBPA to the next meeting since this has gone on for a long time, and need to get this clear and do not want to set up for what happened before where doing the audit, and then cannot finish the audit and be a waste of money and time. Mr. Purpera said they are receiving the information needed, but it just takes a while to get it. Senator Murray said he just wants to be sure he receives the documents sooner.

Representative Kleckley asked who is paying for the audit of HBPA, and who requested the audit. Mr. Purpera said it is paid out of his funds, and using the compliance division. He explained that HBPA does have an annual audit done by a CPA, but this special work is being done by his office based on allegations. Senator Murray said some members requested it, and some public allegations regarding operations caused concern. Representative Kleckley asked if the delays in receiving information causes increased costs. Mr. Purpera said absolutely. Senator Murray wants to be sure to have HPBA invited to the next meeting to ensure documents to complete the audit are received in a timely fashion.

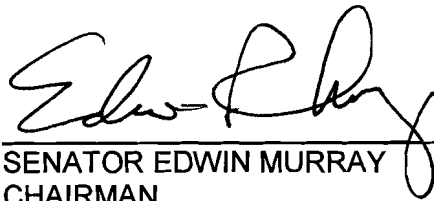
Senator Murray pointed out that there is also an update in their packets for the Katrina Cottages. Mr. Purpera provided an update on the audit of Jefferson Parish which should be issued in a few weeks.

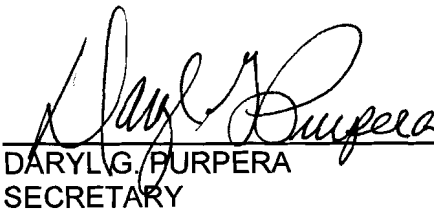
**ADJOURNMENT**

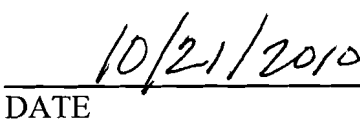
There being no further business, Representative Kleckley made the motion to adjourn. Senator Murray adjourned the meeting at 4:52 p.m.

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APPROVED BY:

  
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SENATOR EDWIN MURRAY  
CHAIRMAN

  
\_\_\_\_\_  
DARYL G. PURPERA  
SECRETARY

  
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DATE