

HOUSING AUTHORITY OF MORGAN CITY



INVESTIGATIVE AUDIT  
ISSUED DECEMBER 10, 2014

**LOUISIANA LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 10, 2014

**MR. CLARENCE ROBINSON, JR.**  
**AND BOARD OF COMMISSIONERS**  
**HOUSING AUTHORITY OF MORGAN CITY**  
Morgan City, Louisiana

We have audited certain transactions of the Housing Authority of Morgan City. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of allegations we received.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our findings and recommendations, as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 16th Judicial District of Louisiana, the United States Attorney for the Western District of Louisiana, and others as required by law.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style.

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP/aa

MCHA 2014



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## EXECUTIVE SUMMARY

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### **Improper Rewards**

The Housing Authority of Morgan City (MCHA) improperly paid employees rewards (bonuses) totaling \$566,544 from November 2007 through March 2013. These payments were allegedly made in accordance with a MCHA Rewards and Recognition policy that was improperly altered by Housing Manager Tori Johnson. By creating false public records and causing public funds to be improperly paid to herself and other MCHA employees, Ms. Johnson may have violated state and federal laws. In addition, by knowingly receiving funds which they were not entitled to, certain MCHA employees may have violated state and federal laws.

### **Improper Pay Increases**

The MCHA paid three office employees wages totaling \$130,418 in excess of Civil Service allowed wages from May 2009 through June 2014. These excess wages were paid through six separate pay increases initiated by Ms. Johnson. By causing public funds to be improperly paid to herself and other MCHA employees, Ms. Johnson may have violated state and federal laws.



## BACKGROUND AND METHODOLOGY

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The Housing Authority of Morgan City (MCHA) was created by the City of Morgan City pursuant to Louisiana Revised Statute (La. R.S.) 40:381, et seq., to provide decent, safe, and sanitary housing affordable to persons of low and moderate income in Morgan City, Louisiana. The MCHA is governed by a five-member board appointed by the Mayor of the Town of Morgan City. Members of the board serve five-year terms.

Mr. Charles Spann served as MCHA's executive director from April 16, 2007 until his resignation in June 2013. According to La. R.S. 40:539, all employees of the authority, except authority members, the executive director, and one other employee whom the authority shall designate and employ, are classified state civil service employees.

This audit was initiated based on a finding in the MCHA's September 30, 2012 and 2013 annual audit reports. According to the audit reports, employees were issued bonus payments that were not approved by the board, were not in compliance with MCHA policies, and were not authorized by the Louisiana Department of State Civil Service.

The procedures performed during this audit consisted of:

- (1) interviewing MCHA employees and other persons as appropriate;
- (2) examining selected documents and records;
- (3) gathering documents from external parties; and
- (4) reviewing applicable state and federal laws and regulations.



## FINDINGS AND RECOMMENDATIONS

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### Improper Rewards

**The Housing Authority of Morgan City (MCHA) improperly paid employees rewards (bonuses) totaling \$566,544 from November 2007 through March 2013. These payments were allegedly made in accordance with a MCHA Rewards and Recognition policy that was improperly altered by Housing Manager Tori Johnson. By creating false public records and causing public funds to be improperly paid to herself and other MCHA employees, Ms. Johnson may have violated state and federal laws.<sup>1,2,3,4,5</sup> In addition, by knowingly receiving funds which they were not entitled to, certain MCHA employees may have violated state and federal laws.<sup>1,3,4,5</sup>**

Louisiana Department of State Civil Service (Civil Service) rules allow for agencies to develop a rewards and recognition program for individual employees or for employee groups for significant achievement. The Civil Service Commission must approve the agency's policy before the program takes effect.

In November 2007, the MCHA submitted and subsequently received approval from Civil Service in December 2007 for a Rewards and Recognition program that provided for a one-time cash award for Civil Service employees. However, Diana Pace, MCHA accounting tech, disbursed 31 rewards relating to the MCHA's Rewards and Recognition program that resulted in 177 payments to employees totaling \$582,932 during the period of November 21, 2007 through March 1, 2013. These rewards were comprised of the acceptable one-time reward to Civil Service employees (eight payments totaling \$16,388), as well as 30 improper rewards (169 payments totaling \$566,544) to Civil Service employees and the unclassified Executive Director.

According to Ms. Pace, in January 2008, she asked Tori Johnson, MCHA housing manager (responsible for all MCHA Civil Service affairs), to provide documentation confirming that the rewards were allowed. Ms. Johnson provided her with a MCHA Rewards and Recognition policy that expired on January 1, 9999, with correspondence from a Civil Service representative which indicated that the policy was authorized by Civil Service. However, the policy provided by Ms. Johnson was different than the policy approved by Civil Service (see Attachment A). The significant differences in the two policies are outlined in the table below.

<b>Significant Differences in the MCHA Rewards and Recognition policy</b>		
<b>Policy Section</b>	<b>Civil Service Authorized</b>	<b>Ms. Johnson Provided</b>
<b>Provisions</b>	Will be given as a one-time award given to the employee for their duties in removing the Morgan City Authority from troubled status not to exceed 10% of the annual salary.	Will be given as an award to the employee for their duties not to exceed their annual salary.
<b>Award Period</b>	The award period will be from July 1, 2006 to November 6, 2007.	The award period beginning July 1, 2006 to January 1, 9999.

Ms. Pace maintains that (until recently) she has never seen the properly authorized policy that allowed one-time awards only. Although Ms. Pace claims that she received the altered policy in January 2008 from Ms. Johnson, a computer analysis of the MCHA computer used by Ms. Johnson indicated that this altered policy was not created until July 2012 (by Ms. Johnson). Numerous files, including the original Rewards and Recognition policy, were found on the computer Ms. Johnson used throughout the entire audit period. When questioned about this inconsistency, Ms. Pace continued to maintain that she received the altered policy in 2008 and never saw the original policy.

According to Ms. Pace, she issued all reward payments requested by Ms. Johnson based upon the improperly-altered policy. Because the Civil Service-authorized MCHA Rewards and Recognition policy allowed for only one reward, the 30 rewards totaling \$563,294 issued to all employees from April 4, 2008 to March 1, 2013, appear to be improper. The initial \$3,250 reward payment (as well as the following 16 rewards payments) to Mr. Spann in November 2007 also appears to be improper because he was excluded from Civil Service rules or rewards by La. R.S. 40.539 (C)(8)(a) and did not have a provision in his employment contract to receive rewards. In addition, the board did not approve any reward payments to Mr. Spann (or any other employees). The following table illustrates the improper rewards paid during this period.

<b>Improper Rewards Issued from April 4, 2008 through March 1, 2013</b>		
<b>Employee</b>	<b>Job Title</b>	<b>Total Payments</b>
<b>Greene, Sandra</b>	Housing Manager	<b>\$165,405</b>
<b>Pace, Diana L.</b>	Accounting Tech	<b>\$137,661</b>
<b>Spann, Charles E.</b>	Executive Director	<b>\$111,657*</b>
<b>Johnson, Tori</b>	Housing Manager	<b>\$100,041</b>
5 Full-time Maintenance Employees		<b>\$41,802</b>
14 Part-time Maintenance Employees		<b>\$9,978</b>
<b>Total</b>		<b>\$566,544</b>
<i>*The first reward issued on November 21, 2007, is included in the total improper reward payments to Mr. Spann, but is not included in the totals for all other employees.</i>		

Ms. Johnson acknowledged that she improperly altered the policy without the authorization of Civil Service or approval of the MCHA board. Ms. Johnson contends that after numerous rewards were issued, Mr. Spann recognized that the payments were not in line with the policy and directed her to alter it to allow for the rewards that were being disbursed. She further stated that Mr. Spann and the other employees were primarily responsible for initiating the rewards and that the memos requesting the reward payments were prepared by her, at the direction of Mr. Spann or Ms. Pace. According to Ms. Johnson, she knew that the rewards were improper and communicated this to Mr. Spann, but he told her to do as he said and he had things under control.

Mr. Spann stated that he did not direct Ms. Johnson to alter the policy and was never told that the reward payments or the second (altered) policy were improper. He said he knew that the MCHA had two Rewards and Recognition policies but believed that both policies were approved

by Civil Service. He does not recall the specific timing of the rewards payments in relation to the two policies but remembered that Ms. Johnson informed him that Civil Service was requiring their policy to be changed due to new rules. At this time, Ms. Johnson created the new policy, which he remembers discussing with the other office staff members. Mr. Spann stated that he was not fully aware of the stipulations of these policies and was not certain what payments should or should not have been issued. Ms. Johnson usually initiated the rewards and prepared memos requesting them, which he usually read and then approved without being fully aware of what was appropriate.

According to Mr. Spann, he delegated Civil Service responsibilities to Ms. Johnson and relied upon her heavily. He said he elected to focus his efforts on repairing the property and creating more habitable residences instead of office functions. He acknowledges that it was his responsibility to supervise the office staff members and feels that he failed in this respect.

All MCHA office staff members, including Ms. Johnson, indicated that Ms. Johnson was responsible for all Civil Service employee matters including verification of employee compensation and compliance of MCHA pay policies and procedures with applicable Civil Service rules. According to Ms. Johnson, although she was responsible for all Civil Service matters, she received the same amount of training (one class when she began her employment) as the other office employees. Both Ms. Pace and Ms. Greene contended that they had very little Civil Service knowledge but attended one Civil Service training session for Human Resources in May 2008. This training included a section on “How to properly use the variety of pay mechanisms available to enhance recruitment and retention of employees.” Ms. Pace stated that she still has the book from the class but is not sure of its contents. She also stated that she does not remember anything that was taught in the class.

By falsifying the MCHA policy and initiating payments based on this false policy, Ms. Johnson caused public funds to be improperly paid to herself and other MCHA employees, which may have violated state and federal laws.<sup>1,2,3,4,5</sup> In addition, certain MCHA employees may have violated state and federal laws<sup>1,3,4,5</sup> by knowingly receiving funds to which they were not entitled.

### Improper Pay Increases

The MCHA paid three office employees wages totaling \$130,418 in excess of Civil Service allowed wages from May 2009 through June 2014. These excess wages were paid through six separate pay increases initiated by Ms. Johnson. By causing public funds to be improperly paid to herself and other MCHA employees, Ms. Johnson may have violated state and federal laws.<sup>1,3,4,5</sup>

MCHA office employees Sandra Greene, Diana Pace, and Tori Johnson received six salary increases from May 11, 2009 through June 18, 2014. These increases were apparently given for several reasons: merit, additional duties, difficult to recruit, and performance adjustment. All of the pay increases exceeded the amounts allowed by Civil Service. Civil Service rules<sup>6</sup> and MCHA policies limit annual merit increases to 4% and the other increases (without Civil Service approval) to 5%. The following table illustrates the salary increases received and allowable and the resulting wages.

Improper Pay Increases and Excess Wages from May 11, 2009 through June 18, 2014							
		Sandra Greene		Diana Pace		Tori Johnson	
Begin Date	Reason	Received	Allowable	Received	Allowable	Received	Allowable
05/11/09	Merit	4%	0%	4%	0%	4%	0%
06/22/09	Merit	6%	4%	6%	4%	6%	4%
10/12/09	Additional Duties	10%	5%	10%	5%	10%	5%
04/12/10	Difficult to Recruit	10%	5%	10%	5%	10%	5%
06/21/10	Additional Duties	10%	4.95%*	10%	5%	10%	5%
09/24/12	Performance Adjustment	10%	0%	10%	4%	10%	4%
<b>Resulting Wages</b>		<b>\$351,771</b>	<b>\$290,015</b>	<b>\$292,715</b>	<b>\$244,750</b>	<b>\$175,990</b>	<b>\$155,293</b>
<b>Excess Wages</b>		<b>\$61,756</b>		<b>\$47,965</b>		<b>\$20,697</b>	
<b>Total Excess Wages</b>		<b>\$130,418</b>					
<i>*Ms. Greene reached the maximum allowed salary for her position.</i>							

According to Civil Service, the percentages listed in the chart above as “Allowable” were the maximum increases allowed. This indicates that Ms. Greene, Ms. Pace, and Ms. Johnson received wages totaling \$130,418 in excess of what was allowed by Civil Service.

The MCHA did not maintain records for several of the pay increases; however, two of the increases were requested in reward request memos (see Improper Rewards finding) prepared by Ms. Johnson. Ms. Johnson stated that Mr. Spann or Ms. Pace directed her to initiate these pay increases. However, Mr. Spann stated that he was not aware of the 10% raises given to office employees and Ms. Pace stated that Ms. Johnson initiated all pay increases.

In addition, for each of these pay increases, the MCHA failed to complete performance evaluations and neglected to report pay increases to Civil Service as required. Mr. Spann stated that he was not aware of the formal evaluation requirements for Civil Service workers. Ms. Johnson stated that she gave Mr. Spann the required performance evaluation records to complete, but he did not complete them. Ms. Johnson acknowledged that she did not send documentation regarding these pay increases to Civil Service because she knew they were improper.

Ms. Pace and Ms. Greene further indicated that they knew very little about the increases because Ms. Johnson handled them exclusively and did not like to be questioned on Civil Service matters. Although Ms. Pace and Ms. Greene contended that they had very little Civil Service knowledge, both attended Civil Service training for Human Resources in May 2008. This training included a section on “How to properly use the variety of pay mechanisms available to enhance recruitment and retention of employees.”

By initiating unauthorized pay increases, Ms. Johnson caused public funds to be improperly paid to herself and other MCHA employees which may have violated state and federal laws.<sup>1,3,4,5</sup>

### Recommendations

We recommend that MCHA management develop and implement policies and procedures to ensure amounts paid to employees are in compliance with MCHA policies, Civil Service rules, state law, and federal law. These policies and procedures should require that MCHA:

- (1) consult legal counsel regarding recovery of compensation (rewards and pay increases) improperly paid to employees;
- (2) adopt policies and procedures requiring Board approval of any pay increases or additional compensation awarded to employees;
- (3) ensure that all pay increases are properly documented, approved, and allowed by Civil Service rules; and
- (4) require, in accordance with Civil Service rules, that employees be evaluated annually and that records of the evaluations be maintained in the employee's personnel file.

# ATTACHMENT A

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## Authorized Policy

### MORGAN CITY HOUSING AUTHORITY REWARDS AND RECOGNITION POLICY

#### POLICY

Effective November 18, 2007, the Morgan City Housing Authority will adhere to the following policy concerning Rewards and Recognition per Civil Service Rule 6.16.1.

#### APPLICABILITY

This policy shall to any Morgan City Housing Authority employee who has received a performance evaluation of at least "Meets Requirements" during his or her last rating period.

#### IMPLEMENTATION

This policy becomes effective upon the signature of the Director or Deputy Director. Subsequent revisions shall become effective on the date the revisions are approved and signed by the Director or Deputy Director and approved by the Civil Service Commission.

#### PROVISIONS

Depending upon available funding, the Morgan City Housing Authority shall present the following awards:

Awards for Commitment to the Morgan City Housing Authority  
Will be given as a one time award given to the employee for their duties in removing the Morgan City Authority from troubled status not to exceed 10% of the annual salary. This employee has assisted the Morgan City Housing Authority to be removed from the Memorandum of Agreement with the U.S. Department of Housing and Urban Development.

#### Certificates of Achievement

The Director may present Certificates of Achievement to an employee or employee group who has work that furthers the mission of the agency, but that does not meet the requirements for a monetary award.

#### Innovation

Employees who have developed or who have improved upon existing procedures resulting in a savings to the Morgan City Housing Authority through reduced cost or increased productivity or efficiency may be nominated for a monetary award for up to the maximum percentage of the employee's salary allowed by Civil Service. The new or improved procedures shall have resulted in a major benefit to the agency removing the agency from troubled status.

### Special Projects

Employees who have done outstanding work on the completion of the Memorandum of Agreement between the Morgan City Housing Authority and the U.S. Dept of Housing and Urban Development which has furthered the mission of the Department may be nominated for a monetary award of up to the maximum percentage of the employee's salary allowed by Civil Service. The project shall have resulted in a major benefit to the Morgan City Housing Authority. The employee(s) must not have been compensated under some other pay rule (such as detail to special duty) for work on the project.

### Posting Requirements

This policy will be posted in the Morgan City Housing Authority HR office. The awards received will be posted in the same manner.

### Award Period

The award period will be from July 1, 2006 to November 6, 2007.

### Award Ceremonies

Awards for Commitment to the Morgan City Housing Authority, Innovation and Special Projects along with Certificates of Achievements will be presented by the Director at the annual staff meeting.

### Amount of Monetary Awards

No single award, nor the sum of multiple awards under this policy, shall total more than the maximum percentage of an employee's salary allowed by Civil Service in a fiscal year. The salary used for award calculations shall be the employee's salary as of the approval date of the award as established by the appointing authority.

## PROCEDURES

### Nomination Procedures

In order to be considered for any award, an employee must have received a performance evaluation of at least "Meets Requirements" during his or her latest rating period.

Awards for Commitment and Certificates of Achievement to the Morgan City Housing Authority will be certified by the Executive Director who will purchase the awards in time for the staff meeting. The nominations should include a complete description of the reason for the award, a description of how this furthered the mission of the agency and a recommendation of the amount of award to be given and justification for the amount. The nominations will be reviewed by Executive Director who will decide which is worthy of an award.

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The Executive Director will review these proposals and forward those worthy and summarize any proposals not worthy of consideration. The Accountant will review the proposal summaries to determine the fiscal impact on the Agency and will forward the proposals to the Executive Director with the recommendation of the amount of the reward.

**Selection Process for Innovation and Special Projects**

The Award Panel shall consist of the Executive Director and the Accountant. The award panel will meet to discuss the submitted proposals and rewards shall be in relation to the money saved and progress of the agency. The award panel shall rank the proposal and select the awards as deemed worthy.

 11/19/07  
Appointing Authority

## Altered Policy

### MORGAN CITY HOUSING AUTHORITY REWARDS AND RECOGNITION POLICY

#### POLICY

Effective November 18, 2007, the Morgan City Housing Authority will adhere to the following policy concerning Rewards and Recognition per Civil Service Rule 6.16.1.

#### APPLICABILITY

This policy shall to any Morgan City Housing Authority classified employee who has received a performance evaluation of at least "Meets Requirements" during his or her last rating period.

#### IMPLEMENTATION

This policy becomes effective upon the signature of the Director or Deputy Director. Subsequent revisions shall become effective on the date the revisions are approved and signed by the Director or Deputy Director and approved by the Civil Service Commission.

#### PROVISIONS

Depending upon available funding, the Morgan City Housing Authority shall present the following awards:

##### Awards for Commitment to the Morgan City Housing Authority

Will be given as an award given to the employee for their duties not to exceed their annual salary. This employee has assisted the Morgan City Housing Authority to be a valuable asset to the City of Morgan City, and the residents of the Morgan City Housing Authority.

##### Certificates of Achievement

The Director may present Certificates of Achievement to an employee or employee group who has work that furthers the mission of the agency, but that does not meet the requirements for a monetary award.

##### Innovation

Employees who have developed or who have improved upon existing procedures resulting in a savings to the Morgan City Housing Authority through reduced cost or increased productivity or efficiency may be nominated for a monetary award for up to the maximum percentage of the employee's salary allowed by Civil Service.

#### Special Projects

Employees who have done outstanding work for the Morgan City Housing Authority and the U.S. Dept of Housing and Urban Development which has furthered the mission of the Department may be nominated for a monetary award of up to the maximum percentage of the employee's salary allowed by Civil Service. The project shall have resulted in a major benefit to the Morgan City Housing Authority. The employee(s) must not have been compensated under some other pay rule (such as detail to special duty) for work on the project.

#### Posting Requirements

This policy will be posted in the Morgan City Housing Authority HR office. The awards received will be posted in the same manner.

#### Award Period

The award period beginning July 1, 2006 to January 1, 9999.

#### Award Ceremonies

Awards for Commitment to the Morgan City Housing Authority, Innovation and Special Projects along with Certificates of Achievements will be presented by the Director at the annual staff meeting.

#### Amount of Monetary Awards

No single award, nor the sum of multiple awards under this policy, shall total more than the maximum percentage of an employee's salary allowed by Civil Service in a fiscal year. The salary used for award calculations shall be the employee's salary as of the approval date of the award as established by the appointing authority.

### **PROCEDURES**

#### Nomination Procedures

In order to be considered for any award, an employee must have received a performance evaluation of at least "Meets Requirements" during his or her latest rating period.

Awards for Commitment and Certificates of Achievement to the Morgan City Housing Authority will be certified by the Executive Director who will purchase the awards in time for the staff meeting. The nominations should include a complete description of the reason for the award, a description of how this furthered the mission of the agency and a recommendation of the amount of award to be given and justification for the amount. The nominations will be reviewed by Executive Director who will decide which is worthy of an award.

The Executive Director will review these proposals and forward those worthy and summarize any proposals not worthy of consideration. The

Accountant will review the proposal summaries to determine the fiscal impact on the Agency and will forward the proposals to the Executive Director with the recommendation of the amount of the reward.

Selection Process for Innovation and Special Projects

The Award Panel shall consist of the Executive Director and the Accountant. The award panel will meet to discuss the submitted proposals and rewards shall be in relation to the money saved and progress of the agency. The award panel shall rank the proposal and select the awards as deemed worthy.

\_\_\_\_\_  
Appointing Authority



According to Ms. Pace this policy (given to her by Ms. Johnson) was signed by Ms. Spann. However, as of August 7, 2014, Ms. Pace has been unable to locate the original signed policy. ~ KJ 08/07/2014

## LEGAL PROVISIONS

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<sup>1</sup> **Louisiana Revised Statute (La. R.S.) 14:67** provides, in part, that “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations...”

<sup>2</sup> **La. R.S. 14:133 (A)(3)** provides, in part, that “Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (3) Any document containing a false statement or false representation of a material fact.”

<sup>3</sup> **La. R.S. 14:134 (A)** provides, in part, that “Malfeasance in office is committed when any public officer or public employee shall: (1) Intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; or (2) Intentionally perform any such duty in an unlawful manner; or (3) Knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him, or to perform any such duty in an unlawful manner.”

<sup>4</sup> **United States Code (U.S.C) 18:666 (a)** defines theft concerning federal funds, in part, as “an agent of an organization who embezzles, steals, obtains by fraud, or otherwise without authority knowingly converts to the use of any person other than the rightful owner or intentionally misapplies, property.”

<sup>5</sup> **La. R.S. 42:1461 (A)** provides, that “Officials, whether elected or appointed and whether compensated or not, and employees of any ‘public entity,’ which, for purposes of this Section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

<sup>6</sup> **Louisiana Department of Civil Service Rules Section 6.14** provides, in part, “(a) An employee who is in active status as of June 30 of the performance evaluation year, except for those serving as classified When Actually Employed (WAE) employees, becomes eligible for and may be granted a performance adjustment, provided that the appointing authority has determined his performance merits such an adjustment. (c) The amount of each performance adjustment shall be 4 percent of the employee’s individual pay rate.”

**Louisiana Department of Civil Service Rules Section 6.16.2** provides, in part, (regarding Optional Pay Adjustments including Additional Duties and Recruitment) “Such optional pay adjustments shall be implemented in accordance with written policies and procedures established by each department. Such increases shall not exceed 10% in a fiscal year for an individual employee and shall not duplicate a payment received pursuant to any other Rule. Such policies must be receive advance approval from the Civil Service Commission and shall be posted in a manner that assures their availability to all employees. Such policies shall also include a public posting of all recipients.”



## APPENDIX A

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### Management's Response



**HOUSING AUTHORITY  
OF THE CITY OF MORGAN CITY**  
Morgan City, Louisiana

Victory Ho, Chairperson  
Jerome Guidry, Vice-Chairperson  
Carolyn Long, Commissioner  
Capt. Mark Griffin, Commissioner

Clarence Robinson, Jr.  
Interim Executive Director

November 24, 2014

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
Post Office Box 94397  
Baton Rouge, La. 70804-9397

Re: Response to the Investigative Audit Report of the Housing Authority of the City of Morgan City dated November 14, 2014.

Dear Mr. Purpera:

I appreciate your diligent efforts the Housing Authority of Morgan City, ("MCHA"). I would like to thank your staff for the professionalism they displayed during the audit of the Morgan City Housing Authority financials covering the period of November 2007 to June 2014. The entirety of Investigator's Audit Report has brought major awareness to infractions that have occurred due to lack of oversight of basic policy and procedures. It is clear that the MCHA should have been following Federal law, State law and State Civil Service guidelines.

I became the Interim Executive Director after Mr. Charles Spann's resignation in June 2013. I was hired on August 1, 2013 after approval of the Housing Authority Board. My employment with the MCHA is part time until a permanent Executive Director is selected and hired. I am currently employed full time as the Executive Director for the Berwick Housing Authority a high performing agency. I immediately requested the guidance of legal counsel, however, The MCHA did not obtain legal counsel until May 1, 2014. I have strived to focus on providing decent, safe and sanitary housing affordable to persons of low and moderate income in Morgan City. Most of all, I have sought to do so with honor and integrity.

In the report dated November 14, 2014 your agency recommended that the Housing Authority management implement policies and procedures to ensure amounts paid to employees are in compliance with the Housing Authority policies, Civil Service rules, state law, and federal law. As of the date of this letter the Housing Authority has **established the following procedures:**

(1) The MCHA is consulting with counsel and myself as to the proper legal requirements recover the funds for the agency.

(2) The MCHA is now strictly following the adopted Civil Service policy of awarding pay raises as per the planning and performance review for all classified employees annually in the month of October, provided the agency has the funding to pay an annual pay raise. All extra performance compensation must be submitted to Civil Service for prior approval then submitted to the board of the MCHA for final approval with a proper resolution authorizing the requested pay adjustment.

(3) All of the current classified employees of the MCHA have been evaluated with all of the proper performance documentation being submitted to Civil Service as per state guidelines. For the fiscal year 2013-2014 no classified or unclassified employee of the agency has received a pay increase due to the signed layoff avoidance approval by the State office on March 18, 2014.

(4) All of the current classified employees of the agency have been evaluated as per the State Civil Service guidelines, with all planning and performance sessions being completed for 2014-2015. The evaluations are maintained in the employee's file. This procedure will be maintained and conducted on annual basis.

In addition to your recommendations, I will formally request the MCHA:

(A) To authorize the Executive Director and legal counsel to submit your findings to and cooperate with:

1) District Attorney for the 16<sup>th</sup> JDC for the Parish of St. Mary for the determination and resolution of any possible criminal violations; and

2) U. S. Attorney for the Western District of Louisiana for the determination and resolution of any possible federal criminal violations.

(B) The MCHA may authorize its legal counsel to file civil suit to recover all funds if no criminal and/or restitution action is taken by either the Federal or State prosecutors.

(C) Investigate the right to take action against State Civil Service classified employees regarding suspension or termination of employment.

(D) Authorize the Executive Director to adjust the salaries of classified State Civil servants to appropriate allowable levels in accordance with State Civil Service laws until further action is taken.

(E) The Executive Director and the MCHA Board to investigate the right to file charges with the Louisiana Ethics Administration regarding State Civil Service classified employees.

(F) MCHA should request the Legislative Auditor to ascertain how the concerns contained within the investigative audit report of the Legislative Auditor were not discovered by the firm hired by the MCHA to conduct the independent audits during the initial period of concern.

In addition to the recommendations to your office and the MCHA as Executive Director I will:

(G) Take immediate corrective action regarding the salary for classified employees under State Civil Service Rule 15.7

(H) Make and declare suspensions for the classified employees still in the employ of the MCHA and noted in the Investigative Audit Report in accordance with State Civil Service Rule 12.10.

I assure you that the MCHA has made the noted corrections regarding your recommendations. The MCHA will continue to follow the established rules and regulations of the State Civil Service and the procedures that have been adopted by the MCHA Board. Further, the MCHA Board and I will seek to address the recommendations that we have added. If any additional information is needed as it pertains to this report, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Robinson, Jr.", with a stylized flourish at the end.

Clarence Robinson, Jr./Interim Director of the Morgan City Housing Authority