

NEW ORLEANS TRAFFIC COURT



INVESTIGATIVE AUDIT
ISSUED JULY 30, 2014

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 30, 2014

**THE HONORABLE ROBERT JONES, III, CHIEF JUDGE,
AND JUDGES OF TRAFFIC COURT
FOR THE PARISH OF ORLEANS**
New Orleans, Louisiana

We have audited certain transactions of Traffic Court of New Orleans. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of certain 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 United States Attorney for the Eastern District of Louisiana, District Attorney for the Orleans Judicial District of Louisiana, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

NOLA TRAFFIC COURT 2014

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EXECUTIVE SUMMARY

Contracted Accounting Services 2008 to 2011

From September 2008 through July 2011, Mr. Vandale Thomas was paid \$1,311,065 by Traffic Court of New Orleans (Traffic Court) for accounting services. According to Traffic Court and third party records, Mr. Thomas was paid:

- (1) \$759,065 more than his contractual maximum;
- (2) for working in excess of 24 hours a day, 7 days a week during 8 different months;
- (3) \$46,156 as a result of invoicing Traffic Court at hourly rates higher than his contracts allowed;
- (4) \$348,238 with 42 Traffic Court checks which Mr. Thomas prepared for payment to himself; and
- (5) \$129,075 with 12 Traffic Court checks whose corresponding accounting entries were backdated.

Since Mr. Thomas was not entitled to receive \$759,065 of the public funds he was paid by Traffic Court, he may have violated both state and federal laws.

Contracted Audit and Accounting Services from 2006 to 2008

From January 2006 through October 2008, Traffic Court paid \$1,230,405 to Nash Accounting and Tax Service (Nash Accounting) for accounting services and \$475,912 to Paillet, Meunier & LeBlanc, LLP (PM&L) for attestation and consulting services. According to Mr. Nash and Mr. Paillet, Mr. Thomas performed the majority of all of the accounting, attestation, and consulting services provided to Traffic Court by their firms. Although Mr. Thomas was an employee of PM&L, Nash Accounting bank records show Mr. Thomas received \$1,086,063 from Nash Accounting during this period. As a result of our work, we found that:

- (1) the attestation work performed by Mr. Thomas at Traffic Court on PM&L's behalf may not have complied with American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards* that require independence;
- (2) Nash Accounting and PM&L were paid \$1,462,817 for services based on oral agreements;

- (3) Nash Accounting and PM&L invoices used general descriptions such as “consulting services” or “accounting services,” but did not explain the work performed or the number of hours worked; and
- (4) both Nash Accounting and PM&L invoiced Traffic Court a total of \$662,265 for similar services.

In creating the invoices used by Nash and PM&L that were sent to Traffic Court, Mr. Thomas may have violated both state and federal laws.

Traffic Court Credit Card Usage

From April 2008 through October 2012, there were 283 purchases totaling \$51,691 made using the Traffic Court’s credit cards. Of the 283 purchases, we noted Traffic Court records did not contain receipts or invoices for 161 purchases totaling \$10,973. Since it is customary for vendors to provide itemized receipts to credit card users for each purchase, the Traffic Court judges and clerk of court that did not turn in receipts may have violated state law.

BACKGROUND AND METHODOLOGY

Traffic Court of New Orleans (Traffic Court) was created upon passage of Article VII, Section 94 of the 1921 Louisiana Constitution with jurisdiction concurrent to the Criminal District Court for the Parish of Orleans.¹ In July 2004, the Louisiana Legislature transferred the control of all Traffic Court deposits and disbursements from the City of New Orleans (the City) to Traffic Court. Louisiana Revised Statute (La. R.S.) 13:2507.1² established Traffic Court's Judicial Expense Fund which Traffic Court began operating in 2005 following Hurricane Katrina.

In addition to the Judicial Expense Fund, Traffic Court maintains two other agency funds, the Fines and Fees Fund and the Cash Bonds Fund. The Fines and Fees Fund is used to maintain and distribute monies collected from each ticket, as required by state and local laws, to agencies such as Municipal Court of New Orleans³ and the Louisiana State Police.⁴ The Cash Bonds Fund is used to hold funds deposited by Traffic Court defendants until they appear in court and receive final dispositions for their cases.

In November 2011, the New Orleans Inspector General (Inspector General) issued a Performance Audit Report on Municipal and Traffic Courts of New Orleans covering the 2010 calendar year. This report contained findings which detailed questionable billings by Traffic Court's contracted accountant, Vandale Thomas. Following the issuance of the Inspector General's report, the Louisiana Legislative Auditor's Office (LLA) received a request to audit the entire time period during which Mr. Thomas provided accounting services to Traffic Court.

After receiving this request, the LLA initiated an investigative audit of all transactions related to Mr. Thomas as well as other Traffic Court operations. On November 1, 2013, a grand jury for the Eastern District of Louisiana in the United States District Court indicted Mr. Thomas on 12 felony counts related to "theft concerning programs receiving federal funds, money laundering, structuring transactions to evade reporting requirements, and notice of forfeiture." While performing this audit we conducted the following procedures:

- (1) interviewing Traffic Court employees and other persons as appropriate;
- (2) examining Traffic Court documents and records;
- (3) performing observations;
- (4) gathering and examining external parties' documents and records; and
- (5) reviewing applicable federal and state laws and regulations.

FINDINGS AND RECOMMENDATIONS

Contracted Accounting Services 2008 to 2011

From September 2008 through July 2011, Mr. Vandale Thomas was paid \$1,311,065 by Traffic Court of New Orleans (Traffic Court) for accounting services. According to Traffic Court and third party records, Mr. Thomas was paid:

- (1) \$759,065 more than his contractual maximum;
- (2) for working in excess of 24 hours a day, 7 days a week during 8 different months;
- (3) \$46,156 as a result of invoicing Traffic Court at hourly rates higher than his contracts allowed;
- (4) \$348,238 with 42 Traffic Court checks which Mr. Thomas prepared for payment to himself; and
- (5) \$129,075 with 12 Traffic Court checks whose corresponding accounting entries were backdated.

Since Mr. Thomas was not entitled to receive \$759,065 of the public funds he was paid by Traffic Court, he may have violated both state⁵ and federal⁶ laws.

During our audit, we noted that Traffic Court had poor internal controls which may have allowed Mr. Thomas to improperly use Traffic Court's public funds. According to former and current Traffic Court employees, Mr. Thomas (1) stopped all Traffic Court employees from entering and reconciling accounting entries; (2) began entering and reconciling all accounting entries himself; (3) printed/generated Traffic Court checks payable to himself and his own business; (4) delivered his own vendor checks to the authorized check signors for approval; and (5) backdated accounting entries for checks payable to himself or his business.

1. Payments for Accounting Services in Excess of His Contracts

According to Traffic Court records, Mr. Thomas had four contracts and one contract addendum to provide accounting services to Traffic Court for a total compensation not to exceed \$402,000 from 2008 to 2011. Each of these contracts and the addendum were signed by two or three Traffic Court judges and the judicial administrator. The hourly rate listed in these contracts started at \$75 per hour in November 2008 and increased to \$80 per hour in November 2010. Each of Mr. Thomas' contracts stated that any necessary additional costs would be discussed prior to being incurred and any contract revisions would be done as addendums to the original contracts.

Revenue from Traffic Court's Fines and Fees account is shared by the City of New Orleans (the City) and several other agencies. In September 2009 (\$85,000) and April 2010 (\$65,000), Dr. Brenda G. Hatfield, the city's Chief Administrative Officer at the time, authorized Traffic Court to withhold a total of \$150,000 from the City's portion of the fines and fees revenue to pay for additional accounting services. Traffic Court used Mr. Thomas to reconcile certain bank accounts that were managed by the City prior to Traffic Court administering its own Judicial Expense Fund. In total, Mr. Thomas was authorized to earn \$552,000 through written contracts with Traffic Court (\$402,000) and the City's authorizations (\$150,000) to perform additional work at Traffic Court.

However, Traffic Court records show Mr. Thomas was paid \$1,311,065 from December 2008 through July 2011, which exceeded the maximum amount he was authorized to earn by \$759,065. Although the City first agreed in September 2009 to pay^A a prorated portion of Traffic Court's additional accounting expenses, Mr. Thomas began withholding fines and fees revenue from the City as early as October 2008 (i.e., 11 months prior to the City's first authorization).

Mr. Thomas stated that the \$759,065 he was paid in excess of the amounts authorized by the City and Traffic Court contracts was for additional accounting and information technology consulting services that he performed on Traffic Court bank accounts previously maintained by the City.^B Mr. Thomas stated that these additional services were not listed in his Traffic Court contracts, but were verbally approved by Traffic Court Judge Dennis Dannel (now deceased). Mr. Thomas claimed that Judge Dannel, acting alone, verbally authorized the additional work and agreed to negotiate the costs of all additional services after they were provided to Traffic Court. In addition, Mr. Thomas' invoices did not list any services for information technology consulting.

Mr. Thomas' statements regarding Judge Dannel's verbal authorization for his additional work are not consistent with the practices of the Traffic Court. During this same period, Mr. Thomas had four written contracts and one contract addendum with Traffic Court that were signed by two or three judges and the judicial administrator. In addition, all four of his contracts stated that fees for any additional services would be discussed prior to incurring additional costs and approved with an addendum to his contract. In the one case where an addendum increased Mr. Thomas' contract by \$15,000, two judges and the judicial administrator signed the contract addendum. Since Mr. Thomas' explanation and his invoices to Traffic Court are not consistent with the other available evidence, Mr. Thomas may not have been entitled to receive the \$759,065 he was paid in excess of his contracts. As a result, Mr. Thomas may have violated state⁵ and federal⁶ laws.

^A In September 2009, the City authorized the Traffic Court to withhold up to \$85,000 from its share of the traffic tickets fines and fee revenue.

^B Prior to the implementation of Traffic Court's Judicial Expense Fund, the City maintained all of Traffic Court's accounting and banking records.

2. Mr. Thomas Claimed to Work More Than 24 Hours Per Day

While contracted to provide accounting services to Traffic Court from 2008 to 2011, Mr. Thomas also provided services to the City of New Orleans (accounting and consulting); New Orleans Municipal Court (attestation); the District Attorney of Orleans Parish (consulting); and other private clients as a sub-contractor of Paillet, Meunier & LeBlanc, LLP (PM&L).^C

Mr. Thomas stated that while he was contracted with Traffic Court, he had four individuals who provided accounting services for his business and that their hourly services were included in his Traffic Court invoices. However, these four individuals made the following statements, which contradicted statements made by Mr. Thomas:

- A. The first individual stated that he never provided accounting services for Mr. Thomas and never received payment from Mr. Thomas for providing accounting services.
- B. The second individual stated that she was not paid, but performed approximately 48 hours of accounting data entry work as a favor for Mr. Thomas in 2010 and 2011.
- C. The third individual estimated that she was paid \$5,600 for approximately 280 hours of data entry work and other minor accounting services for Mr. Thomas from 2009 to 2011.
- D. The fourth individual stated that from 2010 to 2011 she was paid between \$15 and \$18 an hour by Mr. Thomas for a total of approximately \$30,600. Using her hourly rates and the total amount she was paid, she provided between 1,707 to 2,040 hours of data entry services for Mr. Thomas.

After reviewing Mr. Thomas' invoices and excluding the services provided by his sub-contractors, Mr. Thomas claims to have provided an average of between 49 and 107^D hours a week of accounting services for Traffic Court. From 2008 to 2011, Mr. Thomas also worked as a sub-contractor for PM&L during the same time he was working for Traffic Court. After combining the hours he claimed to have worked at Traffic Court with the hours from his PM&L time sheets, it appears Mr. Thomas claimed to work on average between 82 and 136 hours a week.

^C According to his resume, Vandale Thomas was an employee of PM&L from 2002 to 2009, after which he started his personal business, Thomas and Thomas Accounting Services, LLC. According to PM&L Partner Kenneth Paillet, Thomas and Thomas Accounting Services, LLC operated as a sub-contractor of PM&L from July 1, 2009 to November 10, 2011.

^D For invoices where Mr. Thomas did not list the number of hours billed, Mr. Thomas' contracted hourly rate was used to calculate the number of hours billed to Traffic Court.

Vandale Thomas' Average Work Day and Week				
	Traffic Court Only		Traffic Court Invoices and PM&L Time Sheets	
Year	Thomas' Average Traffic Court Work Day (hrs.)*	Thomas' Average Traffic Court Work Week (hrs.)**	Thomas' Average Total Work Day (hrs.)*	Thomas' Average Work Week (hrs.)**
2008	7.1	49.9	12.6	88.4
2009	14.2	99.6	19.6	136.8
2010	15.4	107.6	18.5	129.7
2011	8.7	61.2	11.7	81.9
*Calculated by dividing total hours billed for the month by the number of days in the month				
**Based on a seven-day work week				

A monthly analysis of Mr. Thomas’ invoices to Traffic Court and PM&L time sheets shows that he claimed to work in excess of 24 hours per day during eight different months between September 2008 and July 2011. Traffic Court paid Mr. Thomas a total of \$498,444 during these eight months. Mr. Thomas stated that his sub-contractors worked the excess hours; however, their statements do not support Mr. Thomas’ explanation. As a result, Traffic Court paid Mr. Thomas for services that Mr. Thomas could not have provided, which may violate state⁵ and federal⁶ laws.

Months When Vandale Thomas' Traffic Court Invoices and Time Sheets Averaged More Than 24 Hours a Day		
Month/Year	Thomas' Average Total Work Day (hrs.)*	Thomas' Average Work Week (hrs.)**
Dec-08	31.2	218.4
Jan-09	24.6	172.4
Jun-09	31.5	220.8
Apr-10	24.1	168.8
Jun-10	25.8	181.1
Aug-10	27.4	191.8
Oct-10	25.4	177.6
Jan-11	24.1	168.7
*Calculated by dividing total hours billed by the number of days in the billing period		
**Based on a seven-day work week		

3. Hourly Rates Paid by Traffic Court Exceeded the Contract Rate

Mr. Thomas' contracts with the Traffic Court authorized him to earn \$75-\$80 per hour between December 2008 and July 2011. However, we found 97 invoices where Mr. Thomas received between \$75.06 and \$107.35 per hour during this time. Comparing the approved hourly rates in Mr. Thomas' contracts to the actual hourly rates invoiced show Mr. Thomas was overpaid \$46,156, which may violate both state⁵ and federal⁶ laws.

Mr. Thomas stated that he created his invoices in Microsoft Excel and that there must have been a problem with some of the formulas that he used to calculate the invoice totals. He further stated that he had submitted updated invoices to replace the invoices with incorrect formulas. However, we did not find any corrected copies of these invoices and Mr. Thomas does not appear to have refunded any of the \$46,156. In addition, according to Barbara Coulon, a former Traffic Court Assistant Judicial Administrator, the hourly rates listed on Mr. Thomas' invoices were not reconciled to the hourly rates listed in Mr. Thomas' corresponding contracts prior to the invoices being approved for payment.

4. Mr. Thomas Prepared His Own Checks

Ms. Coulon stated that she discovered Mr. Thomas was entering and printing his own vendor checks from Traffic Court's accounting system in 2010. She said that she notified Traffic Court's Judicial Administrator at the time, Mr. Louis Ivon (now deceased), who then secured the blank check paper stock in a locked filing cabinet only accessible by Mr. Ivon and Ms. Coulon.

Ms. Coulon also stated that Mr. Thomas did not capitalize the words in the description section of checks that he prepared. Therefore, any vendor payment with descriptions that did not contain capitalized words were likely entries for checks that were prepared by Mr. Thomas. Using Ms. Coulon's basis for identifying these transactions, Mr. Thomas prepared 42 checks totaling \$348,238 payable to himself.

Annual Totals of Traffic Court Checks Printed by Mr. Thomas	
Year	Annual Total
2008	\$20,560
2009	158,243
2010	159,915
2011	9,520
Total	\$348,238

According to check copies, Administrative Traffic Court Judge Robert Jones III, Judge Mark Shea, and Mr. Ivon signed the majority of Mr. Thomas' checks. Both judges stated that they did not regularly review Mr. Thomas' invoices prior to signing his checks because Mr. Thomas was their accountant and that, in most cases, the checks had already been signed by Mr. Ivon or another authorized signor. Both judges also stated that Mr. Thomas rarely provided them with copies of his invoices when he presented the judges with checks payable to himself for approval. In addition, Judge Shea stated that Mr. Thomas regularly brought him checks for approval while he was actually conducting Traffic Court and that, as a result, he did not review the checks or supporting documentation prior to signing the checks.

5. Back-dated Accounting Entries for Checks Payable to Vandale Thomas

Traffic Court records show that there were 12 payments totaling \$129,075 that were issued to Mr. Thomas between January 6, 2009 and May 14, 2010, where the check date and the accounting system transaction date did not match. Our review found five payments totaling \$70,480 that were issued to Mr. Thomas in 2009, but were listed in Traffic Court's accounting system as taking place in 2008. We also found seven checks payable to Mr. Thomas totaling \$58,595 that were issued in 2010, but were listed in Traffic Court's accounting system as taking place in 2009. The number of days that these 12 entries were backdated ranged between six and 134 days per transaction (combined for a total of 523 days^E).

Annual Totals of Traffic Court Checks to Vandale Thomas			
Year	Annual Amount Paid According to Check Date	Annual Amount Paid According to Accounting Entry Date	Authorized Contracted Amounts
2008	\$31,720	\$102,200	\$75,000
2009	435,885	424,000	100,000
2010	620,520	561,925	245,000
2011	222,940	222,940	132,000
Total	\$1,311,065	\$1,311,065	\$552,000

Multiple Traffic Court employees and Mr. Thomas confirmed that he entered and reconciled vendor payment transactions in Traffic Court's accounting system. However, Mr. Thomas stated that he was not aware that any of the accounting entries for payments to him were back-dated even though the backdated accounting entries created the appearance that he was paid less in 2009 and 2010 than he actually received. Because Mr. Thomas made all the accounting entries and may have benefited from the back-dated entries, he may have violated state law.⁷

Contracted Audit and Accounting Services from 2006 to 2008

From January 2006 through October 2008, Traffic Court paid \$1,230,405 to Nash Accounting and Tax Service (Nash Accounting) for accounting services and \$475,912 to Paillet, Meunier & LeBlanc, LLP (PM&L) for attestation and consulting services. According to Mr. Nash and Mr. Paillet, Mr. Thomas performed the majority of all of the accounting, attestation, and consulting services provided to Traffic Court by their firms. Although Mr. Thomas was an employee of PM&L, Nash Accounting bank records show Mr. Thomas received \$1,086,063 from Nash Accounting during this period. As a result of our work, we found that:

^E The five entries which took place in 2009, but were listed as taking place in 2008 were backdated a total of 118 days. The seven entries which took place in 2010, but were listed as taking place in 2009 were backdated a total of 405 days.

- (1) the attestation work performed by Mr. Thomas at Traffic Court on PM&L's behalf may not have complied with American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards* that require independence;**
- (2) Nash Accounting and PM&L were paid \$1,462,817 for services based on oral agreements;**
- (3) Nash Accounting and PM&L invoices used general descriptions such as "consulting services" or "accounting services," but did not explain the work performed or the number of hours worked; and**
- (4) both Nash Accounting and PM&L invoiced Traffic Court a total of \$662,265 for similar services.**

In creating the invoices used by Nash and PM&L that were sent to Traffic Court, Mr. Thomas may have violated both state⁵ and federal⁶ laws.

1. Lack of Independence

According to Mr. Ezekiel Nash, the owner of Nash Accounting, Vandale Thomas worked for Nash Accounting as a sub-contractor providing accounting services to Traffic Court. Nash Accounting's invoices to Traffic Court show that Nash Accounting performed accounting services for the Cash Bond, Judicial Expense, and Escrow (Fines and Fees) Funds. Mr. Nash said that beginning around June 2006, Mr. Thomas either prepared the Nash Accounting invoices that were sent to Traffic Court or provided Mr. Nash with a list of accounting services, the number of hours worked, and the total amount to invoice Traffic Court. In addition, Mr. Nash stated that Mr. Thomas would regularly deliver Nash Accounting's invoices to Traffic Court and pick up and deposit Traffic Court payments into Nash Accounting's business bank account.

A review of Nash Accounting's bank account found that Nash Accounting received and deposited 91 Traffic Court checks totaling \$1,230,405 from January 2006 through October 2008. Auditors also noted that between January 2006 and January 2009, Nash Accounting wrote 141 checks totaling \$1,086,063 to "Vandale Thomas" or to "Vandale Thomas or Kourtney Thomas." According to Mr. Nash, these checks were paid to Mr. Thomas for providing accounting services as a sub-contractor of Nash Accounting.

During the same time period, from January 2006 to October 2008, Traffic Court contracted with PM&L^F to apply agreed-upon procedures^G (attestation services) to Traffic Court's Cash Bond Fund, Judicial Expense Fund, and Escrow (Fines and Fees) Funds. PM&L was required to review the accounting process and documentation used to support the financial

^F The firm of Paillet, Meunier, and LeBlanc, LLP is licensed by the State Board of Certified Public Accountants of Louisiana.

^G **AT Section 201.03 of the AICPA Statements on Standards for Attestation Engagements** states, "An agreed-upon procedures engagement is one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on subject matter."

information for each of these funds. Traffic Court's financial information is included in the City's *Comprehensive Annual Financial Report*.

Mr. Kenneth Paillet, a partner at PM&L, stated that Mr. Thomas was an employee of PM&L during this period and performed most of the services for PM&L at Traffic Court. Mr. Paillet said that he was not aware Mr. Thomas had also worked for Nash Accounting and that PM&L had a policy during this period that required employees to disclose any outside employment, but that Mr. Thomas did not disclose that he worked for Nash Accounting.

Throughout PM&L's response (Appendix A, pages A.5-A.14), Mr. Paillet expresses concern that this report suggests that PM&L and Nash Accounting were working together as a joint venture. We found no evidence nor made any statements in this report indicating that Nash Accounting and PM&L operated as a joint venture. However, this does not negate the fact that Mr. Thomas was the employee/contractor that performed substantially all of the attestation, accounting, and consulting work provided by PM&L and Nash Accounting at Traffic Court during the same time period. In addition, on at least one occasion, PM&L paid a \$25,000 Nash Accounting invoice that listed accounting services provided at Traffic Court. (See Attachment 17.) Mr. Nash also stated that after Mr. Thomas approached him with an offer to recommend Nash Accounting to Traffic Court for accounting services, he met with Mr. Thomas and Mr. Paillet at a coffee shop on Poydras Street in New Orleans to discuss the accounting work at Traffic Court.

According to Traffic Court records, PM&L was paid \$475,912 by Traffic Court for providing agreed-upon procedures (attestation services) and other consulting services from January 2006 to October 2008. Mr. Paillet stated that although he reviewed and approved all invoices before they were delivered for payment, Mr. Thomas would have been the individual who regularly created the PM&L invoices that were sent to Traffic Court.

The engagement letters for the agreed-upon procedures work state that PM&L was to follow both the Statements on Standards for Attestation Engagements by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards* (GAS). Both the AICPA^H and GAS^I standards require that the auditor be independent. A personal impairment to an auditor's independence may exist if an auditor concurrently or subsequently audits accounting records that they also maintained^J or the auditor was associated with the client and acted as a member of management.^K

^H AT Section 201.06a of the AICPA Statements on Standards for Attestation Engagements states, in part, "The practitioner may perform an agreed-upon procedures attest engagement provided that the practitioner is independent."

^I *Government Auditing Standards, 2003 revision Section 3.03* states, in part, "In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence."

^J *Government Auditing Standards, 2003 revision Section 3.07(d)* states, in part, "Examples of personal impairments of individual auditors include, but are not limited to, the following: ...concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records when such services involved preparing source documents or originating data, in electronic or other form; posting transactions (whether coded by management or not coded); authorizing, executing, or consummating transactions (for example, approving invoices, payrolls, claims, or other payments of the entity or program being audited); maintaining an entity's bank

In PM&L's response to this report, Mr. Paillet states that PM&L required Mr. Thomas to annually certify his receipt of PM&L's Personnel Manual which included PM&L's Quality Control Document and compliance policies regarding independence. Although he did not provide any of these annual certifications before PM&L's response to this audit, Mr. Paillet did include Mr. Thomas' 2002 signed "Compliance with Policy on Independence" in PM&L's response; however, Mr. Paillet did not provide copies of Mr. Thomas' certifications for any of the years covered by our audit period, 2006-2008.

Mr. Thomas was not a certified public accountant (CPA) and was working under the supervision of Mr. Paillet during PM&L's attestation and consulting work at the Traffic Court of New Orleans. Because Mr. Thomas provided attestation services to Traffic Court on behalf of PM&L while Mr. Thomas also provided Traffic Court's accounting services through Nash Accounting, Mr. Thomas does not appear to have been independent while conducting attestation services at Traffic Court for fiscal years 2006 and 2007. In PM&L's response to this audit, Mr. Paillet stated that because (1) his firm did not know that Mr. Thomas worked for Nash Accounting, (2) his firm had policies and procedures in place regarding outside work and (3) Mr. Thomas violated these policies and procedures, PM&L should not be held in violation of the independence rules. However, Section 91.02.2 of the American Institute of Certified Public Accountants' (AICPA) Code of Professional Conduct states, in part, that "a member may be held responsible for the acts of all persons associated with him or her in public practice who the member has the authority or capacity to control." Section 91.02.3 of the AICPA Code of Professional Conduct further states, in part, that "Nothing in this section should lead one to conclude that the member's or covered member's independence is not impaired solely because of his or her inability to control the actions or relationships of such persons or entities." As a result of the foregoing and because Mr. Thomas had a personal impairment to independence and performed the agreed-upon procedures for Traffic Court on PM&L's behalf, PM&L may have violated standards of the AICPA^H and *Government Auditing Standards* of the Comptroller General of the United States.^I

In addition to receiving payments from Traffic Court, Nash Accounting's banking records show that Nash Accounting received 36 checks totaling \$291,795 for accounting services from New Orleans Municipal Court (Municipal Court) between March 2006 and December 2008. According to Mr. Nash, he and Mr. Thomas split up the accounting work at Municipal Court.

Further, Municipal Court records show that from March 2006 to March 2009 PM&L was paid \$149,310 for providing agreed-upon procedures and other consulting services. According to Mr. Thomas' PM&L time sheets, he also worked at Municipal Court during this time period. Mr. Paillet stated that although he reviewed and approved all invoices before they were delivered

account or otherwise having custody of the audited entity's funds; or otherwise exercising authority on behalf of the entity, or having authority to do so..."

^K **ET Section 101.02(C) of the AICPA Code of Professional Conduct** states, in part, "During the period covered by the financial statements or during the period of the professional engagement, a firm, or partner, or professional employee of the firm was simultaneously associated with the client as a(n) Director, officer, or employee, or in any capacity equivalent to that of a member of management..."

for payment, Mr. Thomas would have been the individual who regularly created the PM&L invoices that were sent to Municipal Court.

2. Payments to PM&L and Nash Accounting Without Written Contracts

According to available records and oral statements, Traffic Court paid Nash Accounting and PM&L \$1,462,817 based on oral agreements when Mr. Thomas was a sub-contractor of Nash Accounting and an employee of PM&L. Judge Robert Jones III stated that in 2008 he reviewed and questioned the amounts paid by Traffic Court for accounting services and soon after terminated Nash Accounting and PM&L.

Amounts Paid by Traffic Court to PM&L and Nash Accounting in Excess of Their Contracts			
Vendor	Total Authorized by Written Contracts	Total Paid by Traffic Court	Amount Paid Without Written Contracts
Nash Accounting & Tax Service	\$166,000	\$1,230,405	\$1,064,405
Paillet, Meunier & LeBlanc	77,500	475,912	398,412
Total	\$243,500	\$1,706,317	\$1,462,817

According to Traffic Court documentation, Nash Accounting had four written contracts to provide accounting services from January 2006 to October 2008 for a maximum of \$166,000. However, Traffic Court paid Nash Accounting \$1,230,405 or \$1,064,405 more than the contracts allowed for services that were not listed in Nash Accounting's contracts with Traffic Court. According to Mr. Nash, he could not recall if he had any additional written contracts with Traffic Court. Mr. Nash further stated that he discussed the large Nash Accounting invoices created by Mr. Thomas and that Mr. Thomas always defended the large amounts by stating that he had performed all the work.

PM&L was contracted with Traffic Court to provide agreed-upon procedures for the fiscal years 2006 and 2007, for a maximum of \$77,500. However, from January 2006 to October 2008 Traffic Court paid PM&L \$475,912 during this time (\$398,412 in excess of PM&L's contracts). PM&L's invoices to Traffic Court for the \$398,412 included descriptions such as "services rendered" and "consulting services rendered." Mr. Paillet stated that he believes that his firm received oral approval from the judge that followed Judge Bonin as Chief Judge (Judge Dannel) to provide the additional services and that Mr. Thomas was the PM&L employee that performed the majority of their services. Based on the statements of Mr. Nash and Mr. Paillet, Traffic Court paid Nash Accounting and PM&L \$1,462,817 without written contracts.

In PM&L's response to this audit, Mr. Paillet stated that PM&L is not prohibited from performing services without a contract. Section 351.01 of the August 2004 *Louisiana Governmental Audit Guide*^L states that "Management advisory services are not subject to approval by the Legislative Auditor. However, these services should be detailed in a written contract." In addition, Section 351.04 states that "The independence standards of *Government Auditing Standards* prohibit an auditor from providing certain nonaudit services to an audit client." Moreover, given that six contracts/engagement letters were executed for the \$77,500 of attestation services provided to Traffic Court by PM&L, it would seem logical that at least one contract should have been executed to document the services to be performed, hourly rate, and deliverables for the \$398,412 (83.7%) of consulting services billed by PM&L without a contract.

3. Inadequate Documentation of Services Performed

According to Mr. Nash and Mr. Paillet, Mr. Thomas performed most of the services at Traffic Court for Nash Accounting and PM&L and was also responsible for creating the invoices that were sent to Traffic Court. Mr. Thomas did not submit progress reports, evidence of work performed, or his working files with the invoices submitted for work performed without a contract. As a result, Traffic Court could not determine what services were received for the \$1,462,817 paid to Nash Accounting and PM&L without written contracts or to properly evaluate the invoice before approving it for payment.

PM&L invoices used descriptions of work performed such as "consulting services," "accounting services," "services rendered" and "other consulting," all of which were too vague for us to determine what services were provided and if the work was done at a reasonable rate. According to Mr. Paillet, Judge Dannel requested his firm perform consulting services in addition to Traffic Court's annual attestation work. Mr. Paillet stated that his invoices were generated when employees of his firm entered their own time into a time/billing system. Mr. Paillet further stated that he reviewed and approved each invoice prior to sending them for payment and that he could defend all of his firm's invoices paid by Traffic Court. However, Mr. Paillet was unable to provide the working files of the consulting work Mr. Thomas performed at Traffic Court.

Mr. Nash said that Mr. Thomas began creating all of the invoices that Nash Accounting sent to Traffic Court around July 2006. Mr. Nash stated that he was unable to provide documentation of Nash Accounting's work at Traffic Court because it had either been destroyed or deleted from his computer. Mr. Nash further stated that Mr. Thomas also regularly collected and deposited payments from Traffic Court into Nash Accounting's bank account. Mr. Nash said that after obtaining payment for Nash Accounting from Traffic Court, Mr. Thomas would inform him of how much he was to pay Mr. Thomas for accounting services.

In PM&L's response to this audit, Mr. Paillet states that "although a number of our invoices may have stated consulting services, accounting services, or services rendered, we would later provide Mr. Louis Ivon, the Judicial Administrator, with the detail of these invoices. These details indicated the services provided, the employee who provided the services, the date

^L The *Louisiana Governmental Audit Guide* is produced jointly by the Legislative Auditor and the Society of Louisiana Certified Public Accountants, with input from the Louisiana Municipal Association, the Louisiana Police Jury Association, and the Louisiana School Board Association.

that the services were provided, the hours and the cost of the service provided.” However, Traffic Court employees could not provide us the detail mentioned by Mr. Paillet for the majority of these invoices.

Mr. Paillet also states in the response that PM&L fully cooperated with our audit and endeavored to comply with our requests as completely as possible by providing all requested documentation. Although Mr. Paillet provided us with a list of the invoices (not copies of the invoices) PM&L submitted to Traffic Court and Mr. Thomas’ time sheets, invoices and emails for July 2008 through August 2011, Mr. Paillet refused to provide us with copies of PM&L’s Traffic Court invoices or Mr. Thomas’ time sheets for January 2006 to June 2008 until we obtained a subpoena to gain access to those records.

In PM&L’s response, Mr. Paillet also states that he provided the LLA with copies of PM&L invoices, copies of their daily time sheets and the detailed reports that were provided to Mr. Ivon. However, a review of the documentation provided by Mr. Paillet found that of the 38 invoices PM&L submitted to and received payment for from Traffic Court, (1) three invoices were for flat rate attestation services; (2) 21 invoices had no hourly detail or additional description support; and (3) 14 invoices had hourly support and descriptions. But the invoices, detailed reports, and daily time sheets provided by Mr. Paillet (examples of which are shown in attachments 1-12), only provide the number of hours billed for each day and the type of services provided such as “Other consulting,” “Supervision – consulting” and “Meetings – consulting.” The invoices, detailed reports and daily time sheets do not provide enough information for us to determine what specific consulting services were provided and if Traffic Court received a fair value for these services.

Since there were no written contracts for \$1,462,817 of the payments Traffic Court made to Nash Accounting and PM&L; neither Nash Accounting nor PM&L could provide working files; and PM&L’s invoices have vague descriptions of the services performed, it was not possible for us to determine if Traffic Court received a fair value for the monies paid for these services. As a result, Traffic Court judges and employees that approved the payments to Nash Accounting and PM&L may have violated state law and the state constitution,⁸ which prohibits the donation of public funds.

4. Payments to Nash Accounting and PM&L for the Same Work

Between January 2006 and October 2008, Traffic Court issued 25 payments totaling \$466,700 to Nash Accounting and 12 payments totaling \$195,565 to PM&L for what appears to be overlapping or duplicate services. Mr. Thomas performed the majority of the services at Traffic Court for both Nash Accounting and PM&L and was also responsible for preparing the invoices for both businesses.

To illustrate, on July 23, 2007, Nash Accounting invoiced Traffic Court \$3,500 for “*Consulting and other work performed to move the banking from current bank (Dryades Savings and Loan) to new bank (Liberty Bank & Trust).*” (See Attachment 13.) In addition, on July 24, 2007, PM&L invoiced Traffic Court \$6,000 “*For services rendered regarding bank transfer and accounting review.*” (See Attachment 14.)

On PM&L's September 9, 2008 invoice, Traffic Court was billed \$32,500 "*For services rendered regarding dryads bank accounts and accounting Review for cash bond forfeitures and times picayune project per state law.*" (See Attachment 15.) Nash Accounting also invoiced Traffic Court on September 9, 2008, for \$25,000 with invoice 642 for "*RESEARCH AND COMPILATION FOR TIMES PICAYUNE.*" (See Attachment 16.)

Nash Accounting was also paid \$25,000 by PM&L with a check dated September 9, 2008. Mr. Paillet stated that he believed his firm had been paid by Traffic Court for services provided by Nash Accounting. Mr. Paillet provided Nash Accounting invoice 643 (see Attachment 17) for \$25,000 to "*PAILET AND MEUNIER*" dated September 9, 2008, for "*RESEARCH AND COMPILATION FOR TIMES PICAYUNE.*" Based on Nash Accounting invoices 642 and 643, it appears that Traffic Court paid for the same services twice. In addition, Nash Accounting bank records show Mr. Thomas was paid \$40,000 of the \$50,000 that Nash Accounting received as a result of these two invoices.

As previously stated, Mr. Thomas provided accounting services through Nash Accounting and attestation and consulting services through PM&L for Traffic Court during the same period of time. Mr. Thomas also created the invoices that were sent to Traffic Court by both Nash Accounting and PM&L. Since Mr. Thomas performed the work and created the invoices that resulted in payments to Nash Accounting and PM&L for what appears to be the same services, Mr. Thomas appears to have violated state law.⁵

Traffic Court Credit Card Usage

From April 2008 through October 2012, there were 283 purchases totaling \$51,691 made using the Traffic Court's credit cards. Of the 283 purchases, we noted Traffic Court records did not contain receipts or invoices for 161 purchases totaling \$10,973. Since it is customary for vendors to provide itemized receipts to credit card users for each purchase, the Traffic Court judges and clerk of court that did not turn in receipts may have violated state law.⁹

From April 2008 to October 2012, Traffic Court judges and the clerk of court used their Traffic Court credit cards to make 161 purchases, but Traffic Court records did not contain receipts for these purchases. The majority of the 161 purchases were for fuel (117 purchases totaling \$4,354) and meals at local restaurants (15 purchases totaling \$1,654).

According to the Traffic Court employees responsible for collecting the receipts and paying the credit card bill, they asked for all receipts each month before paying the bill, but did not always receive them. In addition, Traffic Court did not have a credit card policy until August 2012. Since meals are typically a personal expense unless conducting official travel, the Traffic Court should have a policy to define the circumstances when the purchase of a meal at a local restaurant is authorized, place limits on the use of public funds, and require appropriate documentation (such as a receipt, attendee names, and public purpose).

The Traffic Court also did not have any written policies regarding the proper usage of Traffic Court vehicles or fuel cards. We identified 117 transactions totaling \$4,354 where Traffic Court judges or the clerk of court used their Traffic Court credit cards to purchase fuel at gas stations rather than fueling their Traffic Court vehicles at one of the City's fueling stations.^M Neither mileage logs nor fuel receipts were maintained to document the business purpose of vehicle usage and fuel purchases.

Since the Traffic Court employees with credit cards did not turn in receipts, they may have violated state law.⁹ In addition, these credit card purchases may not be consistent with the state law⁹ and the state's constitution,⁸ which prohibits the donation of public funds. In Opinion 03-0387, the attorney general opined that in general, the payment of or reimbursement for food, drink, or other expenses associated with luncheons, banquets, parties or other similar functions, from public funds is improper under state law. Purchases with no business purpose that are not necessary to the operations of Traffic Court or that are made at an unreasonable price may be a violation of state law⁹ and the state constitution.⁸

^M According to Judge Jones, as of August 2013, he had returned his public vehicle to the City of New Orleans. However, according to the City of New Orleans, as of this report, Judge Shea, Judge Cade and Clerk of Court Noel Cassanova were still assigned public vehicles and gas cards.

Recommendations

We recommend that Traffic Court:

- (1) evaluate the overall business operations and develop detailed written policies and procedures to ensure that all accounting functions are segregated and provide an adequate system of internal control;
- (2) review, evaluate, and adjust accounting controls to ensure that entries cannot be improperly adjusted;
- (3) ensure vendors and professional service providers have valid, written contracts prior to providing services;
- (4) develop detailed written policies and procedures for reviewing and approving invoices to ensure payments for vendors meet all contractual requirements prior to payment;
- (5) require all vendors to identify all sub-contractors;
- (6) seek legal advice as to the appropriate actions to be taken regarding former vendors, including obtaining detailed documentation of the services provided and the recovery of funds related to improper payments to former vendors;
- (7) adopt detailed policies and purchasing procedures for the use of credit cards;
- (8) document the business purpose for all credit card expenditures; and
- (9) require itemized receipts for meals, as well as the purpose of the meal and a list of people in attendance for all meals purchased with credit cards.

ATTACHMENTS

Attachment #1

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Paillet, Meunier and LeBlanc, L.L.P.

CPA's & Management Consultants
3421 North Causeway Blvd. Suite 701
Metairie, LA 70002
Phone: 504-837-0770 FAX: 504-837-7102
*** *Draft Invoice* ***

Traffic Court
City of New Orleans
Att: Mr. Louis Ivon, Judicial Administrator
727 S. Broad Street
New Orleans, LA 70130

Invoice Date: October 9, 2007
Invoice Number: 00136752
Client Number: 86600 3848

Services rendered through September 30, 2007

Total Invoice Amount \$ 17,000.00

Attachment #2

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Page 2

***** Draft Invoice *****

Detail Description				
Activity Performed	Employee	Date	Hours/Units	Amount
Services				
Correspondence - audit	Kenneth Paillet	9/28/2007	0.50	108.31
	Total for Correspondence - audit		0.50	108.31
Meetings - consulting	Vandale Thomas	9/6/2007	6.00	701.83
	Total for Meetings - consulting		6.00	701.83
Other consulting	Vandale Thomas	9/15/2007	8.00	935.78
Other consulting	Vandale Thomas	9/5/2007	10.00	1,169.72
Other consulting	Vandale Thomas	9/7/2007	6.00	701.83
Other consulting	Vandale Thomas	9/8/2007	8.00	935.78
Other consulting	Vandale Thomas	9/1/2007	8.00	935.78
Other consulting	Vandale Thomas	9/2/2007	8.00	935.78
Other consulting	Vandale Thomas	9/3/2007	5.00	584.86
Other consulting	Vandale Thomas	9/4/2007	7.00	818.81
Other consulting	Vandale Thomas	9/27/2007	6.00	701.83
Other consulting	Vandale Thomas	9/28/2007	4.00	467.89
Other consulting	Vandale Thomas	9/29/2007	5.00	584.86
Other consulting	Vandale Thomas	9/10/2007	7.00	818.81
Other consulting	Vandale Thomas	9/11/2007	12.00	1,403.68
Other consulting	Vandale Thomas	9/6/2007	2.00	233.94
Other consulting	Vandale Thomas	9/12/2007	10.00	1,169.72
Other consulting	Vandale Thomas	9/19/2007	4.00	467.89
Other consulting	Vandale Thomas	9/17/2007	9.00	1,052.75
Other consulting	Vandale Thomas	9/18/2007	4.00	467.89
Other consulting	Vandale Thomas	9/25/2007	8.00	935.78
	Total for Other consulting		131.00	15,323.38
Supervision - audit	Kenneth Paillet	9/18/2007	0.50	108.31
Supervision - audit	Kenneth Paillet	9/25/2007	0.50	108.31
Supervision - audit	Kenneth Paillet	9/26/2007	0.50	108.31
Supervision - audit	Kenneth Paillet	9/7/2007	0.50	108.31
Supervision - audit	Kenneth Paillet	9/5/2007	0.50	108.31
	Total for Supervision - audit		2.50	541.55
Supervision - consulting	Kenneth Paillet	9/6/2007	0.50	108.31
Supervision - consulting	Kenneth Paillet	9/10/2007	0.50	108.31
Supervision - consulting	Kenneth Paillet	9/15/2007	0.50	108.31
	Total for Supervision - consulting		1.50	324.93
	Total Services		141.50	17,000.00
	Total Invoice Amount		141.50	17,000.00

Summary by Employee

Employee	Hours	Amount
Kenneth Paillet	4.50	974.79
Vandale Thomas	137.00	16,025.21
Employee Total	141.50	\$ 17,000.00

Attachment #3

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Paillet, Meunier and LeBlanc, L.L.P.

CPA's & Management Consultants
3421 North Causeway Blvd. Suite 701
Metairie, LA 70002
Phone: 504-837-0770 FAX: 504-837-7102

***** Draft Invoice *****

Traffic Court
City of New Orleans
Att: Mr. Louis Ivon, Judicial Administrator
727 S. Broad Street
New Orleans, LA 70130

Invoice Date: January 10, 2008
Invoice Number: 00136995
Client Number: 86600 3848

For consulting services rendered in December 2007.

Total Invoice Amount \$ 8,000.00

Accounts not paid within thirty-five (35) days from the date of this invoice will be subject to a late payment charge of one and one-half percent (1-1/2%) per month on the unpaid balance from the date of invoice. THIS IS AN ANNUAL PERCENTAGE RATE OF EIGHTEEN PERCENT (18%) PER YEAR.

Attachment #4

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Paillet, Meunier and LeBlanc, L.L.P.

CPA's & Management Consultants
3421 North Causeway Blvd. Suite 701
Metairie, LA 70002
Phone: 504-837-0770 FAX: 504-837-7102

*** *Draft Invoice* ***

Traffic Court
City of New Orleans
Att: Mr. Louis Ivon, Judicial Administrator
727 S. Broad Street
New Orleans, LA 70130

Invoice Date: October 24, 2007
Invoice Number: 00136762
Client Number: 86600 3848

Billed outside of Pacs

Total Invoice Amount \$ 20,000.00

Accounts not paid within thirty-five (35) days from the date of this invoice will be subject to a late payment charge of one and one-half percent (1-1/2%) per month on the unpaid balance from the date of invoice. THIS IS AN ANNUAL PERCENTAGE RATE OF EIGHTEEN PERCENT (18%) PER YEAR.

Attachment #5

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Paillet, Meunier and LeBlanc, L.L.P.

CPA's & Management Consultants
3421 North Causeway Blvd. Suite 701
Metairie, LA 70002
Phone: 504-837-0770 FAX: 504-837-7102

***** Draft Invoice *****

Traffic Court
City of New Orleans
Att: Mr. Louis Ivon, Judicial Administrator
727 S. Broad Street
New Orleans, LA 70130

Invoice Date: December 3, 2007
Invoice Number: 00136905
Client Number: 86600 3848

Services rendered for November regarding Quickbooks, Cash Bonds and Internet

Total Invoice Amount \$ 19,365.00

Accounts not paid within thirty-five (35) days from the date of this invoice will be subject to a late payment charge of one and one-half percent (1-1/2%) per month on the unpaid balance from the date of invoice. THIS IS AN ANNUAL PERCENTAGE RATE OF EIGHTEEN PERCENT (18%) PER YEAR.

Attachment #6

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Paillet, Meunier and LeBlanc, L.L.P.

CPA's & Management Consultants
3421 North Causeway Blvd. Suite 701
Metairie, LA 70002
Phone: 504-837-0770 FAX: 504-837-7102

*** *Draft Invoice* ***

Traffic Court
City of New Orleans
Att: Mr. Louis Ivon, Judicial Administrator
727 S. Broad Street
New Orleans, LA 70130

Invoice Date: February 18, 2008
Invoice Number: 00138114
Client Number: 86600 3848

Services rendered through January 31, 2008

Total Invoice Amount \$ 14,442.50

Attachment #7

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Page 2

***** Draft Invoice *****

Detail Description	Employee	Date	Hours/Units	Amount
Services				
Computer spreadsheet applications	Ryan Jaubert	12/14/2007	4.60	460.00
Computer spreadsheet applications	Ryan Jaubert	12/17/2007	4.00	400.00
	Total for Computer spreadsheet applications		8.60	860.00
Correspondence - audit	Kenneth Paillet	10/2/2007	0.50	125.00
	Total for Correspondence - audit		0.50	125.00
Interim work - audit	Vandale Thomas	1/28/2008	6.00	810.00
	Total for Interim work - audit		6.00	810.00
Meetings - consulting	Vandale Thomas	11/16/2007	2.00	270.00
	Total for Meetings - consulting		2.00	270.00
Other consulting	Vandale Thomas	12/3/2007	10.00	1,350.00
Other consulting	Vandale Thomas	12/4/2007	4.00	540.00
Other consulting	Vandale Thomas	12/5/2007	8.00	1,080.00
Other consulting	Vandale Thomas	12/6/2007	12.00	1,620.00
Other consulting	Vandale Thomas	12/1/2007	7.00	945.00
Other consulting	Vandale Thomas	12/2/2007	4.00	540.00
Other consulting	Vandale Thomas	12/7/2007	8.00	1,080.00
Other consulting	Vandale Thomas	12/11/2007	11.00	1,485.00
Other consulting	Vandale Thomas	12/12/2007	10.50	1,417.50
Other consulting	Vandale Thomas	12/15/2007	1.00	135.00
Other consulting	Vandale Thomas	10/23/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/24/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/25/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/29/2007	7.00	945.00
Other consulting	Vandale Thomas	11/3/2007	6.00	810.00
Other consulting	Vandale Thomas	10/16/2007	11.00	1,485.00
Other consulting	Vandale Thomas	10/17/2007	10.00	1,350.00
Other consulting	Vandale Thomas	11/2/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/18/2007	5.00	675.00
Other consulting	Vandale Thomas	1/9/2008	8.00	1,080.00
Other consulting	Vandale Thomas	10/6/2007	7.00	945.00
Other consulting	Vandale Thomas	10/7/2007	4.00	540.00
Other consulting	Vandale Thomas	10/8/2007	7.00	945.00
Other consulting	Vandale Thomas	10/30/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/9/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/11/2007	11.00	1,485.00
Other consulting	Vandale Thomas	10/12/2007	4.00	540.00
Other consulting	Vandale Thomas	1/29/2008	8.00	1,080.00
Other consulting	Vandale Thomas	10/25/2007	3.00	405.00
Other consulting	Vandale Thomas	10/20/2007	2.50	337.50
Other consulting	Vandale Thomas	12/27/2007	5.00	675.00
Other consulting	Vandale Thomas	12/28/2007	6.00	810.00
Other consulting	Vandale Thomas	12/16/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/2/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/3/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/1/2007	4.00	540.00
Other consulting	Vandale Thomas	10/4/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/13/2007	8.00	1,080.00
Other consulting	Vandale Thomas	10/14/2007	6.00	810.00

Attachment #8

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Page 3

***** Draft Invoice *****

Detail Description	Employee	Date	Hours/Units	Amount
Other consulting	Vandale Thomas	11/1/2007	8.00	1,080.00
Other consulting	Vandale Thomas	12/20/2007	4.00	540.00
Other consulting	Michael Sanchez	11/7/2007	0.70	70.00
Other consulting	Vandale Thomas	1/2/2008	5.00	675.00
Other consulting	Vandale Thomas	1/21/2008	8.00	1,080.00
Other consulting	Vandale Thomas	12/18/2007	12.00	1,620.00
Other consulting	Vandale Thomas	12/19/2007	10.00	1,350.00
Other consulting	Vandale Thomas	1/14/2008	4.00	540.00
Other consulting	Vandale Thomas	1/23/2008	4.00	540.00
Other consulting	Vandale Thomas	10/15/2007	2.00	270.00
Other consulting	Vandale Thomas	1/3/2008	3.00	405.00
Other consulting	Vandale Thomas	11/26/2007	8.00	1,080.00
Other consulting	Vandale Thomas	11/27/2007	8.00	1,080.00
Other consulting	Vandale Thomas	1/11/2008	2.50	337.50
Other consulting	Michael Sanchez	11/15/2007	3.30	330.00
Other consulting	Vandale Thomas	1/4/2008	5.00	675.00
Other consulting	Vandale Thomas	11/19/2007	6.00	810.00
Other consulting	Vandale Thomas	11/10/2007	10.00	1,350.00
Other consulting	Vandale Thomas	11/11/2007	6.00	810.00
Other consulting	Vandale Thomas	11/12/2007	8.00	1,080.00
Other consulting	Vandale Thomas	11/15/2007	8.00	1,080.00
Other consulting	Vandale Thomas	11/16/2007	4.00	540.00
Other consulting	Vandale Thomas	11/17/2007	7.00	945.00
Other consulting	Vandale Thomas	11/7/2007	2.00	270.00
Other consulting	Vandale Thomas	11/4/2007	4.00	540.00
Other consulting	Vandale Thomas	11/3/2007	2.00	270.00
Total for Other consulting			422.50	56,897.50
Supervision - audit	Kenneth Paillet	10/11/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	10/2/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	12/4/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	12/6/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	12/5/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	11/26/2007	0.30	75.00
Supervision - audit	Kenneth Paillet	11/28/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	10/2/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	11/15/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	11/16/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	10/18/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	1/3/2008	1.00	250.00
Supervision - audit	Kenneth Paillet	10/4/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	1/21/2008	0.50	125.00
Supervision - audit	Kenneth Paillet	1/28/2008	0.50	125.00
Supervision - audit	Kenneth Paillet	12/18/2007	1.00	250.00
Supervision - audit	Kenneth Paillet	12/20/2007	0.50	125.00
Supervision - audit	Kenneth Paillet	1/14/2008	1.00	250.00
Total for Supervision - audit			10.30	2,575.00
Telephone calls - consulting	Vandale Thomas	11/29/2007	2.00	270.00
Total for Telephone calls - consulting			2.00	270.00
Total Services			451.90	61,807.50

Previous Interim Bills

Attachment #9

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Page 4

***** Draft Invoice *****

Detail Description				
Activity Performed	Employee	Date	Hours/Units	Amount
Interim Invoice Number 00136995		1/10/2008		(8,000.00)
Interim Invoice Number 00136762		10/24/2007		(20,000.00)
Interim Invoice Number 00136905		12/3/2007		(19,365.00)
		Total Previous Interim Bills		<u>(47,365.00)</u>
		Total Invoice Amount	<u>451.90</u>	<u>14,442.50</u>

Summary by Employee

Employee	Hours	Amount
Kenneth Paillet	10.80	2,700.00
Michael Sanchez	4.00	400.00
Ryan Jaubert	8.60	860.00
Vandale Thomas	428.50	57,847.50
Employee Total	<u>451.90</u>	<u>\$ 61,807.50</u>

Accounts not paid within thirty-five (35) days from the date of this invoice will be subject to a late payment charge of one and one-half percent (1-1/2%) per month on the unpaid balance from the date of invoice. THIS IS AN ANNUAL PERCENTAGE RATE OF EIGHTEEN PERCENT (18%) PER YEAR.

Attachment #10

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Paillet, Meunier and LeBlanc, L.L.P.

CPA's & Management Consultants
3421 North Causeway Blvd. Suite 701
Metairie, LA 70002
Phone: 504-837-0770 FAX: 504-837-7102

*** *Draft Invoice* ***

Traffic Court
City of New Orleans
Att: Mr. Louis Ivon, Judicial Administrator
727 S. Broad Street
New Orleans, LA 70130

Invoice Date: August 21, 2008
Invoice Number: 00138726
Client Number: 86600 3848

For services rendered during the month of August

Total Invoice Amount \$ 12,500.00

Accounts not paid within thirty-five (35) days from the date of this invoice will be subject to a late payment charge of one and one-half percent (1-1/2%) per month on the unpaid balance from the date of invoice. THIS IS AN ANNUAL PERCENTAGE RATE OF EIGHTEEN PERCENT (18%) PER YEAR.

Attachment #11

*Source - Kenneth Pallet of Pallet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Traffic Court
City of New Orleans
727 S. Broad Street
New Orleans, LA. 70130

Date: September 9, 2008

Client: 3848

Invoice: 0013650111

For services rendered regarding dryads bank accounts and accounting	
Review for cash bond forfeitures and times picayune project per state law	\$ 32,500

Attachment #12

*Source - Kenneth Paillet of Paillet, Meunier and LeBlanc, LLP - Wednesday January 15, 2014

Paillet, Meunier and LeBlanc, L.L.P.

CPA's & Management Consultants
 3421 North Causeway Blvd. Suite 701
 Metairie, LA 70002
 Phone: 504-837-0770 FAX: 504-837-7102

*** *Draft Invoice* ***

	Invoice Date:	October 7, 2008
	Invoice Number:	00138929
Traffic Court	Client Number:	86600 3848
City of New Orleans		
Att: Mr. Louis Ivon, Judicial Administrator		
727 S. Broad Street		
New Orleans, LA 70130		

Services	
General Accounting	746.36
Auditing	12,232.97
Business & Personal Consulting Services	31,318.24
Computer Services	186.59
Election & Campaign Finance Services	15.84
Total Services	<u>44,500.00</u>

Previous Interim Bills	
Interim Invoice Number 00138726	(12,500.00)
Total Previous Interim Bills	<u>(12,500.00)</u>
Total Invoice Amount	<u><u>\$ 32,000.00</u></u>

Summary by Employee

<u>Employee</u>	<u>Hours</u>	<u>Amount</u>
Alisha Claiborne	0.45	15.84
Kenneth Paillet	7.80	2,910.77
Michael Sanchez	42.90	7,551.42
Vandale Thomas	151.00	34,021.97
Employee Total	<u>202.15</u>	<u><u>\$ 44,500.00</u></u>

Attachment #13

*Source: Debra Hall of New Orleans Traffic Court - 7/31/2011

Nash Accounting & Tax Service

INVOICE

5511 Bentley Dr.
 New Orleans, LA 70126
 Phone 504.908.7672 Fax 504.241.7675
 E-mail: zdnash@yahoo.com

DATE: JULY 23 2007
INVOICE # 936
FOR: ACCOUNTING SERVICES

Bill To:
 TRAFFIC COURT OF NEW ORLEANS
 727 BROAD STREET
 NEW ORLEANS, LA

DESCRIPTION	AMOUNT
CONSULTING AND OTHER WORK PERFORMED TO MOVE THE BANKING FROM CURRENT BANK (DRYADES SAVING AND LOAN) TO NEW BANK (LIBERTY BANK & TRUST).	3,500.00
RECONCILIATION OF CASH BOND CASES IN ORDER TO OPEN A \$2 MILLION DOLLAR CERTIFICATE OF DEPOSITS.	12,500.00
TOTAL	\$ 16,000.00

Make all checks payable to **Nash Accounting and Tax Service**
 If you have any questions concerning this invoice, contact Zeke Nash, (504)908-7672, zdnash@yahoo.com

THANK YOU FOR YOUR BUSINESS!

Attachment #14

*Source: Debra Hall of New Orleans Traffic Court - 7/31/2013

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

Traffic Court
City of New Orleans
727 S. Broad Street
New Orleans, LA. 70130

Date: July 24, 2007

Client: 3848

Invoice: 00136501

For services rendered regarding bank transfer and accounting review \$ 6,000

3421 N. Causeway Blvd., Suite 701 • Metairie, LA 70002 • Telephone (504) 837-0770 • Fax (504) 837-7102



Member of

Member Firms in Principal Cities • PCAOB – Public Company Accounting Oversight Board

AICPA: Center for Public Company Audit Firms (SEC) • Governmental Audit Quality Center • Private Companies Practice Section (PCPS)

Attachment #15

*Source: Debra Hall of New Orleans Traffic Court - 7/31/2013

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

Traffic Court
City of New Orleans
727 S. Broad Street
New Orleans, LA. 70130

Date: September 9, 2008

Client: 3848

Invoice: 0013650111

For services rendered regarding dryads bank accounts and accounting	
Review for cash bond forfeitures and times picayune project per state law	\$32,500

Check # 4544

3421 N. Causeway Blvd., Suite 701 • Metairie, LA 70002 • Telephone (504) 837-0770 • Fax (504) 837-7102

Member of



Member Firms in Principal Cities • PCAOB – Public Company Accounting Oversight Board

AICPA: Center for Public Company Audit Firms (SEC) • Governmental Audit Quality Center • Private Companies Practice Section (PCPS)

Attachment #16

*Source - Debra Hall of New Orleans Traffic Court - 7/31/2013

Nash Accounting & Tax Service

Your Company Slogan

5511 Bentley Dr.
New Orleans, LA 70126
Phone 504.908.7672 Fax 504.241.7675
E-mail: zdnash@yahoo.com

DATE: 09/09/08
INVOICE # 642
FOR: ACCOUNTING SERVICES

Bill To:
TRAFFIC COURT OF NEW ORLEANS
727 BROAD STREET
NEW ORLEANS, LA

DESCRIPTION	AMOUNT
RESEARCH AND COMPILATION FOR TIMES PICAYUNE.	\$ 25,000.00
TOTAL	
	\$ 25,000.00

Check # 4543

Make all checks payable to **Nash Accounting and Tax Service**
If you have any questions concerning this invoice, contact Zeke Nash, (504)908-7672, zdnash@yahoo.com

THANK YOU FOR YOUR BUSINESS!

Attachment #17

*Source - Kenneth Pailet, via e-mail, February 15, 2014

Nash Accounting & Tax Service

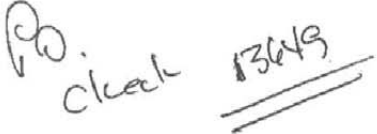
INVOICE

Your Company Slogan

5511 Bentley Dr.
New Orleans, LA 70126
Phone 504.908.7672 Fax 504.241.7675
E-mail: zdnash@yahoo.com

DATE: 09/09/08
INVOICE # 643
FOR: ACCOUNTING SERVICES

Bill To:
PAILET AND MEUNIER
3421 NOTH CAUSEWAY BLVD.
NEW ORLEANS, LA 70002

DESCRIPTION	AMOUNT
RESEARCH AND COMPILIATION FOR TIMES PICAYUNE.	\$ 25,000.00
	
TOTAL	\$ 25,000.00

Make all checks payable to **Nash Accounting and Tax Service**
If you have any questions concerning this invoice, contact Zeke Nash, (504)908-7672, zdnash@yahoo.com

THANK YOU FOR YOUR BUSINESS!

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 13:2501.1(F)** states, in part, that “the jurisdiction over state traffic offenses shall be concurrent with the Criminal District Court for the Parish of Orleans.”

² **La. R.S. 13:2507.1(B)** states that “The judicial expense fund may be used for any operating expense of the court, including salaries for the court reporters, bailiffs, minute clerks, and other court personnel and is in addition to any and all other funds, salaries, expenses or other monies that are provided, authorized or established by law. No salary shall be paid from the judicial expense fund to any judges of the court.”

³ **La. R.S. 13:2500.2(B)(1)** states, in part, that “In all prosecutions in the Traffic Court of New Orleans, including all traffic violations other than parking, there shall be taxed as costs against every defendant, who is convicted after trial or plea of guilty or nolo contendere or who forfeits his bond, the sum of five dollars, which shall be in addition to all other fines, costs, or forfeitures lawfully imposed and which shall be transmitted to the clerk of the Municipal Court of New Orleans to be used by the court to defray its expenses.”

⁴ **Louisiana Code of Criminal Procedure (La. C.C.R.P.) Article 887(C)** states that “if the office of state police performed or participated in a blood, breath, or urine analysis for which these costs are assessed, that portion of the costs applicable to the office of state police shall be forwarded to the applied technology unit within the office of state police...”

⁵ **La. R.S. 14:67(A)** states, in part, “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. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

⁶ **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.”

⁷ **La. R.S. 14:132(B)** states that “Second degree injuring public records is the intentional removal, mutilation, destruction, alteration, falsification, or concealment of any record, document, or other thing, defined as a public record pursuant to R.S. 44:1 et seq. and required to be preserved in any public office or by any person or public officer pursuant to R.S. 44:36.

⁸ **Louisiana Constitution Article VII, Section 14(A)** provides, in part, that “Prohibited Uses. 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.”

La. R.S. 42:1461(A) provides, in part, that “Officials, whether elected or appointed and whether compensated or not, and employees of any "public entity"... 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.”

⁹ **La. R.S. 44:36(A)** provides, in part, that “All persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made...”

APPENDIX A

Management's Responses



State of Louisiana

City of New Orleans Traffic Court

727 SOUTH BROAD STREET
NEW ORLEANS, LA 70119
(504) 658-8500



JUDGE ROBERT E. JONES, III
DIVISION "B"
CHIEF JUDGE

JUDGE HERBERT A. CADE
DIVISION "A"

JUDGE MARK J. SHEA
DIVISION "C"

JUDGE STEVEN M. JUPITER
DIVISION "D"

NOEL P. CASSANOVA
CLERK OF COURT

DEBRA A. HALL
JUDICIAL ADMINISTRATOR

June 23, 2014

Brent McDougall, MBA, CIA, CFE, EnCE
Forensic IT Audit Coordinator & Senior Investigative Auditor
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. McDougall,

Attached is the New Orleans Traffic Court response to the Louisiana Legislative Auditor June 2014 report. The attachment comprises two pages and addresses each of the nine recommendations, in addition to one finding correction. If there are questions I may be reached at (504) 658-9230.

Sincerely,

Debra A. Hall, MPA
Judicial Administrator
New Orleans Traffic Court
727 S. Broad St.
New Orleans, LA 70119

2014 JUN 26 AM 8:39
RECEIVED
CLERK OF COURT

**New Orleans Traffic Court Response to the Louisiana
Legislative Auditor Report – June 2014**

I. Recommendations

1. **Recommendation:** evaluate the overall business operations and develop detailed written policies and procedures to ensure that all accounting functions are segregated and provide an adequate system of internal control.

Response, in compliance: during February of 2012 the New Orleans Traffic Court (NOTC) hired a Certified Financial Examiner and began a systemic analysis of business operations. On May 21, 2012 the court approved and implemented a purchasing policy and procedure; accounting functions are segregated.

2. **Recommendation:** review, evaluate and adjust accounting controls to ensure that entries cannot be improperly adjusted.

Response, in compliance: since February 2012 controls have been in place to ensure entries are not improperly adjusted. To further enhance accounting controls, the NOTC has begun transition to the financial management system used by the City of New Orleans.

3. **Recommendation:** ensure vendors and professional service providers have valid, written contracts, prior to providing services.

Response, in compliance: on May 21, 2012 the NOTC approved and implemented its purchasing policy and procedure which encompasses compliance with Louisiana Public Bid Law.

4. **Recommendation:** develop detailed written policies and procedures for reviewing and approving invoices to ensure payments for vendors meet all contractual requirements prior to payment.

Response, in compliance: the NOTC implemented written policy and procedure on May 21, 2012.

5. **Recommendation:** require all vendors to identify all public sub-contractors.

Response, in compliance: the NOTC requires the identification of subcontractors when applicable.

6. **Recommendation:** seek legal advice as to the appropriate action to be taken regarding former vendors, including obtaining detailed documentation of services provide and the recovery of funds related to documentation.

Response, in compliance: the City of New Orleans would have to exercise any available option(s) related to the recovery of funds; the NOTC is not a juridical person.

7. **Recommendation:** adopt detailed policies and purchasing procedures for the use of credit cards.

Response, in compliance: on August 16, 2012 the NOTC approved and implemented its credit card policy and procedure. In addition, about a year ago the court terminated credit cards held by judges and senior staff. One card was retained for limited use by the court; that card is kept in the control of the court's Chief Financial Officer.

8. **Recommendation:** document the business purpose for all credit card expenditures.

Response, in compliance: on August 16, 2012 the NOTC approved and implemented its credit card policy and procedure.

9. **Recommendation:** require itemized receipts for meals, as well as the purpose of the meal and a list of people in attendance for all meals purchased with credit cards.

Response, in compliance: on August 16, 2012 the NOTC approved and implemented its credit card policy and procedure. A list of persons in attendance for all meals is now required.

II. Findings Corrections

1. During the period which was the subject of the Legislative Auditor Investigation, Dennis Dannel was the Senior Administrative Judge. He should be referred to as such in the report. Judge Jones did not become Senior Administrative Judge until January 1, 2012. Therefore, when Judge Jones terminated Nash Accounting and PM&L during the fall of 2008, he was not the senior judge.



State of Louisiana
City of New Orleans
Municipal Court

RECEIVED
LEGISLATIVE AUDIT
2014 JUN 26 AM 8:45



PAUL N. SENS, JUDGE
SECTION "A"

SEAN P. EARLY, JUDGE
SECTION "B"

727 SOUTH BROAD STREET
NEW ORLEANS, LA 70119

DESIRÉE M. CHARBONNET
ADMINISTRATIVE JUDGE
SECTION "C"

JOSEPH B. LANDRY, JUDGE
SECTION "D"

VIA EMAIL AND US MAIL

June 20, 2014

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

Dear Mr. Purpera,

Thank you for providing a copy of the draft of your office's investigative audit report on the Traffic Court of New Orleans. Municipal Court terminated all services provided by Paillet, Meunier & LeBlanc, LLP in 2009. Municipal Court appreciates and adopts the recommendations made by your office regarding procedures for contracting account services.

Very truly yours,

Desiree M. Charbonnet

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

June 27, 2014

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

Dear Mr. Purpera,

Thank you for forwarding me your second draft of the sections of your investigative audit report on the Traffic Court of New Orleans pertaining to our business. I received it by e-mail on Tuesday, June 24 at 2:58 p.m. and by certified mail on Friday, June 27. In accordance with your request, I am answering you prior to noon on Monday, June 30, 2014. I was quite disappointed and disturbed to discover that the substantive information I provided you regarding the following areas of your first draft report were not appropriately addressed in your second draft:

1. Our objection to your comments regarding lumping Nash and PM&L together to give the false impression that we were a joint venture.
2. Our objection to your comments regarding PM&L's independence
3. Our response to your section regarding invoices billed in excess of contracts
4. Our response to your section regarding invoices too vague to determine services rendered
5. Our objection to your implication as to why working files were not provided working files not provided
6. Our response to your comments regarding approval to perform services
7. Our clarification regarding payments made to Nash Accounting and PM&L for the same work

I have tremendous respect for your office. We have enjoyed an excellent relationship with your office in the past. We have worked amicably with staff members of your office on variety of matters on a number of occasions. As I stated in our last letter, our office has fully cooperated with your investigation. Our office has incurred significant costs, both in time and money, in providing you with the information you sought. Despite your requests becoming onerous for us, we still endeavored to comply with your requests as completely as possible. For example, we have corresponded with your investigators on numerous occasions to provide documentation that they requested, some of which dated as far back as 2004, approximately **nine (9) years** preceding their request. To that end, we have provided hundreds of pages of documents, including, but not limited to our reports, invoices, time sheets, contracts, correspondence, and engagement letters.

Member of:



PrimeGlobal

An Association of
Independent Accounting Firms

• PCAOB – Public Company Accounting Oversight Board

AICPA: Center for Public Company Audit Firms (SEC) • Governmental Audit Quality Center • Private Companies Practice Section (PCPS)

3421 N. Causeway Blvd., Suite 701 • Metairie, LA 70002 • Telephone (504) 837-0770 • Fax (504) 837-7102

201 St. Charles Ave., Suite 2500 • New Orleans, LA 70170 • Telephone (504) 599-5905 • Fax (504) 837-7102

www.pmlcpa.com

The following is our response to your request that we provide information/clarification regarding the second draft of your report that we feel would materially impact your findings:

1. PAGE 10 - OBJECT TO LUMPING NASH AND PM&L

The section titled "Contract Audit and Accounting Services from 2006 to 2008" continues to give the false impression that Nash and PM&L were a joint venture.

For example, on page 11, items (2), (3) and (4) of the draft report continues to refer to Nash Accounting and PM&L as if we were working together. As such, someone reading the report may conclude that PM&L and Nash Accounting, working together, received all of the stated funds. This is not true.

The above example, along with similar statements made throughout your investigative report, including the section on independence and the payment section on page 13, leads the reader to conclude PM&L and Nash were participating in a joint venture. Since this was not the case, we object to your continued classification as such.

2. PAGE 10 – LACK OF INDEPENDENCE

2.1 Your apparent basis for independence statement

Your draft report states that "the attestation work performed by Mr. Thomas at Traffic Court on PM&L's behalf may not have complied with American Institute of Certified Public Accountants (AICPA) and Government Auditing Standards that require independence." It appears your basis for this statement is that, even though PM&L was not aware that Mr. Thomas worked for Nash Accounting Services, because Mr. Thomas worked for Nash Accounting Services and PM&L while performing attestation services for PM&L, PM&L may not have complied with independence standards.

2.2 PM&L Policy Regarding Outside Work

On page 12, you state "Mr. Paillet said that he was not aware Mr. Thomas also worked for Nash Accounting and that PM&L had a policy during this period that required employees to disclose any outside employment, but that Mr. Thomas did not disclose that he worked for Nash Accounting."

The PM&L Personnel Manual is designed to explain the Firm's policy position concerning employees and the terms and conditions under which they are employed. It also includes office policies and procedures to guide all employees, as to how conduct business while representing PM&L.

- PM&L Personnel Policy 900.6 regarding Outside Work, a copy of which is attached, has been in effect for over thirty years.
 - This policy states staff members are NOT permitted to undertake any form of outside work without written permission from a partner.
 - This policy further states that any employee may be immediately terminated for violating this rule.

- Mr. Thomas was given a copy of our Personnel Manual, which included this policy, during his orientation in 2002.
- PM&L Personnel Policy 500.0 regarding our Quality Control Document
 - The Quality Control Document (QCD) details the regulations and pronouncements of all applicable professional and regulatory bodies, such as AICPA, SLCPA, SEC, etc. It is also designed to satisfy the personal codes of ethics and professional standards of the partners and staff of our Firm.
 - Under this policy, employees are required to review, update and sign a statement regarding their compliance with our policy on independence.
 - We require our staff to attest to their compliance with PM&L's policy on independence annually.
 - Mr. Thomas received a copy of the PM&L Personnel Manual which included the QCD. Mr. Thomas acknowledged his receipt and review of the QCD on August 1, 2002, a copy of which is attached.
 - Mr. Thomas signed a "Compliance with Policy on Independence," a copy of which is attached, on August 1, 2002.

PM&L's Personnel Policy 1300.3 states that as part of its commitment to the quality of its services, our firm recognizes the need for and desirability of a program for continuing professional education. As such, our firm abides by the present regulations regarding continuing education of the State Board of Louisiana CPAs for all professional staff. From July 30, 2003 to November 6, 2008 the firm provided Mr. Thomas with approximately 230 hours of continuing education. A large number of these continuing education hours related to Government Accounting and *Government Auditing Standards*. Several of the courses taken had ethics and independence components.

3.3 PM&L Independence

Your Draft Report states that "Because Mr. Thomas provided attestation services to Traffic Court on behalf of PM&L while Mr. Thomas also provided Traffic Court's accounting services through Nash Accounting, PM&L does not appear to have been independent while conducting attestation services at Traffic Court for fiscal years 2006 and 2007. As a result, PM&L may have violated standards of the American Institute of Certified Public Accountants and *Government Auditing Standards* of the Comptroller General of the United States."

As I stated in my response to you dated June 20 of this year, I called the American Institute of Certified Public Accountants (AICPA) Ethics Hotline and posed the following "what if" scenario:

- Staff member for Firm A acknowledged receipt of the Firm's Personnel Manual which included the Firm's Quality Control Document.
- The staff member acknowledged the receipt of the Firm's Outside Work Policy prohibiting "Moonlighting."
- The staff member signed the Firm's Independence Letter which confirmed his compliance with the Firm's independence policy

- That same staff member, in contradiction to the above, worked for Firm B, while still employed by Firm A. This work for Firm B was done without Firm A's knowledge or consent to staff member's dual relationship.

Given the above scenario, I asked the AICPA if it would consider Firm A's independence impaired. And, if the AICPA did consider Firm A's independence impaired, would the AICPA bring charges against Firm A?

The answer, although not authoritative, was that since Firm A had safeguards in place to maintain its independence, the AICPA would not consider the actions of this rogue employee as an impairment of Firm A's independence. Furthermore, the AICPA would not bring any actions against Firm A because of the rogue employee's actions. He cited the AICPA Exposure Draft "Breach of and an Independence Interpretation – Proposed interpretation of the AICPA Professional Ethics Division issued on June 16, 2014 as one basis for this answer.

You acknowledged (1) we did not know that Mr. Thomas worked for Nash Accounting Services, (2) we have policies and procedures in place regarding outside work, and (3) Mr. Thomas violated these policies and procedures. In light these facts and of my conversation with the AICPA, we should not be held in violation of the independence rules.

We feel this section of your report is misleading, and your comments speculating that we may have violated the AICPA standards should be deleted. These comments unfairly impugn our integrity and reputation.

3. PAGE 13 PAYMENT TO PM&L AND NASH WITHOUT WRITTEN CONTRACTS

3.1 Lumping Nash and PM&L together

Your comments under the heading in your second draft report, "Payments to PM&L And Nash..." continues to include amounts paid to both Nash Accounting and PM&L in the same lines and/or paragraphs, thereby leading the reader to conclude PM&L and Nash were participating in a joint venture. Since this was not the case, we object to your continued classification as such.

3.2 No written contracts for aspects of work performed

We repeat our statement in our response to your first draft report. **It is not prohibited to perform services without a written contract.** We did have engagement letters for the Agreed-Upon Procedures services that were performed for the December 31, 2006 and 2007 years. We did not perform an attestation engagement for the Traffic Court for December 31, 2008. We had every reason to believe that our services were required and approved. When our invoices were presented for payment, each invoice was reviewed by the Judicial Administrator. The check for payment of our invoices had to be signed by two individuals who were comprised of either the Judicial Administrator and one Judge, or two Judges. At the time the check was signed, we had to assume that our invoices were

reviewed and services approved or else we would not have received payment. No one ever informed me otherwise.

4. PAGE 14 – APPROVAL TO PERFORM SERVICES

Your second draft report states that “Mr. Paillet stated that he believes that his firm received oral approval from the judge that followed Judge Bonin as Chief Judge (Judge Dannel) to provide the additional services...” is not correct.

My response dated June 20 to your first draft report regarding this matter stated, “During the period of our engagement, there were the Judicial Administrator and various judges, including, but not limited to, Judge Dannel, who would have provided the tasks for us to perform.” Your statement does not accurately reflect my response to you, as you still imply that I told you I received oral approval only from Judge Dannel. As I stated in my last letter to you, I do not recall ever making such a statement to you. Furthermore, my attorney, who was present during all of our meetings, does not recall my ever making such a statement to you regarding Judge Dannel.

5. PAGE 15 INADEQUATE DOCUMENTATION OF SERVICES PERFORMED

5.1 Lumping Nash and PM&L together

Your comments under the heading “Inadequate Documentation of Services Performed,” continues to include amounts paid to both of Nash Accounting and PM&L in the same lines and/or paragraphs, thereby leading the reader to conclude PM&L and Nash were participating in a joint venture. Since this was not the case, we object to your continued classification as such.

5.2 PM&L invoices too vague

You continue to state “PM&L invoices used descriptions of work performed such as “consulting services,” “accounting services” and “services rendered,” all of which are too vague to determine what services were provided and if the work was done at reasonable rate.”

Your statement is inaccurate. Your comment leads the reader to the incorrect conclusion that you were unable to determine what services we provided and at what rate we provided those services.

We repeat our statement in our response to your first draft report. Although a number of our invoices may have stated “consulting services,” “accounting services,” or “services rendered,” we would later provide Mr. Louis Ivon, the Judicial Administrator, with the detail of these invoices. These details indicated the services provided, the employee who provided the services, the date that the services were provided, the hours and the cost of the service provided. Mr. Ivon was aware of the services that we performed. He never questioned our invoices and/or never requested additional clarification, information or

documentation. Had he and/or any of the judges made such a request, we would have gladly replied.

Your office was given copies of our invoices, the detailed reports provided to Mr. Ivon, and copies of our daily timesheets, which include the service code designation for services provided.

6. PAGES 15 AND 16 - PM&L COULD NOT PROVIDE WORKING FILES

6.1 Lumping Nash and PM&L together

Your second draft report continues to include amounts paid to both Nash Accounting and PM&L in the same lines and/or paragraphs. This, along with other statements pairing Nash & PM&L together, leads the reader to conclude PM&L and Nash were participating in a joint venture. Since this was **not** the case, we object to your continued classification as such.

6.2 Consulting working files requested and not provided

On page 15, your report states, "Mr. Paillet could not provide the working files of the consulting work Mr. Thomas performed at the Traffic Court."

Your statement is misleading by failing to disclose that the requested records fell outside the applicable records retention requirements. This statement manifests a false inference that we did not fully comply and cooperate with your onerous requests. The documents you requested were more than five (5) years old. The cost of storage is considerable, and we routinely shred paper files that we feel are old and/or no longer useful. Prior to our initial meeting with your on staff on March 21, 2013, we had already shredded a large number of paper files that were old and, to our knowledge, were no longer useful to anyone. This information was previously conveyed to your staff in my September 13, 2013 e-mail. As such, any files that we may have had dating back to **2004, nine (9) years before our initial meeting**, could not be located. However, upon your request, we did perform an exhaustive search, after which, we provided you with digital copies of all files we were able to find relating to the Traffic Court that you requested.

Our records retention practices regarding attestation engagements are in compliance with the Legislative Auditor's policy of five (5) years. Furthermore, we exceed the records retention standards provided by LA. R.S. 37:89 (A) which is three (3) years. In addition, the Office of Management and Budget just released its new records retention exception which states that audit supporting documentation must be retained three (3) years, longer if notified in writing.

7. PAGE 16 PAYMENT TO NASH ACCOUNTING AND PM&L FOR THE SAME WORK

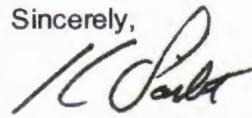
As previously stated, we did not know Mr. Thomas was an employee and/or contractor to Nash Accounting Services. Had we known of this dual relationship, Mr. Thomas would have

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
June 27, 2014
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been terminated from our firm. We had no knowledge that Nash Accounting Services invoiced the Traffic Court for the same work that Mr. Thomas may have performed for our firm because, as I have previously stated in this response, **PM&L was not participating in a joint venture with Nash Accounting.** Therefore, we would have no knowledge of what Nash Accounting would have been invoicing.

Since I feel that the above items would materially change various portions of your report, I would appreciate your forwarding me the revised sections so I may revise my comments, if necessary, for you to include in your published report.

Sincerely,



Kenneth C. Paillet, CPA, MBA

H:\Response to LLA 6-27-14

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

This is to acknowledge that I have received and have reviewed the Quality Control Document of Paillet, Meunier and LeBlanc, LLP, CPA's.

8-1-02
Date

Vandale Arma
Signature



Member of
• International Group of Accounting Firms • Member Firms in Principal Cities
AICPA SEC Practice Section • AICPA Private Companies Practice Section

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
3421 North Causeway Boulevard • Suite 701
Metairie, Louisiana 70002

COMPLIANCE WITH POLICY ON INDEPENDENCE

The Firm's policy on independence closely follows that of the AICPA and the Society of Louisiana Certified Public Accountants, and is explained in detail at Section 400.2 of the Personnel Manual.

As a reminder of our need to maintain independence in our relationships with clients, we ask you to review the following and return this form to the Managing Partner each year, in the early part of December:

1. Neither I nor the members of my immediate family have any ownership interest in any client of the Firm.
2. I am not related, by blood or marriage, to any owner or employee of a client.
3. I am familiar with, and accept, the other factors of independence, as outlined in Section 400.2 of the Personnel Manual.
4. I will immediately bring to the attention of a partner any event which could be considered to affect my independence, or appearance thereof.

8-1-02

(Date)

Vantale Thomas

(Signed)



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AICPA SEC Practice Section • AICPA Private Companies Practice Section

PAILET, MEUNIER AND LEBLANC, L.L.P.

900.6 – OUTSIDE WORK

Experience has shown that, in order to render the most effective service to our clients, staff members must give their exclusive attention to the work of the Firm. Accordingly, staff members are NOT permitted to undertake any form of work (tax, accounting, or management services on their own account) for compensation, fee or profits or actively participate in the management of an enterprise, without written permission from a partner. Such activity falls outside the Firm's Quality Control Document and therefore may result in serious legal consequences. Such activity may be construed by the client as being performed by the Firm. Such activity is NOT covered by the Firm's malpractice insurance. Any violation of this rule can be considered adequate basis for immediate termination of employment.

This requirement is not intended to apply to limited work for civic and religious institutions, clubs, immediate family members or similar activities undertaken without compensation. Staff members should discuss the performance of accounting services in such cases with a partner to clarify legal implications of such service. In some instances, it would be best for the staff member to provide these services within the confines of the Firm. In such instances, special fee arrangements may be made. After discussion with a partner regarding such services, should the staff member accept such assignments, he must make it clear to the civic, religious institution, club, immediate family member or alike that the work performed outside the normal services rendered by the Firm are NOT being performed by the Firm, but solely by the staff member. While such work may be performed, the staff member is advised that such activity is NOT covered by the Firm's malpractice insurance. Such work should NOT be identified as prepared by the Firm.

Response from Mr. Ezekiel D. Nash

In a letter dated June 9, 2014, we asked Mr. Ezekiel D. Nash to respond in writing to this report. As of the date of this report, we have not received a response from Mr. Nash.

Response from Mr. Vandale D. Thomas

In a letter dated June 9, 2014, we asked Mr. Vandale D. Thomas to respond in writing to this report. As of the date of this report, we have not received a response from Mr. Thomas.