

LEGISLATIVE AUDIT ADVISORY COUNCIL
Minutes of Meeting
October 29, 2015
Senate Committee Room A-B
State Capitol Building

The items listed on the Agenda are incorporated and considered to be part of the minutes herein.

Senator Mike Walsworth called the meeting to order at 1:30 p.m. Ms. Liz Martin called the roll confirming quorum was present.

Members Present: Senator Mike Walsworth, Chairman
Senator Edwin Murray
Senator John R. Smith
Representative Julie Stokes, Vice Chairman
Representative Cameron Henry
Representative Dalton Honoré
Representative Clay Schexnayder

Members Absent: Senator Robert Adley
Senator Ben Nevers
Representative Ledricka Thierry

Also Present: Daryl G. Purpera, Legislative Auditor (LLA)

Approval of Minutes

Senator Murray made a motion to approve the minutes for the September 23, 2015, meeting and with no objection, the motion was approved.

Extension Requests

There were no extension requests requiring Council approval.

Northwestern State University – Investigative Audit Issued August 5, 2015

As a follow-up from the LAAC meeting held on September 23, 2015, the following persons were present to testify: Mr. Joe Morris, Department Head, Northwestern State University (NSU) Criminal Justice, History and Social Studies; Ms. Liz Knecht, NSU Office of Internal Audit, State Agency Ethics Liaison; Ms. Daphne Levenson, former Executive Director of Gulf State Regional Center for Public Safety Innovations (GSRCPI); Ms. Mitzi Harris, Executive Director, Project Celebration, Inc. Ms. Pauline Snell, prior Town of Many Assistant Police chief and former employee of GSRCPI, was invited but did not attend the meeting.

Mr. Morris said neither he, nor anyone else at the university, was aware of the non-university bank account until the investigation by LLA. Senator Walsworth asked how Ms. Knecht, as the internal auditor, did not look at all the accounts which held university funds. Ms. Knecht said there are

hundreds of accounts that the university knows about, but was not aware of the one opened by Ms. Levenson. She said that the governing board of GSRCPPI has nothing to do with NSU, and it collects revenue from a variety of sources including federal awards, partnership contracts, training and printing. NSU Business Affairs has control over any NSU funds, but did not know anything about GRSCPI opening a non-university account.

Mr. Morris said that it was Ms. Levenson's responsibility to put all the funds into a NSU account and she made the decisions on how the money was drawn down from Washington for the federal grants.

Ms. Corissa McCormic with Project Celebration, Inc. explained that she was unaware that the funds they were handling for GSRCPPI belonged to NSU. The contract was made with Ms. Pauline Snell for Project Celebration to manage the funds for an agreed upon service fee.

Ms. Levenson presented documentation to substantiate that Mr. Morris knew about the non-university account and pointed out that Mr. Morris and Ms. Snell knew each other before she worked with them. Ms. Levenson reiterated that Ms. Snell was double paying herself and even now is collecting police retirement. She pointed out that the Inspector General and FBI were still investigating this matter.

Discussion of the report's findings continued and Senator Murray stressed how unfortunate that this happened because now legislators will be concerned about universities having accounts that are created without the university leadership's knowledge or approval.

Senator Walsworth said that GSRCPPI was a component unit of NSU from August 2008 to 2015, and it diverted funds to a non-university account for many years without notice. He commented that it is a shame that no one is taking responsibility and that no one is sure exactly how much money has not been accounted for. He recommended Ms. Knecht look further into all the NSU accounts and thanked Ms. Levenson for coming to testify but suggested she may need to get an attorney.

City of Harahan – Investigative Audit Issued September 9, 2015

Kevin Kelley, Investigative Audit Manager, presented the highlights of this report to the Council. Mayor Tina Miceli thanked LLA for all their work and explained that she became mayor because the City of Harahan (City) deserves transparency and good government. Mayor Miceli outlined some of the issues with City records being in disarray and incomplete, as well as the lack of internal controls. She has been working to follow best practices and put in controls, and basically right the ship. Her major concern is the unrecorded liens and no records of property and taxes due. Currently the City does not have adequate educated staff, and the records are so scattered it is taking a lot of time to straighten it out. Mayor Miceli also explained about the personality clashes with and lack of support from the City Council that have impeded hiring an attorney, having a tax sale, and signing a Cooperative Endeavor Agreement (CEA) with the police chief.

Council Chairman Tim Baudier said their City Council meetings have been very heated and the previous attorney yelled profusely at him.

Senator Walsworth asked Mr. Todd Tournillion, auditor for the City from Postlethwaite & Netterville, why he had not found the issues that the LLA included in their report. Mr. Tournillion said if an invoice is signed and approved, he does not question further than the required level of procedure. Senator Walsworth said he hoped that the mayor and City Council could work together and not have to return to LAAC.

Severance Tax Suspensions for Horizontal Wells – Performance Audit Issued August 19, 2015

Ms. Karen LeBlanc, Director of Performance Audit Services, explained that Louisiana is the only state with this particular exemption which was created in 1994 and the purpose of the audit report is to provide information.

Mr. Tim Barfield, Secretary of the Louisiana Department of Revenue, said that the report is helpful but needs to expand the analysis. The oil tax severance rate is high and commodity prices change, and understanding the entire situation is difficult. Louisiana needs to decide how it wants to rank as an energy producing state. He suggests bringing stakeholders together to review the tax regimes for oil and gas and have a comprehensive study before moving forward.

Representative Schexnayder asked if Representative Thibaut's proposed legislation House Bill 549 was a step in the right direction. Secretary Barfield said the world has changed since it was proposed and must consider if the exemptions had not been given, if Louisiana would have seen the business. Incentives have an impact but very hard to calculate future prices in such a dynamic and complex market. He said that every state is grappling with changes and all are fighting for this oil business.

Other Business

Mr. Purpera shared about the new training that his office is providing for public entities called "The Center for Local Government Excellence". The pilot for this training was in St. Tammany and paid for by his office, but hoping to continue across the state and either charge attendees or find other funding.

Regarding the responsibilities of auditors, there is a gap between what they do and what the public thinks that they do. Mr. Purpera intends to put more responsibility on the auditors and build trust with the public. In the past three years, he has suspended 14 out of 280 CPAs. Since then he has reinstated three auditors who have their work checked by another CPA firm.

Senator Walsworth commended the LLA for the training program and said he would like to see it in North Louisiana. Mr. Purpera said the plan is to go statewide.

Adjournment

Senator Murray offered the motion to adjourn and with no objection, the meeting adjourned at 4:05 p.m.

Approved by LAAC: December 17, 2015

The video recording of this meeting is available in Senate Broadcast Archives:
http://senate.la.gov/video/videoarchive.asp?v=senate/2015/10/102915LEGAUDITADVSY_0