

LAFAYETTE PUBLIC TRUST FINANCING AUTHORITY



ADVISORY SERVICES REPORT
ISSUED JUNE 19, 2013

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 19, 2013

Mr. John Arceneaux, Chairman, and Board of Trustees
of the Lafayette Public Trust Financing Authority
Post Office Box 3205
Lafayette, Louisiana 70005

Dear Mr. Arceneaux:

Based on the nature of certain questions that were raised by public officials and their constituents, my office conducted an assessment of selected internal controls of the Lafayette Public Trust Financing Authority (LPTFA).

Internal control is a process, affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

These controls have a pervasive effect on all areas of an entity's operations and financial reporting and are necessary to ensure efficient and effective operations. Our assessment was neither a financial audit nor an analysis of specific LPTFA projects.

The accompanying report provides our findings and recommendations aimed at improving the internal controls of the LPTFA. This is a public report. Copies of this report have been delivered to Lafayette Consolidated Government and others as required by law. If you have any questions, please call Mike Battle, Audit Manager, at 225-339-3800.

Respectfully submitted,

Daryl G. Purpera CPA, CFE
Legislative Auditor

DGP/ch
LPTFA 2013

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BACKGROUND AND METHODOLOGY

The Lafayette Public Trust Financing Authority (LPTFA) is a public trust (the Trust) established in 1979 pursuant to a Trust Indenture and the Public Trust Law [Louisiana Revised Statute (R.S.) 9:2341 *et seq.*]. LPTFA is administered by a five person Board of Trustees (the Board) who serves without compensation, but may receive a reasonable per diem (as may be determined by the Trustees) and reimbursement of actual expenses incurred in performance of their duties as Trustees.

Until 2012, LPTFA operated without a staff or its own office. In 2012, LPTFA hired one employee and began working to obtain a permanent office building. LPTFA has generally used office and meeting space of the Lafayette Consolidated Government (LCG) and the Becker & Hebert Law Firm.

Purpose of LPTFA

The LPTFA's Trust Indenture authorizes it to pursue a wide variety of purposes deemed "to be essential public functions conducted in the public interest."¹ Authorized activities include purposes related to housing and mortgage financing, education, cultural and civic projects, health care, correctional facilities, water and sewer, mass transit, energy, transportation, and more.

The LPTFA finances its projects through the periodic issuance of revenue bonds and revenues from subsequent investments. Projects funded by LPTFA throughout its history, as well as within recent years, have focused on three primary areas:

- Housing and mortgage finance for those with low to moderate incomes
- Educational-related housing and facilities
- Cultural and civic projects

LPTFA Relationship to City of Lafayette

According to the LPTFA Trust Indenture, the City of Lafayette's (City) governing authority, the LCG, appoints individuals to the LPTFA Board to fill vacancies, approves the by-laws and bond issues of the LPTFA (along with the State Bond Commission), and has the authority to inspect the books and records of the LPTFA.

Also, the LPTFA Trust Indenture names the City as the beneficiary of the Trust. However, Article X of the Trust Indenture states that the beneficiary of the Trust (the City) "shall have no legal title, claim or right to the Trust Estate" nor the "right to control or direct the actions of the Trustees." The City is entitled solely to the benefits of the Trust, as administered by the Board.

Methodology

Because of the nature of certain questions raised by public officials and the general public about activities of the LPTFA, the Legislative Auditor (LLA) assessed certain internal controls of the LPTFA.

The procedures performed during this assessment included:

- (1) interviewing LCG public officials and LPTFA Trustees;
- (2) reviewing applicable state law, the LPTFA Trust Indenture and by-laws, including related materials;
- (3) interviewing firms providing accounting, auditing, and legal services to the LPTFA; and
- (4) reviewing selected financial statements and accounting data.

FINDINGS AND RECOMMENDATIONS

Administrative and Financial Management

1. Does the LPTFA Board of Trustees have policies and procedures to guide its operations?

Our assessment revealed that the LPTFA's Board of Trustees did not have written policies or procedures nor did it have a Code of Ethics in place to guide its business practices. Such controls, if developed and implemented, could aid the Trustees in ensuring they are in compliance with applicable legal and ethical requirements.

Furthermore, all entities/organizations need a strong system of internal control to ensure effectiveness and efficiency of operations and reliability of financial reporting. This is especially true for an organization like the LPTFA which manages millions of dollars of public funds, has operated without a staff or headquarters, and in 2012 saw its former chairman charged with ethics violations by the Louisiana Board of Ethics.

The LPTFA's Trust Indenture and the Public Trust Law (R.S. 9:2341-47) contain specific restrictions and requirements of Trustees. For example:

- No part of the net earnings from the operation of the Trust can benefit any private person.²
- Trustees shall serve without compensation (except for a reasonable per diem).³
- The Trust is subject to Public Contracts Law, Public Records Law, Public Meetings Law, Code of Ethics, and the Bond Validation Procedures Law.⁴
- A public officer or employee is not to use his power or position to secure any expenditure of public funds to himself, or to any partnership of which he is a member, or to any corporation of which he is an officer, stockholder, or director. [R.S. 9:2343 A. (1); R.S. 14:140].

No training was being provided to Trustees on these important requirements. Written policies and procedures (and related training) addressing relevant areas could provide an effective control to assist the Board in setting a high ethical standard for its activities and ensuring compliance with all legal requirements.

Recommendations: The Board of Trustees should:

- Develop and implement a formal/written set of policies and procedures emphasizing its commitment to comply with the laws noted in its Trust Indenture, Public Trust Law, and any other applicable legal requirements. Such policies and procedures should require, for example, the Trustees and staff receive ethics training as required by state law (R.S. 42:1170).
- Ensure all Trustees and staff have completed required ethics training per state law (R.S. 42:1170). This is annual training, not a one-time event.
- Develop and implement policies and procedures that identify and disclose prohibited relationships involving:
 - (1) Project partners/participants;
 - (2) Current and past Trustees;
 - (3) Parties related to past and current Trustees; and
 - (4) Professional service providers (e.g., attorneys, architects, etc.).

2. Has the Board of Trustees implemented adequate accounting and management controls?

We noted a number of issues indicating that the LPTFA needs substantive improvements to its system of accounting and related management controls. These issues include significant deficiencies in accounting controls that were disclosed in the 2008, 2009, and 2010 annual audit reports and material weaknesses that were reported in the 2011 and 2012 audit reports. In addition, the LPTFA did not comply with requirements of the Local Government Budget Act.

Accounting Issues

Since its inception in 1979, the LPTFA has operated without a physical headquarters, without a staff (except for its first employee hired in 2012), and without written policies and operating procedures. Each year since 2008, LPTFA's auditor (two different audit firms were used during this time period) has reported findings that LPTFA had significant deficiencies and/or material weaknesses in its internal controls related to accounting and financial statement preparation. The auditors recommended the hiring of a qualified firm to apply generally accepted accounting principles in recording financial transactions and preparing financial statements.

Although the Board hired a firm in 2011-2012 to assist with accounting issues and hired one staff in 2012, these issues were not resolved at the time of our visit. The LPTFA's 2012 audit report disclosed these same findings and included additional findings such as

“Management failed to take all steps necessary to ensure that an effective system of internal control was in place... This condition resulted in the auditors proposing numerous and material audit adjusting journal entries.”

Management/Budgeting Issues

Contrary to state law, the chairman of the LPTFA has not prepared and the Board has not adopted an annual budget for the LPTFA. As a mortgage authority, LPTFA is required to have a budget prepared in accordance with the provisions of the Local Government Budget Act [see R.S. 39:1302(h)]. Also, R.S. 39:1305(b) states, “The chief executive or administrative officer of the political subdivision or, in the absence of such position, the equivalent thereof shall prepare the proposed budget.” Because LPTFA does not have an annual budget, budget-to-actual comparisons of LPTFA’s revenues and expenditures could not be prepared and provided to the Board to guide them in their financial and programmatic decisions.

Recommendations: The Board of Trustees should:

- Implement accounting processes/procedures to ensure that:
 - (1) monthly financial statements are prepared comparing budgeted expenditures/revenues to actual amounts for each fund and then submitted to trustees for review at each meeting;
 - (2) financial transactions are recorded and financial statements are prepared by someone (in-house or on contract) that is qualified to apply generally accepted accounting principles; and
 - (3) all audit findings are addressed and resolved timely.
- Prepare and adopt a budget each year in compliance with the LGBA and use the budget in its decision-making processes.

Programs and Projects

1. Did the Board of Trustees spend public funds on programs or projects that it was not authorized to do by the Trust Indenture or Public Trust Law?

The programs and projects cited in LPTFA materials presented to the Lafayette Consolidated Government in July 2012 all appear to be within the broad scope of the LPTFA Trust Indenture and the Public Trust Law. It appears that the LPTFA’s focus has historically been in the areas of housing and mortgage finance; educational facilities; and civic and cultural facilities. Programs and projects funded over many years generally included:

- Housing and Mortgage Finance Programs and Projects: First Time Home Buyer Program, Single Family Revenue Bond Program, Cypress Trails Apartment Homes, and Uptown Lofts (originally named Joie De Vivre)
- Education Facilities: Ragin Cajun Facilities, Inc.; South Louisiana Facilities Corporation; and UL Lafayette Building Institute - Design Build Program
- Civic and Cultural Facilities: Transportation Center and conversion of a horse farm to a public park

Although the programs and projects funded appear to be allowable per law and the LPTFA Trust Indenture, local government officials have voiced concern that the Board has funded projects that are not consistent with their purpose. We discussed this issue with the LPTFA Board members, local officials, and other interested parties, and it appears that the concerns primarily result from the Board's lack of communications with the public and local officials regarding the purpose, authority, and activities of the LPTFA. The LPTFA chairman informed us that a meeting was conducted in July 2012 to provide such information to the LCG.

In addition, the LPTFA Board lacks a formal, well-documented selection process that would help ensure there is a consistent, objective, and appropriate selection of projects. If local officials and the public could have access to such a well-documented selection process, they might have a better understanding of the criteria the Board uses to select projects. Then, questions regarding project selection may be more readily answered.

Finally, the Board does not have a formal strategic plan for both short-term and long-range goals and objectives of the LPTFA. A strategic plan provides a vision to determine current and future priorities for operating the LPTFA and creates shared commitments between the Board and public regarding the goals and strategies required to appropriately address the priorities.

Recommendations: The Board of Trustees should:

- Continue to review and discuss the LPTFA Trust Indenture with the LCG and its council members. This review and discussion should address the powers accorded each entity under the indenture; the purposes for which funds may be raised and spent; and how each entity will communicate with the other about mutual interests (e.g., proposed and ongoing projects, periodic financial reports, and orientation of new council members).
- In its fiduciary capacity, develop and adopt a formal strategic plan (in conjunction with its annual budget) that includes the objectives for both short-term and long-range goals of the LPTFA. This plan should be shared with other government officials and the public (e.g., post on website) to foster transparency and accountability. The Board should monitor the plan on a periodic basis and use the plan in decision-making processes and for budgeting (e.g., programs and projects to undertake).

2. **Has the Board of Trustees implemented formal processes to ensure that LPTFA projects are consistently evaluated, selected, and monitored for compliance with applicable laws, regulations, and with intended project results?**

The Board does not have formal, well-documented processes in place to ensure that projects are consistently evaluated, selected, and monitored. For example, there is no listing of the criteria by which the Board selects projects. In addition, there is no formal guidance describing the step-by-step processes involved with submitting a project all the way through the actual awarding of funding and monitoring of project performance. For example, there is no formal step-by-step guidance regarding the monitoring and reporting requirements/processes in place to ensure that projects are on schedule and accomplishing intended purposes.

We found that projects are proposed by Board members and others such as local government officials and Lafayette-based educational institutions. We understand that the Board initially hears proposals for projects and votes whether to move forward with further considerations of the project. If the Board decides to consider the project further, project proposers then present a detailed plan to the Board. The Board reviews the plan and votes on whether to fund the project. Those entities that receive LPTFA funding are referred to as project partners of LPTFA. The project partners are responsible for managing the accounting records for the project and monitoring the project for the Board. According to LPTFA's attorney and chairman, the project partners submit periodic updates on their projects to the Trustees at their Board meeting.

Recommendations: The Board of Trustees should develop and implement a formal process that will ensure (1) project evaluation and selection are based on well-founded, documented criteria and (2) projects are monitored on a consistent basis to ensure compliance with applicable requirements and to ensure that intended program results are being achieved.

Legal Services

1. **Was LPTFA's current general counsel properly hired and was the compensation approved by the Board of Trustees?**

The Board has approved the Becker & Hebert Law Firm's current compensation and it appears as though the Board did not violate any bylaws or other legal requirements in hiring the firm in 1998 to act as its general counsel. According to the Trust Indenture, the Board has the power to hire attorneys as they may deem necessary and fix their compensation.

However, we noted that for approximately the past 14 years (1998-2012), the current general counsel performed legal services for the LPTFA without a formal/written contract and without being formally approved by the Board. Good business practice dictates that entities enter into formal contracts for legal services. Such contracts should detail the services to be provided, including compensation to be provided and the terms of agreed-upon services.

According to LPTFA's project coordinator, LPTFA started using the services of its current general counsel in 1998 to supplement the work of its former general counsel who was based in Florida. When the former general counsel resigned in January 2009, the Becker & Hebert Law Firm began representing LPTFA; however, the Board did not formally approve this relationship in a formal/written contract until August 28, 2012.

Recommendations: The Board of Trustees should require that all agreements for legal services and other critical services (professional or otherwise) be in writing and be approved by the Board before services are performed. In addition, we suggest that the Board consider the following when contracting for services in the future:

- Obtain requests for proposals for legal and other services.
- Establish specific services to be provided.
- Require that out-of-pocket expenses be itemized, if applicable.
- Monitor the contract periodically to ensure that services received comply with the terms and conditions of the contract.

2. How have the legal duties of LPTFA's general counsel been established and how are legal bills reviewed and approved?

The contract signed by the Board president on August 28, 2012 (and approved by the Board of Trustees) established the legal services to be provided by the Becker & Hebert Law Firm. According to the contract, the law firm is to provide counsel to the LPTFA (and certain affiliated entities) on general legal matters and specialized transactions, including, but not limited to, bond and tax credit transactions. The scope of services may be limited or expanded by agreement of the parties.

The law firm is to bill LPTFA for hourly fees ranging from \$85 to \$250 per hour, plus expenses. According to the LPTFA chairman, he reviews all legal bills and approves payment. At one point (up until September of 2011), the checks issued to pay for legal services were only signed by the treasurer. According to the chairman, both the LPTFA treasurer and chairman currently sign all checks. We noted that legal fees of approximately \$63,000 and \$26,000 were reported in the 2012 and 2011 audit reports, respectively.

Recommendations: The Board of Trustees should:

- (1) consider designating two Trustees to review and approve all legal bills to strengthen controls in this area and
- (2) require the treasurer to periodically prepare and provide the full Board with a recap of LPTFA expenses, especially significant ones such as legal fees.

3. **Does the Board of Trustee's contractual relationship with the Becker & Hebert Law Firm need review and possible modification?**

Although we understand that the law firm is no longer providing accounting and record keeping services for LPTFA, we advise the Board to review its contractual relationship with the Becker & Hebert Law Firm for other services that may create possible conflicts of interest and to modify the contract as appropriate.

Accounting and Record Keeping Services

In addition to providing legal services to the LPTFA, Becker & Hebert personnel provided some accounting and record keeping services to the LPTFA, particularly prior to 2012. Law firm personnel prepared invoices and payment authorizations for approval by the LPTFA and prepared checks for the signature of authorized LPTFA check signers. The LPTFA's accounting records including invoices, payment authorizations, and bank statements were maintained and stored at the law firm's office. Firm personnel also provided accounting information to the LPTFA's auditor upon request. In addition, the law firm maintained other LPTFA public records including minutes, board resolutions, and contracts with LPTFA project partners.

Possible Conflicts of Interest

The contract between LPTFA and Becker & Hebert appears to allow for potential conflicts of interest which may be adverse to the purposes of LPTFA. While there is no inherent problem in an attorney representing multiple government entities, the possibility of conflicts does exist. We noted the following provision in the current contract: *"Our firm represents other companies and individuals. It is possible that during the time we are representing you, some of our present or future clients will have disputes or transactions that may also involve the LPTFA. You agree that we may continue to represent or may undertake in the future to represent existing or new clients in any matter that is not substantially related to our work for you even if the interests of such clients in those other matters are directly adverse."*

Becker & Hebert represents other governmental entities that may at times have interests aligned with or opposed to the LPTFA. These include the LCG, the LCG Planning and Zoning Commission, and the Lafayette Housing Authority. The LPTFA chairman noted that in the past, attorneys have recused themselves when a matter involving the LPTFA came before the LCG Planning and Zoning Commission.

Recommendations: The Board of Trustees should:

- (1) review its attorney contract to ensure that it adequately protects the interests of the LPTFA and public, and to ensure that all legal services being provided are adequately addressed in the contract and approved by the Board;
- (2) consider amending the current contract to require the attorney(s) to present any potential conflicts to the Board;

- (3) consider the provisions of Article 16, Rule 1.7 of the State Bar Association's Articles of Incorporation when addressing conflicts of interest issues⁵;
- (4) review the job requirements of its officers to ensure that they are performing the duties as required by the LPTFA bylaws (e.g., Secretary-Treasurer shall have general charge of the books of the LPTFA); and
- (5) ensure that they have obtained and will maintain possession and control of all public records of the LPTFA, including the legal and accounting records (e.g., checks, check registers, invoices, bank statements).

LPTFA Meetings

Has the LPTFA complied with the Open Meetings Law and other meeting requirements?

Our assessment revealed that the LPTFA has not always complied with the Open Meetings Law (specifically, R.S. 42:14) and other requirements related to its meetings as follows:

Open Meetings Law

During our assessment, we informed the Board president that the LPTFA's bylaws related to open meetings were in conflict with a Louisiana Attorney General's (AG) opinion. The AG opined in 2011 (Opinion 11-0070) that the LPTFA cannot validly authorize an action via a written vote, even if done so unanimously, in lieu of an open meeting. However, during our initial fieldwork, we found the following article in the LPTFA's bylaws which allows actions to be taken by Trustees without having a meeting:

"Action without a Meeting. Any action required by law to be taken at a meeting of the Trustees, or any action which may be taken at a meeting of the Trustees, may be taken without a meeting if a consent in writing, setting forth action so taken, shall be signed by all of the Trustees and filed with the minutes of the proceedings of the Board of Trustees." (Article IV, Section 5)

R.S. 42:14 provides that members must vote "viva voce." The AG's Office has interpreted this provision as requiring a physical presence of the member and prohibits submission of votes in writing by absent members or through telephone (see AG Opinion Nos. 99-385, 02-0106, 07-0040, and 11-0070). In addition, the LPTFA's Trust Indenture, Article VII mandates compliance with the public meetings law. After we discussed this issue with the Chairman, the Board of Trustees amended the LPTFA bylaws (in February 2013) to be in agreement with the AG's Opinion, state law, and the Trust Indenture.

Recommendation: The Board of Trustees should consider engaging legal counsel to review the LPTFA bylaws to ensure that they are in full agreement with state law (R.S. 42:11 - R.S. 42:28), applicable AG opinions, and the Trust Indenture.

Annual Meetings

Based on our discussions with the LPTFA chairman and our review of meeting minutes provided to us for 2009 through 2012, the LPTFA did not conduct annual meetings as required in its bylaws. The bylaws require the LPTFA to hold an annual meeting on the third Thursday of February, at Five (5:00) o'clock P.M., in the Mayor's Conference Room, City Hall, Lafayette, Louisiana.

Recommendation: The Board of Trustees should begin holding an annual meeting as required.

Regular Meetings

Our review of the minutes of Board meetings showed that the Board does not hold regularly scheduled meetings. Instead, the Board conducts "special" meetings at irregular intervals; on different dates during the month; on different days of the week; and at different times of the day. For example, in 2012, the LPTFA held meetings on Monday, Tuesday, Thursday, and Friday at times ranging from 10:00 AM to 1:30 PM. Two meetings were held in January, two in March, one in April, and one in August.

Holding meetings at a regularly scheduled date and time, while not required by the Open Meetings Law, is in the spirit of that law. The Open Meetings Law is meant to ensure that decisions by government are made in an open forum. The Open Meetings Law supports Article XII, Section 3 of the Louisiana Constitution's mandate that "No person shall be denied the right to observe the deliberations of public bodies and examine public documents, except in cases established by law." The Open Meetings Law is designed to ensure integrity and to increase the public's trust and awareness of its governing officials.

Recommendations: The Board of Trustees should make every attempt to hold its meetings on a specific day of the month and at a set time that is convenient to elected officials of the City (beneficiary) and to the public.

Agenda Items

We noted that LPTFA meeting agendas consistently contained this item: "*Any other matters that may properly come before this Authority.*" This agenda item may not be in compliance with law as it does not appear to meet the specificity criteria for agenda items established by the Open Meetings Law.

Louisiana's Open Meetings Law (R.S. 42:11 - R.S. 42:28) requires that the agenda be reasonably clear to provide the public sufficient notice of what subjects will be discussed (AG Opinion 07-0181). Act 461 of the 2012 Regular Session of the Louisiana Legislature added a provision to R.S. 42:19 relative to the agenda, stating that the agenda shall not be changed less than 24 hours prior to the meeting. Each item listed on the agenda is required to be listed separately and described with reasonable specificity.

Recommendation: The Board of Trustees should remove the item noted above from its meeting agendas to ensure compliance with the law.

LEGAL PROVISIONS

¹ **LPTFA Trust Indenture (TI) - Article IV - Purposes of the Trust** - The Trust is created for the purpose of furthering and accomplishing any public function and purpose of the City including, but not limited to:

- Hospital, medical, health, nursery care, nursing care, clinical, ambulance, laboratory and related services and facilities;
- Housing, mortgage finance and related services, activities, facilities, and properties;
- Penitentiary, rehabilitation, incarceration and other correctional services and facilities;
- Educational services and facilities and related housing and dormitory services and facilities;
- Providing, developing, securing and improving water storage, treatment, supply and distribution services and facilities;
- Sanitary and storm sewer and other liquid and solid waste collection, disposal, treatment and drainage services and facilities;
- Educational or commercial communication equipment and facilities;
- Mass transit, commuting and transportation, and parking services, equipment and facilities;
- Cultural and civic facilities, services, and activities;
- Gas, electric, petroleum, coal and other energy collection, recovery, generation, storage, transportation and distribution facilities and activities;
- Industrial, manufacturing and other economic development facilities and activities;
- Antipollution and air, water, ground and subsurface pollution abatement and control facilities and activities;
- Airport and water port and related facilities, services and activities; and
- Facilities, property and equipment of any nature for the use or occupancy of the state or the United States, or any agencies or instrumentalities thereof or of any governmental units in the state.

Said purposes are hereby deemed and held to be essential public functions conducted in the public interest.

² **TI - Article I** - ... “The Trust is not created or organized for profit, and furthermore, no part of the net earnings from the operation of the Trust shall inure to the benefit of any private person.”

³ **TI - Article VII (9)** - “The Trustees shall serve without compensation, but may receive a reasonable per diem as may be determined by the Trustees and be reimbursed for actual expenses incurred in the performance of their duties as Trustees.”

⁴ **TI - Article VII (5)** - “All meetings of the Trustees shall be open to the public, and the books, records and minutes of the Trustees shall be considered as public records and available for inspection by the governing authority of the City. In accordance with the provisions of the Act [Public Trust Law - R.S. Title 9], the Trust shall be subject to the Public Contracts Law, Public Records Law, Public Meetings Law, Code of Ethics and the Bond Validation Procedures Law.”

⁵ **The Louisiana State Bar Articles of Incorporation, Art. 16, Rules of Professional Conduct, Rule 1.7:** This rule addresses conflict of interest for current clients. The rule provides that a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if: (1) the representation of one client will be directly adverse to another client; or (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer. A lawyer may represent a client if: (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client; (2) the representation is not prohibited by law; (3) the representation does not involve the assertion of a claim by one client against another client represented by the lawyer in the same litigation or other proceeding before a tribunal; and (4) each affected client gives informed consent, confirmed in writing.

APPENDIX A

Management's Response



**P. O. Box 3205
Lafayette, LA 70502
337-504-2314**

June 11, 2013

Mr. Daryl Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Purpera:

We have reviewed the draft Audit Report of the Lafayette Public Trust Financing Authority ("the LPTFA") dated May 28, 2013. The following is Management's response to the recommendations contained in the report and we respectfully request that it be made part of the official report.

Policies and Procedures

Management concurs with the recommendations.

Accounting Issues

The report indicates that the LPTFA had significant deficiencies and/or material weaknesses in its internal controls related to accounting and financial statement preparation. Please note that the LPTFA has retained the services of Wright, Moore, Dupuis, DeHart and Hutchinson to address internal controls related to accounting and financial statement preparation.

The LPTFA has implemented accounting processes/procedures to:

- Prepare monthly financial statements to compare to budgeted expenditures/revenues to actual amounts for each fund, and submit to the trustees for review at each meeting.
- Prepare financial statements and financial transactions by someone who is qualified to apply Generally Accepted Accounting Principles (GAAP).
- Address and resolve audit findings timely

Management and legal staff will review the requirements under LBGA and comply as necessary.

Programs and Projects

The LPTFA will continue to review and discuss the Trust Indenture with the Lafayette Consolidated Government and its council members on a semi-annual basis.

The LPTFA, it's Trustees and Staff will work toward developing a Strategic Plan to be adopted at a future LPTFA meeting. The Strategic Plan will outline a process for project evaluation, selection and monitoring.

Legal Services

Management concurs with the recommendations contained in the report and has implemented recommended actions.

Legal Bills Review and Approval

The report recommends that two Trustees should review and approve all legal bills. Since September of 2012, all legal bills are reviewed and approved by two of the Trustees. Both the Chairman and the Treasurer, review the legal bills, and two signatures on the check to pay the legal fees is required.

Management concurs with all other recommendations listed in the report and has implemented recommended actions.

LPTFA Meetings

Open Meetings Law

The report recommends that the LPTFA By-Laws should be reviewed to determine if they are in full agreement with State Law.

Please note that the LPTFA By-Laws were amended to conform to State Law at its meeting on January 22, 2013 and were approved by the Lafayette City-Parish Council at its meeting on February 19, 2013.

Annual Meeting and Regular Meeting

The business of the LPTFA is irregular. The annual meeting will be held in accordance with the adopted by-laws, and additional meetings will be held in compliance with State Law.

Agenda Item.

The LPTFA will review the Open Meeting Law for the Agenda Items and verify that we are complying with the open meetings law.

Should you have any questions, please let me know.

Sincerely,

A handwritten signature in dark ink, appearing to be 'John Arceneaux', is written over a large, horizontal, oval-shaped line that serves as a separator between the signature and the printed name below.

John Arceneaux
Chairman