

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Melville
Melville, Louisiana

October 29, 2003



Investigative Audit

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Senator J. “Tom” Schedler, Chairman
Representative Edwin R. Murray, Vice Chairman

Senator Robert J. Barham
Senator Lynn B. Dean
Senator Jon D. Johnson
Senator Willie L. Mount
Representative Rick Farrar
Representative Victor T. Stelly
Representative T. Taylor Townsend
Representative Warren J. Triche, Jr.

DIRECTOR OF INVESTIGATIVE AUDIT

Daryl G. Purpera, CPA, CFE

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Twenty-nine copies of this public document were produced at an approximate cost of \$62.06. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.state.la.us.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne “Skip” Irwin, Director of Administration, at 225/339-3800.

Table of Contents

	Page
Executive Summary	1
Background and Methodology.....	3
Findings.....	5
Recommendations.....	11
Management’s Response	Attachment I



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 29, 2003

THE HONORABLE WILLIE HAYNES, III, MAYOR,
AND MEMBERS OF THE TOWN COUNCIL
Melville, Louisiana

Transmitted herewith is our investigative report on the Town of Melville. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations, as well as the response from the Town of Melville. Copies of this report have been delivered to the Town of Melville and the Honorable Earl Taylor, District Attorney for the Twenty-Seventh Judicial District of Louisiana, and others as required by state law.

Respectfully submitted,

Grover C. Austin, CPA
First Assistant Legislative Auditor

CGM:EKL:DGP:dl

[MELVLE03]

Executive Summary

Investigative Audit Report Town of Melville

Background *(See page 3.)*

The Town of Melville (Town) was incorporated in 1911 under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. The Mayor and five Aldermen are elected at large every four years by the residents of the Town. The Town is located in St. Landry Parish and has a population of approximately 1,376 people. The Town provides fire and police protection, street maintenance, gas, and water and sewer services. The legislative auditor received information indicating that certain Town transactions were improper. This investigative audit was performed to determine the propriety of these transactions.

Findings

Competitive Bid Process Flawed *(See page 5.)*

The Town of Melville paid \$18,450 to install a chain link fence around the Town's park. Although not required by state law to solicit quotes, the Town files included four quotes giving the appearance that competitive prices were obtained and the lowest competitive price was selected. Though obtaining competitive prices is a desirable practice when spending public funds, the Town's procedures appear to have been flawed. At least two of the quotes were obtained from one individual representing two vendors and no town official will acknowledge receiving a third quote which appears to be fraudulent. During our audit, we obtained comparable prices from two fence companies of \$14,442 and \$15,750, thereby indicating that the Town could have paid \$2,700 to \$4,008 less for its fence.

Mayor Failed to Recover Town Funds *(See page 7.)*

Mayor Haynes has failed to seek recovery of \$4,534 in public funds used to repair a natural gas line damaged by a private contractor.

Recommendations (See page 11.)

We recommend that the Town of Melville ensure that bidding procedures, when used, are performed to provide the best competitive price available. When bids are not necessary, good business practices demand seeking competitive quotes and, if appropriate, explaining why the lowest price was not selected. We also recommend that the Town of Melville seek reimbursement of costs associated with repairing the Town's natural gas line.

Our examination disclosed other weaknesses in the controls at the Town of Melville. We found that Mayor Willie Haynes is periodically reimbursed for travel and meals associated with monitoring the Town's grass cutting along the levee between the Town of Melville and the Town of Krotz Springs. We recommend that the Town of Melville establish written policies providing guidance for the use of Town funds for travel and meal expenditures. These policies should be specific as to departure and arrival times and beginning and ending mileage traveled.

Management's Response (See Attachment I.)

Legal counsel representing the Town of Melville conveyed that Mayor Willie Haynes will request the Town Council to approve all recommendations made by the Legislative Auditor.

Background and Methodology

The Town of Melville (Town) was incorporated in 1911 under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. The Mayor and five Aldermen are elected at large every four years by the residents of the Town. The Town is located in St. Landry Parish and has a population of approximately 1,376 people. The Town provides fire and police protection, street maintenance, gas, water, and sewer services.

On March 20, 2003, the legislative auditor received information alleging improprieties within the Town. This investigative audit was performed to determine the propriety of this allegation.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the Town; (2) interviewing other persons as appropriate; (3) examining selected Town and vendor records; (4) performing observations; and (5) reviewing applicable state laws and regulations.

Findings

Competitive Bid Process Flawed

The Town of Melville (Town) paid \$18,450 to install a chain link fence around the Town's park. Although not required by state law to solicit quotes, the Town files included four quotes giving the appearance that competitive prices were obtained and the lowest competitive price was selected. Though obtaining competitive prices is a desirable practice when spending public funds, the Town's procedures appear to have been flawed. At least two of the quotes were obtained from one individual representing two vendors and no Town official will acknowledge receiving a third quote which appears to be fraudulent. During our audit, we obtained comparable prices from two fence companies of \$14,442 and \$15,750, thereby indicating that the Town could have paid \$2,700 to \$4,008 less for its fence.

On April 9, 2002, the Town Council declared a state of emergency and authorized Mayor Willie Haynes to apply to the Governor's Office of Rural Development (ORD) for funding to renovate the Town's park. In May 2002, ORD awarded the Town a \$20,000 grant to renovate the Town park. Of this amount, the Town paid \$18,450 to Allstate Fence Company of Frankston, Texas, to install a fence around the park.

Louisiana law¹ considers the construction of a fence on public property a public works contract. Public works contracts exceeding \$100,000 must be advertised and let by competitive bid in accordance with statutorily defined procedures. Public works projects less than \$100,000 are not required by state law to be bid. The legislative auditor routinely recommends that the best interest of the public is served by obtaining competitive prices for public works projects less than \$100,000. Because the cost would be less than \$100,000, the Town was not required to seek bids. However, the Town received written quotes from four vendors as follows:

Vendor		Quote Amount
Hurricane Wholesale Fence, Baton Rouge, LA		Undetermined ²
All State Fence Co., Hammond, LA		\$18,976
A-American Fence Co., Denham Springs, LA		\$19,952
Allstate Fence Co., Frankston, TX		\$18,450

¹R.S. 38:2211(11) provides that public work means the erection, construction, alteration, improvement, or repair of any public facility or immovable property owned, used, or leased by a public entity.

R.S. 38:2212(A)(1)(a) provides, in part, that all public work exceeding the contract limit to be done by a public entity shall be advertised and let by contract to the lowest responsible bidder who had bid according to the contract, plans, and specifications as advertised, and no such public work shall be done except as provided in this Part.

²The amount on the original quote faxed to the Town of Melville is not legible. The company's owner at that time, Mr. D. A. Gullledge, stated that he did not maintain a copy of the quote and stated that he could not recall the amount of the quote.

The existence of the four quotes gives the appearance that the Town sought the lowest competitive price. One of the quotes appears to be fraudulent and two others were obtained from one individual representing two vendors. Mayor Haynes explained that because former Councilman Alex Dugas owned Dugas Fence Company, he asked Mr. Dugas to request quotes to have a chain link fence installed around the Town's park. Mayor Haynes stated that he was not sure if the quotes were faxed or mailed to the Town or if Mr. Dugas hand delivered them to him. Mayor Haynes stated that he chose the quote from Allstate Fence Co. (Fransktion, TX) because it was the lowest price and because Mr. Dugas said he knew the owner.

A-American Fence Company (Denham Springs, LA)


The Town files included one quote from A-American Fence Company of Denham Springs, Louisiana. According to the company's owner, Mr. Jerry Stafford, the signature on the quote is not his. Mr. Stafford explained that the address and area code on the fraudulent document was not accurate for the date the quote was supposedly prepared (1424 North River Road, Denham Springs and area code 504). He further stated that had he prepared the quote in June 2002, he would have used his new form which included his new address and area code. We are unable to determine who prepared this quote.

Mr. Alex Dugas' Statements

Former Town Councilman Alex Dugas confirmed that Mayor Haynes asked him to obtain quotes to have the fence installed around the Town's park. He stated that the Town did not advertise for quotes in the local newspaper. Although he was a fencing contractor, he explained that since he was a councilman at the time, he could not bid on installing the Town's fence.

Mr. Dugas stated that he telephoned his wholesaler, Hurricane Wholesale Fence Company, and spoke with Mr. Kenneth Gomez, a former employee of Hurricane Fence Company, about obtaining prices for the Town. Mr. Dugas further explained that it was a normal practice for a fence contractor to call a wholesaler such as Hurricane to obtain prices because the wholesaler would have contacts with other fence

1424 N. RIVER RD.
DENHAM SPRINGS, LA 70726
Corner of N. Range Ave.
and N. River Road



**A-AMERICAN
FENCE CO.**

504-665-3849
504-261-1991
FAX 504-665-5779

CONTRACT NUMBER
10000

OPEN MON. - FRI.
8:00 A.M. - 4:30 P.M.
Licensed • Bonded • Insured

SOLD TO Town of Melville - Mr. Willie Haynes DATE 6-17-02

ADDRESS _____ PHONE NO Fax: 625-8620

COMMERCIAL RESIDENTIAL

GALVANIZED CHAIN LINK	WOOD FENCE
Total Height _____	Total Height _____
Post Spacing _____	Post Spacing _____
Gauge _____	Style _____
Knuckled <input type="checkbox"/>	Type of Wood _____
Safeguard <input type="checkbox"/> X X X	
<p><i>Material + Labor by Install</i></p> <p><i>1468 ft 6x4 inch Ch. LL</i></p> <p><i>4" galv post 504 40</i></p> <p><i>3"10 concrete post 504 40</i></p> <p><i>2" 1/2 inch post 504 40</i></p> <p><i>1 5/8 Top Rail 504 40</i></p> <p><i>9 ga wire</i></p> <p><i>MC Post Set in concrete</i></p> <p><i>9 ga top wire + Ties</i></p>	
TOTAL PRICE <u>\$ 19952.00</u>	
TERMS _____	
SALESMAN <u>Jerry Stafford</u>	

CONTRACT CONDITIONS

MORE OR LESS MATERIAL OTHER THAN AMOUNT CONTRACTED FOR WILL BE DEBITED OR CREDITED AT CURRENT RATE.

ACCEPTANCE - The above proposal when accepted by the Company, becomes a contract between two parties and is not subject to cancellation.

Silence on the part of the Company shall not be construed as an acceptance.

IN CASE PAYMENT IS NOT MADE AS SPECIFIED MATERIALS USED ON THIS JOB WITHOUT RECOMPENSATION.

PROPERTY OWNER is solely responsible for local responsible or liable for any damage of any nature.

NOTICE: If contract is changed after the erection of the fence, a charge of 25% of the total cost of the change shall be assessed.

Terms of this sale are CASH UPON RECEIPT. In the event of a dispute, the amount shall be paid monthly by the 10th day of the month following the 10th day of the month after first billing shall bear interest at the rate of 18% per annum from the date of the first billing until paid in full. The undersigned legal action or employ a collection agent, attorney fees in the amount of 25% of the amount owed.

According to the company's owner, Mr. Stafford, the signature is not his.

ACCEPTED _____

A-American Fence Co. quote that appears to be fraudulent.

contractors. He stated that Mr. Gomez faxed quotes to install the fence to Melville's town hall. Town records indicated that at least two quotes were received by fax. One was received from All State Fence Company of Hammond, Louisiana, Mr. Gomez's personal business and the other from Hurricane Wholesale (Mr. Gomez's employer). Mr. Dugas stated that he received one other quote from Mr. James Gentry, the owner of Allstate Fence Company in Frankston, Texas. He explained that Mr. Gentry had telephoned him and inquired about bidding on the fencing job. He indicated that he has known Mr. Gentry for many years; however, he had no idea how Mr. Gentry knew that the Town was seeking a fence contractor.

We informed Mr. Dugas that records indicated that the town had also received a quote from A-American Fence Company. Mr. Dugas stated that he could not recall whether or not Mr. Gomez had provided him with this quote. According to Mr. Dugas, he only requested quotes from Mr. Gomez and Mr. Gentry. He stated that he must have received the A-American quote from Mr. Gomez, although he could not recall whether or not he had given the quote to the mayor.

When informed that the bid from A-American appeared to be a fraudulent document, Mayor Haynes stated that quotes to install the fence were obtained by Mr. Dugas and that he believed Mr. Dugas had given him the quote from A-American.

Lower Prices Available for Competitive Fencing

Although Mayor Haynes stated that he chose Allstate Fence Company because it was the lowest bidder at \$18,450, we obtained price quotes during February 2003 from Gulledge Wholesale Fence Company and Hurricane Wholesale Fence in the amounts of \$14,442 and \$15,750, respectively. Therefore, it appears that the Town paid \$2,700 to \$4,008 more than was competitively available to have the fence installed.

The purpose of soliciting multiple quotes is to obtain independent prices from a competitive market with the end objective of selecting the lowest responsible bidder. Though the Town obtained four quotes, two were not independent and a third was fraudulent. The mayor selected the fourth quote as the lowest price. The quote process was performed in a manner that did not promote competition and resulted in the Town not receiving the best possible competitive price available.

Mayor Failed to Recover Town Funds

Mayor Haynes has failed to seek recovery of \$4,534 in public funds used to repair a natural gas line damaged by a private contractor.

Town records indicated that during a Town meeting on February 8, 2000, Mr. Ray Majors, a resident and private contractor, requested that the council allow him to connect his subdivision (Riverland) to the Town's water system. On April 11, 2000, the council declined his request.

According to Mr. Majors, initially the Town was interested in selling its water to home owners in Riverland and had indicated that they would allow him to connect a waterline from Riverland to the Town's water system, provided he obtained permits from the Corps of Engineers, DOTD, and the Red River, Atchafalaya and Bayou Boeuf Levee District in addition to notifying "Dial One Time To Inform Everyone" (DOTTIE). He stated that the Town had also indicated it would pay for the materials if he provided the labor. He indicated that he had purchased piping and had begun installing a waterline from Riverland to connect to the Town's water system when the Town Council decided against it.

Though the Town council had declined his request, Mr. Majors continued to excavate the land for purposes of connecting to the Town's water system, thereby placing the Town's utility systems at risk. On September 28, 2001, and again on October 15, 2001, Mr. Majors damaged a Town natural gas line while he was excavating. The Town paid \$4,534 in costs related to repairs to the damaged gas line.

Maintenance Supervisor Withness Meche stated that the Town received its natural gas through a pipe line on an easement that crosses Mr. Majors' property. He explained that DOTTIE notified him with a "Notice of Intent to Excavate" (on September 26, 2001) and requested that the Town mark the property where Mr. Majors had intended to install a waterline. He stated that during the morning of September 28, 2001 (the mark by time date), he marked the location where the natural gas line crossed Mr. Majors' property at Jackson Road and Highway 105. However, he only marked that portion of the property where the gas line ran outside of Mr. Majors' property to the road with the intention of returning on September 29 to mark the location of the gas line where it crossed Mr. Majors' property. According to Mr. Meche, the marking was completed on September 29, 2001.

Mr. Meche further explained that DOTTIE allowed him so many hours to complete marking of the property. (R.S. 40:1749.13 provides that a person engaged in the excavation of property shall wait at least forty-eight hours following notification before commencing any excavating activity.) Mr. Meche stated that although all the property had not been marked, Mr. Majors continued to dig on his property on September 28. As a result Mr. Majors cut the Town's gas supply pipe line. On October 15, 2001, Mr. Majors damaged the Town gas line for a second time. By this time, the September 28 marking had expired. R.S. 40:1749.14 requires an excavator to notify DOTTIE when the marks (marking of property) are no longer visible or if the excavation cannot be completed within ten calendar days from the mark by time date, whichever occurs first.

The Town paid employee wages of \$1,084 and \$3,450 to outside contractors to repair the damages to the natural gas line caused by Mr. Majors during September and October 2001. Because Mr. Majors caused the damage to the Town's gas line and caused undue risks to the Town's utility system, he has an obligation to bear the costs of repair. Likewise, Mayor Haynes has a responsibility to seek recovery of the Town funds used in such repairs. A review of Town records indicates that the Town has not billed for the damages.

Findings

Mr. Majors agrees that he damaged the Town's gas line and stated he has not reimbursed the Town the cost of repairing the gas line because he has not received a bill from the Town. In addition, Mr. Majors stated that the natural gas line runs approximately 16 feet inside his property and is not on the right-of-way. However, according to DOTD records, the gas line is located on the right-of-way.

Recommendations

The Town of Melville should ensure that bidding procedures, when used, are performed to provide the best competitive price available. In addition, the Town should seek independent, competitive bids. Advertising, solicitation of bids, and other procedures should be performed by the mayor or Town employees, not by members of the Town Council. When bids are not necessary, good business practices demand seeking competitive quotes and, if appropriate, explaining why the lowest price was not selected.

The mayor should seek reimbursement of costs associated with repairing the Town's natural gas line. In addition, the mayor should assess the total risk associated with an attempted, unauthorized connection to the Town's water system and develop procedures to reduce this risk.

In addition, our examination disclosed that Mayor Willie Haynes is periodically reimbursed for travel and meals associated with monitoring the Town's grass cutting along the levee between the Town of Melville and the Town of Krotz Springs. Currently, the Town has no policies regarding the reimbursement of travel and/or meal expenses incurred by Town employees. The Town should establish written policies providing guidance for the use of Town funds for travel and meal expenditures. These policies should be specific as to those costs which are reimbursable and documentation required to support such reimbursement.

Attachment I

Management's Response

ASHLEY LAW OFFICES

(A PROFESSIONAL LAW CORPORATION)

C.J. "RUSTY" ASHLEY, II

112 WEST BELLEVUE STREET

OPELOUSAS, LOUISIANA 70570

OFFICE: (337) 407-9111

FACSIMILE: (337) 407-9100

E-MAIL ADDRESS: CJRA@BELLSOUTH.NET

October 23, 2003

Mr. Ernest K. Levy
Investigative Audit Manager
Office of Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

VIA FAX @ 225-339-3987
& US MAIL

Re: Town of Melville

Dear Mr. Levy:

This law firm represents the Town of Melville. I recently met with Mr. Willie Haynes, III, Mayor of Melville, Louisiana in regard to the open investigation that the Legislative Auditor's Office has conducted regarding certain affairs of the Town of Melville.

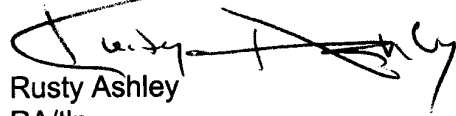
I am in possession of a copy of the ten (10) page Investigative Audit Report of the Town of Melville and associated correspondence. I have reviewed same with Mayor Haynes, and he has asked me to convey to you that at the next Town Council Meeting on Tuesday, October 28, 2003, he will ask the Town Council to approve all the recommendations made by your office on page ten (10) of the report.

Please contact me at your earliest convenience should your office require any further assistance from my office or from the Mayor and Town Council of the Town of Melville.

Thanks very much.

Yours truly,

ASHLEY LAW OFFICES



Rusty Ashley
RA/tp

cc: Honorable Willie Haynes, III, Mayor
Town Council Members