

DESOTO PARISH SCHOOL SYSTEM



INVESTIGATIVE AUDIT
ISSUED DECEMBER 11, 2013

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 11, 2013

**DR. CADE BRUMLEY, SUPERINTENDENT,
AND MEMBERS OF THE DESOTO PARISH
SCHOOL BOARD**

Mansfield, Louisiana

We have audited certain transactions of the DeSoto Parish School System. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of allegations we received.

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

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 42nd Judicial District of Louisiana, the United States Attorney for the Western District of Louisiana, the Louisiana Board of Ethics, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

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EXECUTIVE SUMMARY

Former Superintendent May Have Received Improper Travel Reimbursements

From September 14, 2009 to October 19, 2012, former DeSoto Parish School System (DPSS) Superintendent Walter C. Lee, who was also the elected District 4 representative of the state Board of Elementary and Secondary Education (BESE), received \$13,073 in reimbursements from BESE for travel expenses that Mr. Lee did not personally pay, which may violate state law. Mr. Lee paid for his travel expenses with his DPSS credit card, but did not forward the BESE reimbursement to DPSS.

Former Superintendent Appears to Have Improperly Terminated Vehicle Lease

On November 21, 2011, Mr. Lee terminated the DPSS vehicle lease contract 14 months early. The lease was for a vehicle for his use as superintendent. As a result of Mr. Lee's action, DPSS paid an early termination fee of \$10,653 and forfeited the use of the vehicle; there is no documentation or evidence of the public purpose for the early lease termination. Eleven days later, Mr. Lee personally purchased this same vehicle from the dealership at significantly less than market value and also entered into a new lease contract on DPSS's behalf for another vehicle for his (Lee's) use. Since there was no public purpose for the early lease termination and since Mr. Lee had a substantial economic interest in the lease termination because of his subsequent purchase of the leased vehicle at a significant discount, Mr. Lee may have violated state law and the state constitution.

Former Superintendent's Pay Raises Not Properly Documented

DPSS cannot demonstrate that the pay raises given to former Superintendent Walter C. Lee complied with the terms of his employment contract. Mr. Lee received pay raises between July 1999 and December 2012, which increased his salary from \$70,822 to \$240,912. The contract language authorizing the pay raises is not clear and the documentation supporting the pay increases, if any, is not retained within DPSS's records.

BACKGROUND AND METHODOLOGY

The DeSoto Parish School System (DPSS) is operated by the DeSoto Parish School Board, pursuant to Art.VIII, § 9(A) of the Louisiana Constitution of 1974 and La. R.S. 17:51, to provide public education for the children in DeSoto Parish. DPSS enrolls over 5,000 students from pre-kindergarten to 12th grade, and employs over 850 teachers and other workers. The DeSoto Parish School Board has eleven members, all of whom are elected to serve four-year terms.

The Louisiana Legislative Auditor, after receiving allegations that former DPSS Superintendent Walter C. Lee misspent public funds, conducted an investigative audit to determine the truthfulness of these allegations.

The procedures performed during this audit included:

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

FINDINGS AND RECOMMENDATIONS

Former Superintendent May Have Received Improper Travel Reimbursements

From September 14, 2009 to October 19, 2012, former DeSoto Parish School System (DPSS) Superintendent Walter C. Lee, who was also the elected District 4 representative of the state Board of Elementary and Secondary Education (BESE), received \$13,073 in reimbursements from BESE for travel expenses that Mr. Lee did not personally pay, which may violate state law.¹ Mr. Lee paid for his travel expenses with his DPSS credit card, but did not forward the BESE reimbursement to DPSS.

Mr. Walter C. Lee was superintendent of the DPSS from July 1, 1999, until his retirement on November 2, 2012. During this time, Mr. Lee also served as the elected representative for BESE District 4. DPSS records, including credit card statements and supporting receipts and invoices, show that Mr. Lee used DPSS VISA and Fuelman cards to pay travel and other business expenses associated with his duties as superintendent, including travel expenses to attend BESE meetings.^A BESE records indicate that Mr. Lee requested, and was reimbursed by BESE for, travel expenses that Mr. Lee claimed to personally have incurred attending board/committee meetings and for conducting other BESE business.

We compared Mr. Lee's purchases on his DPSS credit cards with the travel expenses for which he requested reimbursement from BESE for the period September 2009 to November 2012 and noted the following:

- Mr. Lee submitted 11 travel reimbursement requests to BESE that included 11 hotel receipts which he paid for with a DPSS credit card and did not incur any personal expense. Based on the documentation submitted, Mr. Lee was reimbursed \$1,578 from BESE for these expenses.
- Mr. Lee also claimed, and was reimbursed by BESE, \$11,495 in mileage expenses for attending BESE meetings. DPSS records show that Mr. Lee made 71 fuel purchases totaling \$3,698 using the DPSS credit card to attend these same BESE meetings.

In one instance, which was confirmed by both DPSS and BESE records, Mr. Lee drove from Shreveport to Baton Rouge and used his DPSS credit cards to pay for a two-night stay (June 17-18, 2012) at the Embassy Suites hotel in Baton Rouge, which totaled \$202. Mr. Lee also purchased \$63 of fuel in Baton Rouge on June 18 with his DPSS credit card. The travel reimbursement form Mr. Lee submitted to BESE for the June 17 and 18 meetings includes the same Embassy Suites hotel invoice for \$202, and a mileage request for \$262 for roundtrip travel

^A Mr. Lee's contracts with DPSS stated, in part, "while he is a member of BESE, his participation in the work of that body shall be considered a legitimate part of his work as Superintendent of Schools in DeSoto Parish."

from Shreveport to Baton Rouge. BESE issued a \$528 payment (which also included parking and meals) to reimburse Mr. Lee for these travel expenses. According to Steven Stanfield, DPSS Director of Business Services, Mr. Lee did not reimburse DPSS for any charges he incurred on DPSS VISA and Fuelman cards for attending BESE meetings.

We requested an interview with Mr. Lee to discuss these transactions; he referred us to his attorney. Mr. Lee's attorney would not allow Mr. Lee to meet or speak with us.

Since Mr. Lee submitted travel reimbursement requests to BESE that included \$13,073 of expenses he did not personally incur (he used the DPSS credit card), and for which he was subsequently personally reimbursed (he did not forward the BESE reimbursement to DPSS), Mr. Lee may have violated state law.¹

Former Superintendent Appears to Have Improperly Terminated Vehicle Lease

On November 21, 2011, Mr. Lee terminated the DPSS vehicle lease contract 14 months early. The lease was for a vehicle for his use as superintendent. As a result of Mr. Lee's action, DPSS paid an early termination fee of \$10,653 and forfeited the use of the vehicle; there is no documentation or evidence of the public purpose for the early lease termination. Eleven days later, Mr. Lee personally purchased this same vehicle from the dealership at significantly less than market value and also entered into a new lease contract on DPSS's behalf for another vehicle for his (Lee's) use. Since there was no public purpose for the early lease termination and since Mr. Lee had a substantial economic interest in the lease termination because of his subsequent purchase of the leased vehicle at a significant discount, Mr. Lee may have violated state law² and the state constitution.³

According to his employment contracts with DPSS, Mr. Lee "shall be provided the use of an automobile leased or purchased...for travel connected with the performance of the Superintendent's duties and responsibilities."

On January 22, 2010, Mr. Lee, acting on DPSS's behalf, entered into a three-year (36 months) lease contract for a 2010 Chevrolet Traverse with Mansfield Auto World; DPSS paid the monthly lease payment of \$819. On November 21, 2011, Mr. Lee terminated the lease contract 22 months into the 36-month lease, causing DPSS to pay a \$10,653 early termination fee (the value of the remaining lease payments) and forfeit the use of the Chevrolet Traverse for the remaining 14 months. DPSS could not provide us with the public purpose for the early lease termination nor was there any formal board approval of Mr. Lee's action.

On November 30, 2011, Mr. Lee entered into, again on DPSS's behalf, a two-year contract with Mansfield Auto World to lease a 2012 Buick Enclave to replace the 2010 Chevrolet Traverse; DPSS's monthly lease obligation increased from \$819 for the 2010 Chevrolet Traverse to \$1,066 for the 2012 Buick Enclave. According to the school system's Director of Business Services, Steven Stanfield, Mr. Lee personally handled the DPSS vehicle leases and did not consult with him.

According to Mansfield Auto World management, Mr. Lee stated that he was terminating the DPSS lease early (on the Chevrolet Traverse) so that the new DPSS lease (for the Buick Enclave) would coincide with the end of his employment contract and allow the next superintendent to pick out his own vehicle. Management of Mansfield Auto World also stated that Mr. Lee later personally purchased the Chevrolet Traverse on December 2, 2011, that DPSS previously leased and that Mr. Lee had personally purchased other vehicles that DPSS had leased in the past.

DPSS lease records indicate that the value of the Chevrolet Traverse at the beginning of the lease term was \$37,800. When Mr. Lee personally purchased the Chevrolet Traverse (22 months and 61,700 miles later), he paid \$11,966. Mansfield Auto World claimed that Mr. Lee paid the fair market value for the vehicle at the time based on the subscription service they use to value vehicles (the Black Book). However, the Kelley Blue Book clean retail price for the Chevrolet Traverse at the time of Mr. Lee's purchase ranged from \$20,300 to \$29,300, depending on vehicle options. Given the substantial difference between Mr. Lee's purchase price for the Chevrolet Traverse and the estimated fair market value, it appears that Mr. Lee paid substantially less than fair market value for the vehicle and, in doing so, may have violated state law.²

We attempted to speak to Mr. Lee about this matter, but he referred us to his attorney. Mr. Lee's attorney would not allow Mr. Lee to meet or speak with us. Since Mr. Lee would not discuss the vehicle leases with us, we could not determine why Mr. Lee allowed DPSS to incur a \$10,653 early cancellation penalty when DPSS entered into another vehicle lease nine days later with the same dealer.

Because of Mr. Lee's early termination of the vehicle lease contract, DPSS was forced to pay \$10,653 and forfeit the use of the Chevrolet Traverse. Since there does not appear to be a benefit to DPSS for the early termination of the lease contract and forfeiture of the vehicle, the loss of use of the vehicle for 14 months may constitute a donation and may violate the state constitution.³

Former Superintendent's Pay Raises Not Properly Documented

DPSS cannot demonstrate that the pay raises given to former Superintendent Walter C. Lee complied with the terms of his employment contract. Mr. Lee received pay raises between July 1999 and December 2012, which increased his salary from \$70,822 to \$240,912. The contract language authorizing the pay raises is not clear and the documentation supporting the pay increases, if any, is not retained within DPSS's records.

Mr. Lee's employment contract states, "In the event that certified professional personnel of the school system receive state and/or local pay raises, then the Superintendent shall be entitled to have his annual salary increased by the amount of such state and/or local pay raises." However, his contract does not specify how his raises are to be calculated, including which class of certified professional personnel (e.g., teachers, principals, administrators) his raises are to be

based upon. Mr. Lee's annual salary and pay raises during his tenure as DPSS Superintendent are shown in the following table:

Analysis of Former Superintendent Lee's Annual Salary and Pay Raises Fiscal Years 1999-2012			
Fiscal Year	Annual Salary	Pay Raise/Increase from Prior Fiscal Year	Percentage Increase from Prior Fiscal Year
2011-2012	\$240,912	\$12,312	5.4%
2010-2011	\$228,599	\$21,499	10.4%
2009-2010	\$207,100	\$20,794	11.2%
2008-2009	\$186,306	\$50,014	36.7%
2007-2008	\$136,292	\$1,578	1.2%
2006-2007	\$134,714	\$12,362	10.1%
2005-2006	\$122,352	\$3,010	2.5%
2004-2005	\$119,342	\$10,960	10.1%
2003-2004	\$108,382	-\$400	-.36%
2002-2003	\$108,782	\$10,232	10.4%
2001-2002	\$98,550	\$12,543	14.6%
2000/2001	\$86,007	\$3,437	4.2%
1999/2000	\$82,570	\$11,748	16.6%
1998/1999	\$70,822		

According to Mr. Stanfield, he calculated Mr. Lee's pay raise based on his understanding of the employment contract each year and then provided his calculation to Mr. Lee. Mr. Lee would always change the amount of the raise, but would not provide him (Mr. Stanfield) with any documentation to support the revised calculation. Mr. Stanfield stated he did not keep records of the original pay raise calculations (that Mr. Stanfield submitted to Mr. Lee). The raises were approved by Mr. Lee, but were not presented to the DPSS board for formal approval. Some board members informed us they were not aware of the amount of Mr. Lee's salary.

We attempted to speak to Mr. Lee about this matter, but he referred us to his attorney. Mr. Lee's attorney would not allow Mr. Lee to meet or speak with us.

Because the contract language authorizing Mr. Lee's pay raises is not clear and the methodology used to calculate the pay raises is not documented and maintained on file, it is unclear whether the pay raises complied with the terms of Mr. Lee's employment contract.

Recommendations

The DeSoto Parish School System should:

- (1) require board approval prior to entering into vehicle lease contracts, including any changes contemplated to such lease contracts;
- (2) require board approval for all superintendent pay raises; and
- (3) ensure that all employment contracts clearly state that the basis for calculating pay raises and how they are to be calculated. The pay raise calculations should be properly documented and maintained on file.

We also recommend that BESE seek recovery of the \$13,073 of hotel and fuel expenses improperly reimbursed to Mr. Lee.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:67 (A)** states, “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.”

La. R.S. 14:133 (A) provides, in part, that “Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) Any forged document. (2) Any wrongfully altered document. (3) Any document containing a false statement or false representation of a material fact.”

La. R.S. 42:1111 (A)(1) provides, in part, that “...No public servant shall receive anything of economic value, other than compensation and benefits from the governmental entity to which he is duly entitled, for the performance of the duties and responsibilities of his office or position...”

² **La. R.S. 42:1112(A)** provides that “No public servant, except as provided in R.S. 42:1120, shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity.”

³ **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...”

APPENDIX A

Management's Response



DeSoto Parish School Board

201 Crosby Street - Mansfield, Louisiana 71052 - (318) 872-2836 - FAX (318) 872-1324



DR. CADE BRUMLEY
Superintendent

15 November 2013

RE: Response to Legislative Auditor's Findings

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

Dear Sir,

The purpose of this letter is to provide a brief response to your investigative audit of the financial actions of former Superintendent Walter Lee while he was employed in our system. In advance, we appreciate the thoroughness of your investigation and the professionalism of your employees as they completed their work in our district. As your team came to know and appreciate, we have nothing to conceal – we are a strong organization as evidenced by our district's most recent successes.

The mission of the DeSoto Parish School System is: *DeSoto serves to care for our students, ensure their learning, and celebrate their graduation as citizens prepared to transform their dreams into realities.* As we execute this noble work, our intent is to act as faithful stewards of public funds. This intent is clearly evidenced in several ways. First, after recognizing areas of procedural vulnerability, immediate action was taken to overcome those issues and adopt safeguards to eliminate those discovered weaknesses within the system from happening again. Secondly, for the purposes of system sustainability and mission achievement, we reduced system expenditures in response to the substantial decrease in local funds as sales tax revenue fell by approximately 50 million dollars. Finally, our continued good faith is evidenced with the manner in which our board members and professional administrators cooperated fully with your auditing team from start to finish. We all desire the most effective and efficient system for those we serve.

In relation to the findings, the following policies/practices/safeguards are now being honored or were developed over a year ago to protect the Superintendent, the Board, the system and the public. We believe these items demonstrate responsibility and show a commitment to accountability. Any new procedure or safeguard was mutually developed by Board Attorneys, Board Members, the Superintendent, and the Administrative Leadership Team.

Finding 1 – Superintendent Travel

- The Executive Secretary and Superintendent maintain a calendar of the Supt's whereabouts
- The Superintendent records all in-state travel (within and outside DeSoto) on a detailed travel expense log which is submitted to the Finance Chairman monthly.
- The Superintendent completes, and the Board President approves through signature, any out-of-state travel authorization for the Superintendent in advance of travel
- The Superintendent adheres to Board Policy of completing the appropriate paperwork and providing the appropriate documentation
- The Superintendent is only reimbursed once the Chairman of the DPSB Finance Committee has reviewed the expenses and authorized reimbursement with his signature
- The Superintendent's travel information is annually reviewed by external auditors
- The Superintendent does not possess a DPSB credit card

Finding 2 – Superintendent Vehicle

- The Superintendent does not receive a lease vehicle from the DeSoto Parish School System
- The Superintendent receives, in lieu of a leased vehicle, a taxable vehicle allowance and is reimbursed for actual mileage, per his contract
- The Superintendent does not possess a DPSB FuelMan card

Finding 3 – Superintendent Pay

- The Superintendent's contract was written by the Board's attorney, negotiated by the officers and brought to the full Board for their approval
- The Superintendent requested his contract orally read to the Board and public before it was voted on by the full board and signed.
- The Superintendent's contract lists an actual dollar figure of the salary he receives
- The Superintendent's contract requires an annual salary review and verification, by July 1, to be signed by the Board President, Board Vice President, Chairman of the Finance Committee, and Director of Business Services
- The Superintendent's salary can only be increased through Board action
- The Superintendent's contract was signed by the Superintendent, Board President, two additional Board Members as witnesses, and authenticated by a notary public
- The Superintendent's pay is annually reviewed by the external auditor
- The Superintendent elected to file his contract with the Clerk of Court for public review
- Documentation of all related information is retained by the Director of Human Services and/or the Director of Business Services – depending on the nature of the document

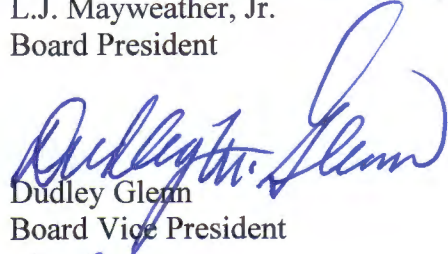
We fully believe we are organizationally stronger today than in the past. The Desoto Parish School Board, its members, administration, and its employees will continually strive to strengthen our practices, procedures, and policies. Our actions to overcome challenges support our willingness to provide sound educational opportunities for our students, healthy work environments, and accountability to our public. We understand that maximum effectiveness for this system requires the collaborative support and trust of all stakeholders – both inside and outside of our campus walls.



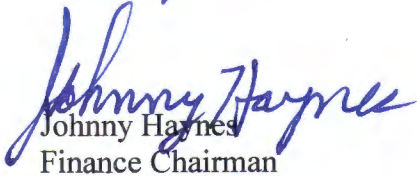
Cade Brumley, Ed.D.
Superintendent



L.J. Mayweather, Jr.
Board President



Dudley Glenn
Board Vice President



Johnny Haynes
Finance Chairman