

STATE OF LOUISIANA LEGISLATIVE AUDITOR

City of Baker
Baker, Louisiana

March 12, 2003



Investigative Audit Division

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Daryl G. Purpera, CPA, CFE

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March 12, 2003

Honorable Leroy Davis, Mayor
City of Baker
Post Office Box 707
Baker, Louisiana 70704-0707

Dear Mayor Davis:

We received allegations that (1) the City of Baker (City) improperly withheld information from the City's auditor and from other persons; (2) professional or personal service contracts and work product from those services may not exist; and (3) funds held by Hibernia Investments, L.L.C., may not comply with Louisiana law.

We conducted a preliminary investigative audit based on the allegations received. Our procedures consisted of (1) interviewing employees and officials of the City; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the City; (4) performing observations and analytical tests; and (5) reviewing applicable Louisiana state laws.

You confirmed to us that you withheld public information regarding professional and personal service contracts from the City's auditor and other persons requesting such information. Improperly withholding public records from individuals making a valid request violates Louisiana's Public Records Law, R.S. 44:31, which, in part, states that any person may inspect any public record. In addition, withholding such information from the City's auditor may result in a scope limitation preventing the successful completion of the City's audit. Although you withheld the work product and the written contracts for these services from the City's auditor, you did provide this information to the Legislative Auditor upon request.

During our examination of the professional and personal service contracts, we noted a contract entered into by the City with I.P.H., a Louisiana corporation, requiring I.P.H. to meet with the legislative delegation representing the City in connection with a possible capital outlay appropriation. The term of the contract was from May 23, 2002, to June 14, 2002. I.P.H. was to receive \$6,000 up-front and \$4,000 upon successfully obtaining a capital outlay appropriation. Mr. Reginald Stewman, President of I.P.H., provided the City a report outlining I.P.H. activities that successfully resulted in the capital outlay appropriation. In his report, Mr. Stewman notes I.H.P. met with Mayor Leroy Davis, Senator Clo Fontenot, Senator Kip Holden, and Governor Mike Foster. I.P.H. also contacted Representative Bryant Hammett. It appears that the work performed by I.P.H. consisted of four meetings, a contact with Representative Hammett, and a two-page document delivered to the City. The total paid by the City, which was \$10,000, appears to be excessive for the work performed and may not be an appropriate use of City funds.

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In addition, the City has funds invested through Hibernia Investments, L.L.C., in possible violation of R.S. 33:2955(g). This state law requires that the investment be made in connection with a financing program for political subdivisions approved by the State Bond Commission made for a period not to exceed 18 months. Our review disclosed that the investment made by the City may not have been made in connection with a financing program approved by the State Bond Commission. Furthermore, the investment period exceeds 18 months.

Based on this preliminary investigative audit we recommend that the City:

1. Immediately notify the City auditor that the contract and work product are available for examination, noting that the City auditor may review such information and deem it necessary to reissue his audit report
2. Notify the City legal counsel that the mayor failed to follow the Public Records Law
3. Comply with the City auditor's request for information in connection with the City's audit and comply with other requests when properly made in accordance with the Public Records Law
4. Adopt policies and procedures for entering into professional and personal services contracts and ensure that these contracts include a clear description of the measurable work product to be delivered to the City and compensation commensurate with the work to be performed
5. Ensure that all investments comply with Louisiana law

If you have any questions, please call me at (225) 339-3869.

Sincerely,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

JLS:EKL:DGP:dl

[BAKER03]