



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

June 23, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the parish clerk of court, entity and the parish clerk of court official in charge of the public publication of the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date, ~~1999~~ 1999

Board of Commissioners
Waterworks District No. 3
of Rapides Parish
P.O. Box 578
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We have performed certain agreed-upon procedures as requested by the Board at its June 22, 1999, meeting. It is understood that this report is solely for your information and is not to be referred to or distributed for any other purpose to anyone who is not a member of management.

The agreed-upon procedures consisted of interviewing employees of the District for the purpose of looking into allegations brought to the attention of the Board. The results of these interviews are as follows:

ALLEGATION - METER LOCATED AT RAPIDES KARATE SCHOOL IS NOT BEING READ AND SERVICE IS NOT BEING BILLED

We received conflicting responses concerning this meter. Doug and Mel both indicate similar recollections of events. Both indicated the meter had been installed only four or five months ago. Mel and Doug indicated the instructions not to read the meter were only because of its recent installation at the time the instructions were given. Doug had a memo from the manager of Winn Dixie which paralleled the account given by he and Mel.

Interviews of service personnel and meter readers indicated that the meter had been installed several years ago. We were furnished a computer printout indicating a 5/97 installation date. Also, the meter readers indicated that not reading the meter was not perceived as a one time instruction, but was a standing order.

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ALLEGATION - SAN RICH CONSTRUCTION IS RECEIVING EXCESS PAYMENTS FROM THE DISTRICT FOR WORK PERFORMED

San Rich was paid \$43,010 for the period from June 1, 1998, through the date of this report to the Board. During the audit of the 1998 financial statements of the District, we questioned the amounts paid to this contractor. After having discussed this with Doug, we were under the impression that the boxes had been built and the paving completed by San Rich with the District buying the concrete and the blocks. Under that understanding, the charges seemed reasonable. We were not aware of district employees and equipment being used by the contractor to accomplish these jobs. These facts came to our attention during the employee interviews. Based upon the understanding that we now have concerning how these jobs were actually completed, it appears as though the amounts may not be reasonable.

The amounts are detailed as follows:

Two meter boxes at WalMart	\$ 6,300
Meter box at 1st Methodist	3,900
Two meter boxes at Beauregard	7,000
Paving of driveway to shop	8,160
Slab for Generator @ Pollock	2,700
Meter box for Donahue Baptist	3,900
Paving back lot @ office	2,300
Meter box at Pine Grove Apt	3,750
Slab for sign @ office	1,250
Meter box at Alpine	3,750



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ALLEGATION - POWELL LANE METER INSTALLATION PAID FOR AND AMOUNTS RECEIVED IN CASH BY EMPLOYEES

Mel and three employees worked one weekend for a contractor installing meters on Powell Lane. They were paid in cash by the contractor. On Monday, Doug told them that accepting the money was illegal and to give it back. All interviews of people involved agree up to this point. The interviews differ on the return of the money. Mel says he gave his cash back to the contractor and the other three turned theirs into the office. Two of the others say they gave the cash back to Mel. These two have receipts from Mel for returning the cash to him. The third employee no longer works for the District and was not interviewed. The employees interviewed did indicate they were paid for the overtime on their next check.

One employee indicated that Mel later offered to make up to them the cash they had to give back by cutting them in on a "brass deal." They refused.

ALLEGATION - DISTRICT EMPLOYEES MADE A TAP ON HIGHWAY 28 WEST

We were told that Mel and an employee spent approximately a half day making a tap on a water line on Highway 28 West. Did not know who the line belonged to that they tapped into. Mel said he was told the tap was made for John Feazell. This property would be outside of the District.

ALLEGATION - LOT CLEARED AT CORNER OF PINECREST DRIVE AND LOWER LINE RD USING DISTRICT EQUIPMENT AND LABOR

Doug and Mel both indicated the lot was cleared in exchange for an easement to lay a line from Pinecrest Drive to the back of what is now the new WalMart. Easement was not in writing.



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ALLEGATION - FRIEND OF DOUG'S IS BUSHHOGGING FOR DISTRICT WHEN THE DISTRICT HAS THEIR OWN BUSHHOG

Doug's response was that he did not have an operator to run the bushhog owned by the district. Other employees indicated Oddice Paddie has been the bushhog operator since he was hired.

ALLEGATION - CUSTOMERS ARE BEING ALLOWED TO USE ONE METER FOR MULTIPLE STRUCTURES BY PAYING A DOUBLE MINIMUM

We had an employee list the 15 residential and one commercial accounts paying multiple minimums. Of the 16 accounts, Doug indicated he was aware of 7 of them. Regarding the account for a friend of Doug's, he and Mel both said that they had tried to bore the road at that location and had hit something in the middle which prohibited it.

ALLEGATION - MEL'S LAPTOP COMPUTER AND USE OF THE INTERNET IS NOT NECESSARY

The computer in question was in excess of \$5,000. Internet usage has run as high as 175 hours per month. Mel indicates that the laptop has district data and programs on it. Use of the internet is for OSHA and Department of Health regulations research. Also used for Y2K updates. Mel indicated that he recently repaid the District for personal use in excess of the 100 hour minimum.

ALLEGATION - MONEY FROM SCRAP METAL SALES ARE NOT BEING TURNED IN

Doug Byrd indicated the only sale he was aware of that had not gotten deposited was a 3/99 sale to Alexandria Iron. He indicated that the day before our interviews, he and Mel reviewed the recorded sales. The 3/99 sale was not recorded. Mel told Doug that Doug was not there when the money was turned in and that he had put it in the safe and told Doug's secretary to tell Doug it was there. Doug had the bookkeeper look in the safe to see if the money was still there. She did not find it at first. With Doug's help, they did find it in an envelope in the safe.



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Mel's version was the same. Both Doug and Mel indicated that they knew of no other undeposited amounts.

Employees indicated to us that the scrap going to Alexandria Iron is only old meter boxes and scrap steel. Old meters (brass) are picked up by a salesman for the company which the district buys meters from. One employee told us of Mel instructing them to break the glass in new meters and put them in the bin for bad meters. One employee indicated that the above salesman picked up several hundred meters a few months ago.

Could not find where any money was received from Louisiana Utilities for scrap meter sales.

ALLEGATION - 300' PIPE LEFT FOR CUSTOMER ON GILLEY WILLIAMS ROAD

Employees indicated that they made a tap on Gilley Williams road and that the foreman was told by someone at the office to leave 300' of pipe at the tap for the customer. Did not interview the foreman as he no longer works for the District.

ALLEGATION - MADE "REMAKE" TAPS WHEN THEY SHOULD HAVE BEEN NEW TAPS

Several employees indicated this had happened on various occasions. One location mentioned by several people was the parents of one of Doug's friends. The benefit to the customer is that a remake tap fee is considerably cheaper than a new tap fee.

ALLEGATION - DISTRICT EQUIPMENT IS USED FOR PERSONAL PURPOSES

A skylift was rented for three weeks to be used at the plant. It was used two weeks at the plant and Mel had it the third week at his house.



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GENERAL

We have reviewed the results of our interviews with the District Attorney of Rapides Parish. He has advised us that extending our procedures beyond the above interviews and the review of financial data of the District could possibly jeopardize any investigation by the proper authorities.

The Legislative Auditor for the State of Louisiana has been notified of the existence of allegations. We will forward a copy of this report to that agency.

We would like to take this opportunity to thank the board and employees of the Waterworks District No. 3 of Rapides Parish for their cooperation and assistance during our procedures.

Payne Moore & Herrington, LLP
Certified Public Accountants

June 24, 1999