

ST. BERNARD CULTURAL CENTER, INC.



INVESTIGATIVE AUDIT
JANUARY 21, 2015

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**DIRECTOR OF INVESTIGATIVE AUDIT
AND ADVISORY SERVICES**
ROGER W. HARRIS, J.D., CCEP

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 21, 2015

**MS. MAURINE LIUZZA, MANAGER,
FREDERICK J. SIGUR CIVIC CENTER
BOARD OF DIRECTORS,
ST. BERNARD CULTURAL CENTER, INC.**
Chalmette, Louisiana

We have audited certain transactions of St. Bernard Cultural Center, Inc. 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 34th Judicial District of Louisiana, the United States Attorney for the Eastern District, the Louisiana Board of Ethics, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

SBCC 2014

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EXECUTIVE SUMMARY

Cash Collected but Not Deposited

From January 2012 to February 2014, St. Bernard Cultural Center, Inc. (CCI) records indicate that CCI received \$86,864 in cash that was never deposited into its bank account. During the same period, former Frederick J. Sigur Civic Center (Civic Center) manager Stephanie Bachemin's personal bank account was credited with \$59,998 in cash deposits in excess of her paycheck. Ms. Bachemin has refused to discuss the missing cash.

Family Members Working for St. Bernard Cultural Center, Inc.

Ms. Bachemin paid her daughters with funds from CCI to work events at the Civic Center, which may violate state ethics law, which prohibits an agency head from employing immediate family members.

Noncompliance with Audit Law

CCI did not obtain the required audit of its financial records for the 2012 and 2013 fiscal years, which may violate state law, which requires CCI to submit an annual audit to the LLA.

BACKGROUND AND METHODOLOGY

The Frederick J. Sigur Civic Center (Civic Center) is owned by the St. Bernard Parish government (Parish) but operated by the St. Bernard Cultural Center, Inc (CCI). CCI is a not-for-profit corporation established in February 1991 to manage the operations of the Civic Center. CCI has a director and a three-member board of directors. Board members are St. Bernard Parish government employees selected in accordance with CCI's articles of incorporation. CCI's full-time employees are also Parish employees.

CCI rents areas within the Civic Center for events such as dance recitals, plays, concerts, weddings, parties, and meetings. It also generates revenue by operating concession stands and selling alcohol at certain events.

CCI failed to submit financial reports to the Parish for several months, prompting the Parish to reconcile CCI's bank accounts. In doing so, the Parish noticed discrepancies in what was collected and subsequently contacted the LLA.

The procedures performed during this audit included:

- (1) interviewing certain Parish and CCI employees;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records; and
- (4) reviewing applicable state and federal laws and regulations.

FINDINGS AND RECOMMENDATIONS

Cash Collected but Not Deposited

From January 2012 to February 2014, St. Bernard Cultural Center, Inc. (CCI) records indicate that CCI received \$86,864 in cash that was never deposited into its bank account. During the same period, former Frederick J. Sigur Civic Center (Civic Center) manager Stephanie Bachemin's personal bank account was credited with \$59,998 in cash deposits in excess of her paycheck, which may violate state law.^{1,2,3,4,5}

Ms. Bachemin was hired in January 2012 as manager of the Civic Center and was responsible for the general operations of the Civic Center. Ms. Bachemin resigned from employment with the Parish in February 2014. During Ms. Bachemin's employment as manager, CCI operated the Civic Center and generated revenue by renting the Civic Center and selling concessions and alcohol at the events.

Concession Stands

CCI operates concession stands at some events held at the Civic Center. The concession stands are supplied with drinks and food, such as chips, candies, chicken tenders, and hot dogs. The drinks and food are sold for cash. They also sell alcohol for cash at certain events. CCI pays hourly employees to operate the concession stands and sell alcohol. At the beginning of the event, about \$500 was given to each concession stand as start-up money. After an event was over, the concession stand workers count the money and give it to the event manager that night. Ms. Laurie Gioia, Ms. Bachemin's former assistant from January 2012 to February 2014, said she managed some of the events and counted the money at the end of the night to verify the amount received from the concession and alcohol stands. She also completed an information sheet for each event that detailed the event, start-up money, and the balance.

According to Ms. Gioia, the money collected by the concession and alcohol stands was stored in a drawer in Ms. Bachemin's office until it was deposited. Both Ms. Gioia and Ms. Bachemin had keys, but the drawer was never locked. Ms. Gioia also said there was a safe in Ms. Bachemin's office, but they did not use it. She also stated that she would make deposits whenever Ms. Bachemin would tell her to and that the money deposited did not match the amounts collected for a particular event because it was mixed with money from other events. They would sometimes go for months without depositing cash from the concession stands, then make a large deposit, which could be as much as \$10,000. For example, CCI records show Ms. Bachemin accepted \$2,000 cash for an event on March 7, 2013, but there were no cash deposits large enough to account for the \$2,000 until April 29, 2013, when \$8,823 in cash was deposited.

Ms. Gioia stated that the start-up money for the concession stands generally came out of the cash that was kept in the drawer in Ms. Bachemin's office, but occasionally a check was written to "Cash" for start-up money. According to CCI bank records, 21 checks were written to "Cash" by Ms. Bachemin totaling \$24,850.

Based on information provided to the Parish Finance Department by Ms. Bachemin for 2012 and the 2013 log sheets found in CCI records, it appears that \$102,311 was collected in the concession stands for those two years. There was no documentation for the 2014 concession stand collections; however, available invoices indicate at least 15 events should have taken place in January and February 2014. Based on the previous 24 months' collections, we estimated that \$8,526 should have been collected in January and February 2014 during Ms. Bachemin and Ms. Gioia's employment at CCI. In total, \$135,687^A should have been deposited to CCI's bank account from January 2012 to February 2014.

Rental Fees

Customers generally book events at the Civic Center in advance by paying a \$500 deposit with the remaining balance due a month prior to the event. Customers who book one of the ballrooms are given options for food and drink packages offered by CCI, or they can rent the ballroom and bring in their own caterers and pay a kitchen fee.

According to available records, payments are generally made by check or money order, but cash payments were accepted on occasion. Ms. Gioia said the deposits for rentals were kept separate from the concession stand deposits. According to event invoices and cash receipts, CCI collected \$29,715 in cash that should have been deposited.

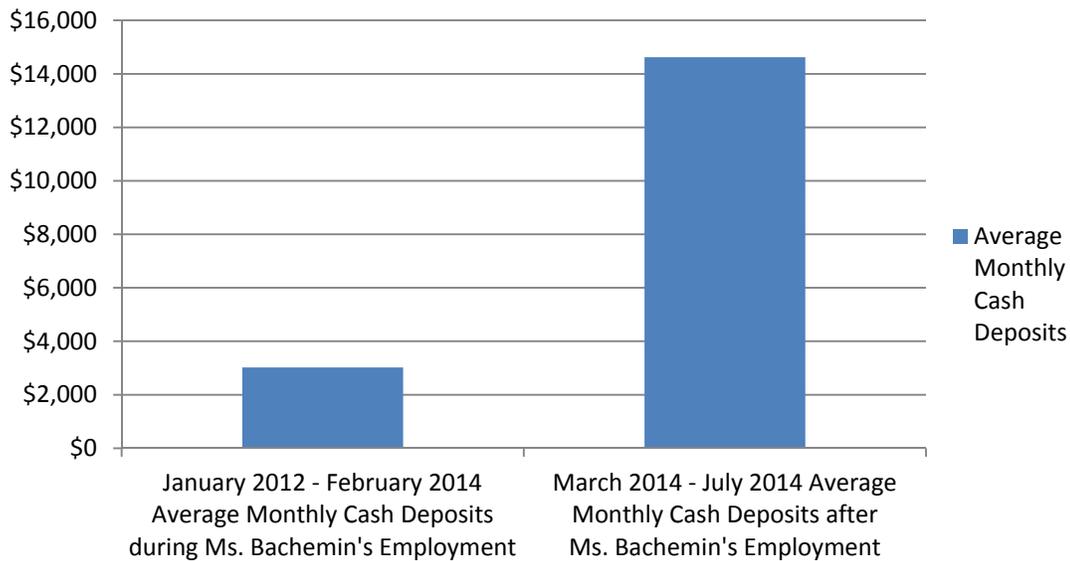
Cash Deposits Compared to Cash Collections

Based on available records, \$165,402^B in cash from rentals, concession stands, and alcohol sales should have been deposited into CCI's bank account from January 2012 until February 2014. However, CCI's bank records show \$78,538 in cash was deposited, leaving \$86,864 in cash not deposited. Since Ms. Bachemin resigned in February 2014, cash deposits have increased from \$3,021 per month to \$14,621 per month, as illustrated in the following table.

^A Cash receipts of \$110,837 + checks written for start-up cash \$24,850 = \$135,687.

^B Cash receipts of \$110,837 + checks written for start-up cash \$24,850 + cash collected for rental fees \$29,715 = \$165,402.

Average Monthly Cash Deposits



Stephanie Bachemin’s Personal Bank Account

Ms. Bachemin’s personal bank records for the dates she was employed by the Parish show 57 cash deposits totaling \$59,998 to her personal bank account in excess of her normal paycheck, which may violate state law.^{1,2,3,4,5} We contacted Ms. Bachemin to discuss the missing cash and the cash deposits to her personal bank account, but she refused to answer any questions and referred us to her attorney. Ms. Bachemin’s attorney refused our request to interview her. A draft copy of the report was provided to Ms. Bachemin’s attorney, but he did not submit a response.

Family Members Working for St. Bernard Cultural Center, Inc. (CCI)

Ms. Bachemin paid her daughters with funds from CCI to work events at the Civic Center, which may violate state law.⁶

Ms. Bachemin’s daughters were paid 24 times totaling \$3,188 from CCI’s bank account. Twenty-one of the payments had an event name or dates in the “For” section on the front of the check, and Ms. Bachemin authorized 23 of the 24 payments. As previously mentioned, the Civic Center is owned by the Parish and operated by CCI. However, Ms. Bachemin was a Parish employee and is subject to state laws governing public employees. Ms. Bachemin may have violated state law⁶ by paying her children with CCI funds to work events at the Civic Center she managed. Ms. Bachemin refused to speak with us regarding this matter.

Noncompliance with Audit Law

St. Bernard Cultural Center, Inc. (CCI) did not obtain the required audit of its financial records for the 2012 and 2013 fiscal years, which may violate state law.⁷

State law⁷ requires recipients of public funds totaling \$200,000 or more to have their accounting records reviewed or audited and the report filed with the Louisiana Legislative Auditor (LLA). Since the Civic Center is Parish-owned and is operated by Parish employees through CCI, the operations of CCI are subject to the requirements of state audit law.⁷ CCI's bank records do not include any payments to an accountant or auditor, and CCI did not submit any audit reports to LLA. According to CCI's bank records, the deposits for 2012 and 2013 were \$401,009 and \$501,475, respectively. Since CCI's revenues exceeded the amount for an audit, but it did not obtain the required audit, it did not comply with state law.⁷

During the course of our fieldwork, we also noted the following:

- CCI could not provide any accounting records for 2012 or 2013.
- CCI had accounting software but did not use it.
- The cooperative endeavor agreement (CEA) between CCI and the Parish required CCI to receive an annual independent audit.
- The CEA required periodic financial reporting to CCI's board, but CCI did not provide any financial reports.
- The CCI has a point-of-sale system for the concession stands, but it was not used.
- All checks written over \$500 on CCI's bank account require dual signatures; however, Ms. Bachemin routinely wrote several checks less than \$500 to the same vendor on the same day. For example, Ms. Bachemin wrote five \$500 checks and one \$162 check on the same day in April 2013 to a food vendor.

Recommendations

We recommend CCI:

- (1) ensure adequate records are maintained regarding cash collections and deposits;
- (2) ensure cash deposits are made timely;
- (3) seek legal counsel regarding recovery of missing funds;
- (4) ensure that ethics laws are followed regarding family members employment;
- (5) adhere to the CEA with the Parish;
- (6) ensure all policies are followed and enforced; and
- (7) obtain the proper audits in accordance with state law.

LEGAL PROVISIONS

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

² **La. R.S. 14:230 (B)** provides that “It is unlawful for any person knowingly to do any of the following:
(1) Conduct, supervise, or facilitate a financial transaction involving proceeds known to be derived from criminal activity, when the transaction is designed in whole or in part to conceal or disguise the nature, location, source, ownership, or the control of proceeds known to be derived from such violation or to avoid a transaction reporting requirement under state or federal law.(2) Give, sell, transfer, trade, invest, conceal, transport, maintain an interest in, or otherwise make available anything of value known to be for the purpose of committing or furthering the commission of any criminal activity.(3) Direct, plan, organize, initiate, finance, manage, supervise, or facilitate the transportation or transfer of proceeds known to be derived from any violation of criminal activity.(4) Receive or acquire proceeds derived from any violation of criminal activity, or knowingly or intentionally engage in any transaction that the person knows involves proceeds from any such violations.(5) Acquire or maintain an interest in, receive, conceal, possess, transfer, or transport the proceeds of criminal activity.(6) Invest, expend, or receive, or offer to invest, expend, or receive, the proceeds of criminal activity.”

³ **La. R.S. 42:1461 (A)** provides that “Officials, whether elected or appointed and whether compensated or not, and employees of any ‘public entity,’ which, for purposes of this Section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

⁴ **18 United States Code Annotated (U.S.C.A.) §666** states, in part, “Whoever, if the circumstance described in subsection (b) of this section exists – (1) being an agent of an organization, or of a State, local, or Indian tribal government, or any agency thereof – (A) embezzles, steals, obtains by fraud, or otherwise without authority knowingly converts to the use of any person other than the rightful owner or intentionally misapplies, property that– (i) is valued at \$5,000 or more, and (ii) is owned by, or is under the care, custody, or control of such organization, government, or agency; or... shall be fined under this title, imprisoned not more than 10 years, or both. (b) The circumstances referred to in subsection (a) of this section is that the organization, government, or agency receives, in any one year period, benefits in excess of \$10,000 under a Federal program involving a grant, contract, subsidy, loan, guarantee, insurance, or other form of Federal assistance....”

⁵ **18 U.S.C.A. § 1956** states, in part, “(a)(1) Whoever, knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity, conducts or attempts to conduct such a financial transaction represents the proceeds of some form of unlawful activity, conducts or attempts to conduct such a financial transaction which in fact involves the proceeds of specified unlawful activity– (A)(i) with the intent to promote the carrying on of specified unlawful activity; or ... (B) knowing that the transaction is designed in whole or in part– (i) to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity....”

⁶ **La. R.S. 42:1119 (A)** provides that “No member of the immediate family of an agency head shall be employed in his agency.”

⁷ **La. R.S. 24:513 (J)** provides, in part, that “(iii) Any local auditee that receives two hundred thousand dollars or more in revenues and other sources in any one fiscal year, but less than five hundred thousand dollars, shall cause to be conducted an annual review of its financial statements to be accompanied by an attestation report in accordance with the Louisiana Governmental Audit Guide. However, the legislative auditor, at his discretion, may require said local auditee to have an audit of its books and accounts. (iv) Any local auditee that receives five hundred thousand dollars or more in revenues and other sources in any one fiscal year shall be audited annually.”

APPENDIX A

Management's Response



St. Bernard Parish Government

8201 West Judge Perez Drive
Phone (504) 278-4200

Chalmette, Louisiana 70043
Fax (504) 278-4330

David E. Peralta
Parish President

January 5, 2015

Daryl G. Purpera, Legislative Auditor
Cory J. Lejeune
Office of the Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397
Via U.S. Mail and email cjlejeune@lla.la.gov

RE: Investigative Audit re St. Bernard Cultural Center Inc.

Dear Mr. Purpera:

Please be advised that we concur with the findings of the Investigative Audit regarding St. Bernard Cultural Center Inc. We do not suggest any modifications to the Investigative Audit.

If you have any further questions, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Peralta".

David E. Peralta
St. Bernard Parish President

A handwritten signature in black ink, appearing to read "John Rahaim".

John Rahaim
President, St. Bernard Cultural Center Inc.

A handwritten signature in black ink, appearing to read "Maurine Liuzza".

Maurine Liuzza
Auditorium Manager