

LASALLE ECONOMIC DEVELOPMENT DISTRICT



COMPLIANCE AUDIT
ISSUED JUNE 29, 2011

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 29, 2011

Mr. Walter E. Dorroh, Jr., President,
and Board of Commissioners
LaSalle Economic Development District
3225 North First Street
Jena, Louisiana 71342

Dear Mr. Dorroh:

We have audited certain transactions of the LaSalle Economic Development District (District) for the period September 2, 2005, to present. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain transactions.

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 of an audit by *Government Auditing Standards*. The concerns and results of our audit are listed below for your consideration.

Airplane Hangars

On September 2, 2005, the District and the LaSalle Parish Police Jury (Police Jury) entered into a cooperative endeavor agreement that transferred the Police Jury's ownership in the Jena Airport (airport) to the District. The agreement granted the District ownership, management, and maintenance of the airport, which included the airplane hangars.

Since the District took ownership of the airport, it has allowed the hangars to be used by outside entities, both public and private, without written agreements and free of charge. As a result, it appears that the District has allowed publicly owned assets to be used for private purposes in possible violation of the Louisiana Constitution.¹ In addition, because the District did not enter into written agreements with any of the lessees, we could not determine the necessity or reasonableness of the donation or if the donation benefited the District. Donations with no valid public purpose that are not necessary to the operation of the District or that are unreasonable may be a violation of the Louisiana Constitution which prohibits the donation of public property.

¹ **Article 7, Section 14 of the Louisiana Constitution** provides, in part, that "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."

The Attorney General provides guidance with regard to the donations of public assets in Opinion 08-0315 which states that “the public entity must have the legal authority to make the expenditure” and outlines a required three-prong test for the expenditure of public funds which must show the following:

1. There must be a public purpose that comports with the governmental purpose of the public entity.
2. When taken as a whole, the expenditure does not appear to be gratuitous.
3. There must be evidence demonstrating that the public entity has a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred.

Because the District has allowed private use of its assets without written agreements, it could not document evidence demonstrating that it had a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred. Good business practices dictate that the District enter into written lease agreements or cooperative endeavor agreements to document the public purpose of these agreements. Such agreements should be in writing and contain a reasonably definite description of the property leased, the purposes for which the property is leased, the rental to be paid, the term or duration of such lease, and such other stipulations and conditions as may be initially agreed upon. By clearly specifying the responsibilities of both parties, such agreements lessen the possibility of the District donating public assets in violation of the Louisiana Constitution.

Recommendation

The District should:

- (1) adopt policies and procedures which establish charges, fees, and tolls for the use of the hangars;
- (2) obtain appraisals on the hangars;
- (3) require written leases or cooperative endeavor agreements for all hangars; and
- (4) maintain records for all lease payments received on the hangars.

Mr. Walter E. Dorroh, Jr., President,
and Board of Commissioners
June 29, 2011
Page 3

This correspondence represents our finding and recommendation as well as management's response. This is a public report. I trust this information will assist you in the efficient and effective operations of the District. Should you have any questions, contact me at (225) 339-3839 or Dan Daigle, Director of Compliance Services, at (225) 339-3808.

Sincerely,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP:AFB:DD:dl

LASALLE EDD 2011

Management's Response

LaSalle Economic Development District

P O Box 1889
Jena, LA 71342

Telephone (318) 992-4107

Fax (318) 992-4110

June 16, 2011

Mr. Andrew LeJeune
Compliance Audit Services
P. O. Box 94397
Baton Rouge, Louisiana 70804

Via fax: 225-339-3987

In Re: LEDD Audit

Dear Mr. LeJeune:

Please find enclosed herewith my response to your report which was faxed to me on May 31, 2011. In responding to the report, I would note that the information in your first paragraph is correct.

The remaining information is generally correct. However, we should note that the Justiss Oil hangar was in existence long before the LaSalle Economic Development District took control of the airport. Any agreement concerning the lease and/or purchase of that hangar would have been made with the LaSalle Parish Police Jury.

We must acknowledge that we have not kept an accurate record of the use of the airport hangars that are not operated by Mr. Justiss. We will adopt the policies and procedures as recommended in your four recommendations. We will supply you with copies of any written leases which may exist at this time. We appreciate your having worked with us on this situation and will do our best to improve.

Yours very truly,

LaSalle Economic Development District


By: WALTER E. DORROH, JR.,
PRESIDENT
E-mail: wedjr@centurytel.net

WEDjr/lm