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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners, Executive Director
and Deputy Director of the Port of South Louisiana
and the Louisiana Legislative Auditor

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date 02-07-01

We have performed the procedures enumerated below, which were agreed to by the Port of South Louisiana and the Louisiana Legislative Auditor, solely to assist the Port in determining whether and to what extent payments included in certain accounts (as specified in our engagement letter) and payments to individuals in certain positions violate applicable Louisiana state laws and regulations and/or Port policies. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified parties of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows.

PROCEDURES:

1. We obtained the following reports from management of the Port of South Louisiana:
 - a. General ledger detail reports for each of the three years ended April 30, 1997, 1998 and 1999.
 - b. Vendor history reports for all commissioners, executive directors, deputy directors, the director of administration, finance directors, all credit card companies, and Ellis-Apple & Company, L.L.C.
2. We selected 351 transactions to be tested.
3. We obtained support (including invoices, purchase orders, cancelled checks, travel reports, and/or any other form of support) for each of the transactions selected in procedure 2.
4. We examined the support provided in procedure 3 for each of the transactions selected in procedure 2 and noted whether such items complied with applicable state laws and regulations and/or Port policies.

FINDING I:

We found 58 instances that we consider to be findings.

- Ten (10) items included payment or reimbursement for meals which were not supported by an invoice.
- One (1) item included personal expenses.
- One (1) item included expenses for spouses.
- Twenty-five (25) items included expenses for flowers.
- Nine (9) items included expenses considered to be donations.
- Twelve (12) items included expenses for alcoholic beverages.

Per discussion with Port representatives regarding the ten (10) items which were not supported by invoices, the Port did not require commissioners or employees to submit restaurant receipts for meals which were purchased with an American Express credit card. The Port paid these expenses directly from the credit card statement.

The one item noted above as personal expenses represents a check written to Mr. R. Clements in the amount of \$5,000.00. This check was written to reimburse Mr. Clements for moving personal furnishings from 117 Kembra Drive, LaPlace, Louisiana and 197 West 10th to Amelia Island, Florida.

RECOMMENDATION I:

We recommend that the Port review all reimbursements made to or on behalf of employees and commissioners for the period May 1, 1996 to April 30, 1999. In addition, the Port should obtain a legal opinion as to whether questionable expenses comply with applicable state laws and regulations. The Port should request reimbursement for any payments made to or on behalf of employees or commissioners which are determined to be a violation of applicable state laws and regulations. The Port should limit all expenses to reasonable and allowable amounts necessary to accomplish the Port's duties and responsibilities. All travel and entertainment expenses should be supported by acceptable documentation. Adequate explanation and detailed records are necessary to substantiate travel and entertainment expenses. The Port should require the following for substantiation.

- Travel expenses: Date(s), nature, destination, amount and business purpose. Receipts should be available for lodging and transportation.

- Entertainment expenses: Date(s), nature or type of entertainment, amount, person(s) entertained, business relationship and business purpose. Receipts should be available for expenses.

All expense reports should be approved by an independent, responsible employee. All personnel incurring travel and entertainment expenses should be provided detailed instructions on the requirements for substantiating these expenses.

FINDING 2:

We found seven (7) items that we consider to be questionable. The seven (7) items included expenses that could be construed to be alcoholic beverages. For instance, there were charges on hotel bills such as "Lobby Lounge". These items could be in noncompliance with certain state laws and regulations and/or prudent business practices.

RECOMMENDATION 2:

See Recommendation 1 above.

FINDING 3:

During our test of transactions we noted that, during the period September 1997 to May 1998, the Port paid \$20,731.00 to Ellis-Apple and Company, CPAs for an audit of Bay Star Enterprises, the company previously responsible for managing Globalplex. We noted that the firm had withdrawn from the audit due to a lack of cooperation from Bay Star Enterprises. Bay Star claimed that certain documents requested by Ellis-Apple could not be produced because they were included in a Louisiana State Police criminal investigation. Upon further inquiry, we noted that an attorney, Steve Irving, was hired to effect completion of the audit. Mr. Irving hired LaPorte, Sehart, Romig & Hand, CPAs, who also withdrew from the engagement due to their inability to obtain documents from the Louisiana State Police. On January 27, 2000, Mr. Irving recommended that the Port make a determination as to the financial viability of Bay Star Enterprises. We found no evidence through inquiry or otherwise that any further action has been taken with regard to this issue.

Also during our test of transactions, we noted that the Port reimbursed Ellis-Apple for expenses related to a representative from Ellis-Apple traveling to Florida to speak with a former Executive Director, Mr. Richard Clements, about the Bay Star Enterprises audit issue. The travel expenses for the one-day trip totaled \$839.00 and included a hotel bill for \$561.00. The hotel bill included a \$268.00 charge described as "banquet" and a \$49.00 charge described as "lobby lounge". These expenses appear to be excessive as well as the possibility that alcoholic beverages were purchased.

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RECOMMENDATION 3:

It is our understanding that the Port intends to followup with Ellis-Apple and Company, CPAs. We recommend that the Port contact the company as soon as possible and pursue this issue until a satisfactory resolution is achieved. We further recommend that the Port review travel expenses of subcontractors carefully, considering whether they were authorized, necessary, reasonable and allowable.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties, and is not intended to be and should not be used by anyone other than these specified parties.

Kushner LaGraize, L.L.P.

Metairie, Louisiana
January 11, 2001