

## LEGISLATIVE AUDITOR

### CALCASIEU AREA COUNCIL, ON AGING, INC. Lake Charles, Louisiana

#### FINDINGS AND RECOMMENDATIONS

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##### **Adequate Accounting Records Not Maintained**

The council did not maintain adequate accounting records. The council did not:

- Maintain a separate general ledger for each fund of the council. The present ledger system consists of one fund with account codings used to identify the various activities of the council. The present ledger system did not include the financial transactions of the council's Bingeaux Cafe and progressive jackpot accounts.
- Retain a detailed general ledger and a pre-closing trial balance for the year ended June 30, 1995. Therefore, it was impossible to reconcile the council's accounting records with reports filed with the OSA.
- Prepare monthly cash disbursements and cash receipts journals for the Bingeaux Cafe and progressive jackpot bank accounts.
- Record Binge Fund receipts and disbursements at gross. Receipts and disbursements from bings sessions were recorded net of payouts made with cash collections.
- Retain amortization schedules for the bank loans, automobile lease, and mortgage on the building.
- Maintain adequate records for the use and rental of the council's "L-Room" (council's meeting room).
- Maintain complete employee personnel files. The individual employees' personnel files did not include payroll information relating to approved salary or rate of pay. Personnel records for some Bingeaux Cafe employees consisted of the employee's application for employment and the Employee's Withholding Allowance Certificate Form W-4. In addition, employee personnel records could be accessed by employees outside of the personnel department. The maintenance supervisor had the key to the personnel office door and had access to the keys to the filing cabinets where the personnel records were kept.
- Maintain up-to-date fixed asset records.

- *The council did not pay the provider promptly.* This criticism pertains to consequences that came to pass after I left.
- *The council had no written policies and procedures to monitor and assess the services of the provider.* During my course of time as executive director of CCDA, the board assess developed written policies and procedures to monitor and assess the services of the provider. However, to keep the agency in compliance with ODEA, policies and procedures, and with the Older Americans Act, I did most certainly develop policies as demonstrated in the FY'96 service provider contracts, requests for proposals, and in the 1994 three-year Area Plan submitted to ODEA. Copies of these documents should have been readily accessible at the CCDA administrative office, as they were there when I left. Copies may also be obtained from the Governor's Office of Elderly Affairs.
- *Employees were paid from the federal programs, however, they did not complete time sheets indicating they worked on the federal programs.* I am totally unfamiliar with this requirement.

#### **Unaffordable Costs Incurred**

I am alive to any knowledge regarding the bank fees and credit card charges being paid from U.S.D.A. monies. I do believe that in 1996 funds were coded from the U.S.D.A. account to the general fund to reimburse the general fund for U.S.D.A. incurred expenses.

As shown in past report, on the day of my suspension there was \$90,719 in that fund.

#### **Failure to Comply with Cash Management Requirements**

This critique took place subsequent to my suspension by the board.

#### **Failure to Comply with the Drug-Free Workplace Act**

*The Council did not have an ongoing drug-free workplace policy.* The agency "Orientation Manual" that I wrote does contain a published policy statement informing employees about the drug-free workplace requirement of CCDA. This policy was approved by the board as verified by the minutes of that meeting held August 17, 1995. However, I was not told by ODEA nor any other entity that this act applied to councils on aging, is any of the compliance training that I attended. Each employee received a copy of the "Orientation Handbook" during my term with CCDA, and training was provided and documented. Each person was required to attend that training and sign a statement stating that they had read, understood and received a copy of the manual. Verification of this was contained in the employee files as I left them. I was never

approved of any requests for an ongoing program, in that I believed that act applied only to state agencies.

#### ***Council Lacks Monitoring System for Subrecipients***

Inside as CCDA is no longer an area agency on aging (AAA), this criticism is moot. Please be aware, however, that I did indeed formulate and properly execute contracts for FY76 with the subrecipients of the AAA, clearly defining a comprehensive monitoring system during my incumbency. These documents, together with the audits of the subrecipients were contained in my office files prior to my leaving.

#### ***Failure to Fully Comply with Civil Rights Act Requirements***

Steve Torpeau, planner/analyst for CCDA was assigned to oversee civil rights compliance, track complaints, and issue reports while I was executive director of CCDA. Proof of this assignment can be found with the Department of Transportation and Development (DOTD), Urban Mass Transportation Administration (UMTA) Section 16(b)(2), and from certifications contained in the 1994 CCDA Area Plan on file at the CCDA. I can only suppose that this criticism results from the problems that occurred after Steve and I left.

## LEGISLATIVE AUDITOR

### CALCASIEU AREA COUNCIL ON AGING, INC.

Lake Charles, Louisiana

#### Findings and Recommendations (Continued)

Handbook states, "Performance is appraised once a year. Raises are not guaranteed but are also considered once a year and are based on performance. The percentage of annual salary increases is determined by the Board of Directors based on the availability of funds from year to year." The council's Orientation Handbook also provides that the executive director may be evaluated by the board president and chairman of the personnel committee twice each year.

Ms. Mills Seals approved her own salary increase from \$44,999.75 to \$48,152.00 on July 19, 1994. This salary increase was made retroactive to July 1, 1994. The last review of Ms. Mills Seals' performance was on March 8, 1991, and there was no evidence that the salary increase was consistent with the Consumer Price Index.

Ms. Mills Seals informed us that on May 11, 1994, she submitted a list of her 1994 activities (Director's Activities Report) to the board. The board minutes for May 11, 1994, state that the board approved the report as presented, with the report serving as an annual evaluation of the executive director. Although the minutes state that the activities report serves as an annual evaluation of the executive director, there was no board resolution increasing the executive director's salary.

The council should specifically approve the executive director's salary. In addition, the council should determine whether it is appropriate to recover from Ms. Mills Seals the unauthorized pay increase paid her for the period July 1, 1994, through her final payroll check dated September 5, 1996.

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#### Electronic Data Processing Controls Are Inadequate

The council's electronic data processing (EDP) controls are inadequate. Our review of EDP controls disclosed the following weaknesses in access, disaster recovery, and contingency planning controls:

- No one employee was assigned the responsibility for EDP security, passwords were not changed at regular intervals, and passwords were not canceled for terminated employees.
- All transaction files were not backed up. While transaction files that were entered on the network were backed up daily, those transaction files that were not entered on the network were not backed up. Because of the failure to back up transaction files, the accountant deleted and had to re-enter two months of transactions for one bank account.
- Off-premises storage was not maintained for transaction files.

## LEGISLATIVE AUDITOR

### CALCASSIEU AREA COUNCIL ON AGING, INC. Lake Charles, Louisiana Findings and Recommendations (Continued)

be paid for unused vacation only upon termination. The Louisiana Attorney General has addressed this issue in his Opinion No. 88-233. He states that a public employer may only compensate an employee for unused vacation time if, due to the exigencies of his employment, the employee is unable to take a vacation. There was no documentation available to show that Ms. Millie Scafe or Mr. Roger Fontenot could not take their vacation leave because of the urgency of their jobs.

- On September 14, 1985, three and one-half months before the end of the calendar year, Ms. Millie Scafe was paid her regular salary (\$820) and for 40 hours (\$820) of vacation time.
- During the fiscal year ending June 30, 1986, Mr. Roger Fontenot was simultaneously paid vacation and regular pay on nine different occasions, none of which were near the end of the calendar year. The nine vacation payments totaled \$6,563.
- Vacation leave, sick leave, and compensatory leave records were not maintained for Ringaux Cafe employees.
- The council's payroll bank accounts were not maintained on an imprest basis (deposits to the payroll bank account should agree to disbursements made from the payroll bank account).

The council should (1) require all employees to prepare and sign a time sheet every pay period and have the immediate supervisor approve the time sheet; (2) adopt a policy relating to the payment of compensatory time upon termination; (3) designate a board member to approve overtime or compensatory time for the executive director; (4) require that the executive director enforce its adopted overtime and compensatory policies for all other council employees; (5) not enter into any employment contracts that conflict with the council's own policies and procedures or state law and enforce its policies relating to earning and taking vacation leave; (6) maintain leave records for all employees of the council; and (7) maintain the payroll account on an imprest basis.

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#### Executive Director's Salary Increase Unauthorized

The former executive director (Ms. Millie Scafe) increased her salary without approval. Ms. Millie Scafe's employment contract, dated June 18, 1983, provides that she be given incremental cost of living increases consistent with the Consumer Price Index if funds are available, after biannual reviews of her performance. In addition, the council's Ordination

**CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Continued)

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**Lack of Controls Over Payroll**

The council did not have adequate payroll procedures. The control weaknesses were:

- Time sheets were not always prepared, signed by the employee, and approved by the employee's immediate supervisor.
  - The former executive director (Ms. Millie Seals), former EPS Supervisor (Ms. Eugenie Tullos), and the former Public Relations Specialist (Ms. Toni Casaway) did not prepare time sheets.
  - The former bingo hall/Bingesse Cafe manager (Mr. Roger Fontenot) did not submit weekly time sheets.
  - A review of time sheets for three pay periods for the Bingesse Cafe employees revealed that time sheets were not always signed by the employee and approved by the employee's supervisor.
  - Mr. Steve Torgeson, former Assistant Executive Director, approved his own time sheets and the time sheets of all other council employees (excluding the council's Bingesse Cafe employees time sheets).
- Employees earned compensatory time without obtaining prior written approval. In addition, the former executive director (Ms. Millie Seals) approved her own Compensatory Time Request forms. As detailed in the following analysis, compensatory time can have a significant impact on council finances:
  - Former Executive Director Seals earned 21 hours of compensatory time, or \$716, for attending conferences.
  - From August 17, 1995, through August 15, 1996, Ms. Millie Seals was paid \$5,334 for compensatory leave in addition to her regular salary.
  - Upon his resignation on October 14, 1996, Mr. Roger Fontenot requested payment of \$58,662 for 3,860 hours of compensatory time that he claims he earned since January 1995.
- The former executive director (Ms. Millie Seals) and former bingo hall/Bingesse Cafe manager (Mr. Roger Fontenot) were simultaneously paid vacation and regular pay in violation of their employment contracts and the council's policy manual. Ms. Millie Seals' and Mr. Roger Fontenot's employment contracts provided that they were to be paid for all unused vacation time at the end of the calendar year. However, the Orientation Handbook states that employees can

LEGISLATIVE AUDITOR

CALCASIEU AREA COUNCIL ON AGING, INC.

Lake Charles, Louisiana

Findings and Recommendations (Continued)

5. Implement a purchase-order system for disbursement of funds over a specified dollar threshold.
  6. Require that prenumbered receiving reports be used for all food items and supplies received by the council. A receiving report should be completed by a designated employee with no purchasing, invoice processing, accounts payable, and general ledger functions.
  7. Discontinue using a bank card.
  8. Require that each employee maintain a list of all long-distance calls made. These lists should be compared to the monthly telephone statements to ensure that all long-distance calls are for council business.
  9. Monitor unpaid bills to ensure that they are paid timely.
  10. Ensure that all disbursement functions are centralized and paid in accordance with the council's disbursement policies. In addition, checks should not be made payable to "cash" or to a "banking institution."
  11. Maintain inventory records for all food items and certain supplies.
  12. Prohibit payment to employees' personal credit card companies. In the event that an employee pays for business expenses with his/her personal funds, the employee should complete an expense reimbursement request and submit this form, along with the supporting documentation, to the appropriate supervisor for approval. The payment should be made to the employee and not directly to the employee's personal credit card company.
  13. Ensure that (a) individual petty cash reimbursements are documented by a form that includes the person being reimbursed and purpose of reimbursement, and (b) supporting documentation is attached to the form. When the petty cash fund is replenished, another form should be used to summarize the petty cash reimbursement forms. The OCA Policy Manual (Appendix A, Subsection II, A-30) provides a recommended form for replenishing petty cash.
  14. Compare or reconcile the odometer readings on the gasoline statements received from the vendor to those on the vehicle mileage logs.
  15. Adopt and implement formal policies and procedures requiring timely preparation and supervisory review and approval of bank reconciliations.
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## LEGISLATIVE ACTION

### CALCASIEU AREA COUNCIL ON AGING, INC.

Lake Charles, Louisiana

Findings and Recommendations (Continued)

- Two Elderly Protective Services (EPS) account checks made payable to a bank were cashed by a council employee.
  - Check No. 1030 for \$205, payable to "Calcasieu Marine National Bank," was signed (dual signatory with Ms. Mary Runnels, interim executive director), endorsed, and cashed by the EPS supervisor. The council's "Request for Funds" form indicated that the cash was for an elderly client whose social security check had been stolen.
  - Check No. 1030 for \$200, payable to "Calcasieu Marine," was signed (sole signatory), endorsed, and cashed by the EPS supervisor. A filing attached to the check copy indicated that the cash was used to purchase registration, license, insurance, and gasoline for an elderly client's vehicle (\$250) and clothing, food, and miscellaneous items (\$44). The council was unable to provide invoices to support \$130 of the expenditures.
- The council did not compare or reconcile the odometer readings on the gasoline statements received from the vendor to those on the vehicle mileage logs.
- Bank reconciliations were not prepared and approved in a timely manner. The Singaux Data Payroll account was not reconciled for the months of December 1999 through June 1999 and October 29, 1999. At the date of our field work, the progressive (jackpot) account had not been reconciled since February 1999, and council employees were unable to locate the March, April, and May 1999 bank statements, canceled checks, and deposit tickets. In addition, the bank reconciliations contained no evidence of approval by supervisory personnel.

The council should:

1. Require that all checks be signed by the executive director and a designated board member only when there is adequate documentation to support the disbursements, such as original invoices from vendors (payment from a statement or copy of an invoice, including a facsimile, should be prohibited).
2. Give the signed checks to the executive director's secretary to be mailed to the vendor.
3. Ensure that paid invoices are canceled or stamped "paid" or otherwise defaced to prevent duplicate payment.
4. Ensure that paid invoices and all other supporting documentation are filed in an appropriate manner to safeguard them from being misplaced or lost and to prevent unauthorized personnel from having access to them.



LEGISLATIVE AUDITOR

CALCASIEU AREA COUNCIL ON AGING, INC.

Lake Charles, Louisiana

Findings and Recommendations (Continued)

- There were 25 payments from the Bingleaux Cafe account totaling \$8,960 for which there were no supporting invoices or supporting documentation.
- Disbursements totaling \$4,233 for bank card purchases for gasoline (\$628), hotels (\$1,806), restaurants (\$213), vehicle rental dues (\$488), subscriptions and seminar registration (\$321), airfare (\$158), and office supplies (\$333) were not supported by original invoices.
- There were 23 payments totaling \$5,072 for telephone usage which were not supported by detailed invoices from the telephone companies allowing the long-distance telephone calls.
- There was no support for the protection services provided by off-duty law enforcement officers for the bingo sessions. For fiscal year ending June 30, 1988, \$70,720 was paid for protection services at the bingo hall.
- There was no support for an August 8, 1985, payment to an employee for \$300. The employee informed us that the bingo hall/Bingleaux Cafe manager failed to enroll her in the council's health insurance plan and the \$300 was paid to her to offset part of the medical expenses she incurred from March 1985 through June 1986. However, according to the health insurance premium statements, the employee was enrolled in the health insurance plan from April 1984 through January 1986.
- Although petty cash reimbursements of \$2,173 were supported by cash register tapes, charge card receipts, and other forms of receipts, there was no documentation of the person being reimbursed and purpose of the reimbursement.
- Two payments totaling \$750 were made from a facsimile copy of an invoice.
- Bingleaux Cafe bills were not paid timely. In our test of disbursements, we noted six invoices totaling \$4,081 that were paid from three months to eight months after the invoice date.
- An inventory system was not in place to account for food items and supplies purchased, consumed, and on hand.
- Payment of \$127 was made to an employee's (Mr. Roger Fontenot) personal credit card company. According to Mr. Roger Fontenot, this was for software purchased from Disc Easy to be used to run the payroll for the cafe.

**CALOUSHU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Continued)

machine, (6) reconciled the payroll bank account, (7) maintained control over payroll checks, and (8) reviewed payroll reports for errors and irregularities.

Similar problems were noted for the Bingeaux Cafe payroll. The assistant accountant (1) prepared the payroll from the employee time sheets, (2) prepared the payroll checks, (3) was the sole signatory on the payroll checks, (4) had custody of the payroll check book, and (5) reconciled the payroll account.

As a result of these incompatible duties, there is a significant risk that council assets could be misappropriated, payments could be made to unauthorized or fictitious persons, and errors or irregularities would occur.

The council should (1) separate duties to the extent feasible and practical, and (2) combine the Bingeaux Cafe payroll with the council's payroll (only one payroll system and bank account).

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**Lack of Controls Over Disbursements**

The council did not have adequate controls and procedures in place to control disbursements. The control weaknesses were:

- Neither the executive director nor designated board member approved disbursements before payment. The OEA Policy Manual (Appendix A, Subsection I, Chapter 2) requires the executive director to approve invoices or other supporting documentation before payment.
- Dual signatures were not required on all checks and blank checks were signed. We observed eight blank checks from the Elicity Protective Services (EPS) account that were signed. Also, co-signatures were not required on the EPS checks until May 23, 1998.
- Invoices were not canceled or marked paid to prevent duplicate payment.
- Purchase orders and receiving reports were not used.
- Mathematical correctness of invoices was not checked before payment (quantities and unit prices were not verified, extensions were not calculated, and totals were not added).
- Disbursements were made without adequate supporting documentation.

### ***Annual Sworn Financial Statements Not Filed***

This criticism must be corrected by the report now in power at CCOA, as the problem came to pass after I left May 22, 1996.

### ***Failure to Complete the Louisiana Compliance Questionnaire***

This criticism must be credited to those who now reign over CCOA, as it pertains to events that befall after I left.

### ***Failure to Comply with Adult (Elderly) Protective Services Contract***

This criticism must be amended to those who now dictate, as the issue occurred about 1 year. In fact, this failure to comply resulted in the loss of the contract to the state.

### ***Failure to Comply with Special Programs for the Aging Contract***

This criticism must be amended with those who now set standards at CCOA, as all contracts existed and were in compliance, as verified by reports from OEA and the Inspector General's Office, on the day of my departure. I cannot attest to the integrity of any records of any programs administered by CCOA, its board, or current staff as they exist subsequent to May 22, 1996.

I know of no policy, procedure, law, rule or regulation that prohibits the deposit of locally generated funds into a general fund holding state and federal moneys, when used to supplement agency expenses and/or grant program budgets, if those moneys are accounted for separately. I do not concur with your use of the word "commingled" as I interpret significance of that term.

### ***Failure to Comply with U.S.D.A. Contract***

The council did not comply with its contract with OEA relating to United States Department of Agriculture (U.S.D.A.) Cash-in-Lieu of Commodity (C.F.B.A. 11.570) funds.

- *Non-federal revenues were commingled with the U.S.D.A. Cash-in-Lieu of Commodity federal funds.* All funds were accounted for separately, therefore, they were not commingled. I know nothing of any policy, procedure, rule or regulation that prohibits the depositing of state, federal, and/or local funds into a single general fund, as is standard procedure for councils an aging in this state. Rather, it is a practice that is encouraged and approved by OEA. Depending on the context of your statement, I am not sure that I clearly understood what you intended to imply in the use of the word, "commingling".

**CALCASSIEU AREA COUNCIL ON AGING, INC.**  
 Lake Charles, Louisiana  
 Findings and Recommendations (Continued)

Because of the inadequate accounting records, financial reports for all council activities could not be prepared and the financial reports that were prepared could not be reconciled to the council's accounting records. In addition, we were not able to complete the financial statements or perform an audit of the council.

The council should (1) maintain a separate general ledger for each fund of the council; (2) print and retain the monthly detailed general ledgers; (3) prepare monthly cash disbursements and cash receipts journals for all bank accounts; (4) record gross receipts and disbursements from bingo sessions; (5) update monthly and retain amortization schedules for the bank loans, automobile lease, and mortgage on the building; (6) develop procedures to account for fees charged and collected for the rental of the "L-Floor"; (7) maintain individual employee personnel files for all employees in accordance with the OSA Policy Manual and limit access to the personnel records to employees in the personnel department and the executive director; and (8) adopt written fixed asset policies and procedures, that include performing an annual physical inventory, tagging all fixed assets, periodically reviewing the list of fixed assets to determine the adequacy, type, and amount of insurance coverage, and computing depreciation and expected useful lives for exhaustible fixed assets used by the Bingerus Cafe operations.

#### **Need to Improve Controls Over Revenue**

The council did not have adequate controls over revenue. The control weaknesses were:

- Incoming checks were not restrictively endorsed upon receipt and a listing of the incoming checks was not prepared.
- The individual (assistant accountant) who records the revenue in the accounting records also prepared the bank deposit and reconciled the bank account.
- The same person that prepared the bingo session reports also counted the bingo session receipts and prepared the bank deposit.
- Cash receipts were not deposited intact. For example:
  - Cash from the bingo session cash receipts was used to cash a \$680 travel advance.
  - Cash from the Bingerus Cafe cash registers (from food sales) was used to cash the petty cash replenishment checks.
- Detailed register tapes were not maintained for the Bingerus Cafe's cash registers to support the total sales summary tape.

**CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana

Letter Report  
Dated November 20, 1998

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LEGISLATIVE AUDITOR

**CALCASIEU AREA COUNCIL ON AGING, INC.**

Lake Charles, Louisiana  
Background (Continued)

During the year ended June 30, 1995, a number of allegations regarding the conduct of affairs of the council were made public by several employees and others. The OGA conducted various reviews of the council and issued reports dated July 23, 1995, September 5, 1995, and September 20, 1995. These reports may be obtained by writing to the Governor's Office of Elderly Affairs, Post Office Box 90374, Baton Rouge, Louisiana 70899-0374, or by calling (504) 825-1700.

The Office of Inspector General conducted a review of the council and issued a report dated October 30, 1995. This report (file number 1-95-0083) may be obtained by writing to the Office of State Inspector General, Post Office Box 94095, Baton Rouge, Louisiana 70804-9095, or by calling (504) 340-4262. In addition, the Louisiana State Police issued a report dated July 11, 1995, relating to an alleged theft of \$4,583 from the council's Bregisau Cafe that occurred during the period from December 4, 1994, through January 3, 1995. The Louisiana State Police was unable to determine the whereabouts of the missing funds because of poor controls and poor accounting records. This report (case number R21002508) may be obtained by writing to the Office of State Police, West District Detectives, 121 East Port des Moutons, Lafayette, Louisiana 70507, or by calling (318) 262-3341.

The following section includes our findings and recommendations. We have included management's responses in Attachment I.

## LEGISLATIVE MONITOR

### CALCASIEU AREA COUNCIL ON AGING, INC. Lake Charles, Louisiana

#### BACKGROUND

Local councils on aging are created under Act 435 of 1964 for the welfare of aging people in their parishes. Councils on aging are established by state law (Louisiana Revised Statute 48:1801 et seq.) and incorporated under Louisiana's corporation laws. Charters are issued by the Secretary of State upon the advice of the Governor's Office of Elderly Affairs (OGA). The council, incorporated on May 20, 1982, is a non-profit corporation which must comply with the policies and regulations established by the OGA, the state agency which provides the council with most of its revenue.

The majority of the council's revenues are comprised of federal assistance funds passed through the OGA. During the year ending June 30, 1996, the council received federal assistance funds of approximately \$1,600,000. The council also received revenues of approximately \$1,200,000 from its bingo and video bingo operations, Singeaux Cafe sales, state funds, donations, and other sources.

The council is governed by a board of directors selected through the board's nominating committee and elected by the council's general membership. The eleven person board oversees the operations of the agency that is under the management of an executive director and her staff. The council is a multi-parish area agency on aging and is responsible for oversight of the Allen and Jefferson Davis Councils on Aging.

The following individuals have served as either interim director or executive director since July 1, 1982:

Name	Title	Term
Ms. Billie Soak	Executive Director	July 1, 1982 - May 23, 1985
Ms. Mary Rumbels	Interim Executive Director	May 23, 1985 - June 10, 1985
Mr. Freddie Hoffman	Interim Executive Director	June 10, 1985 - June 28, 1985
Mr. Raphael Joseph Lee	Interim Executive Director	June 28, 1985 - Sept. 28, 1988
Ms. Teri Caraway	Interim Executive Director	Sept. 28, 1988 - Nov. 11, 1990

On November 11, 1990, the board of directors appointed Ms. Teri Caraway as the council's executive director.

On October 14, 1996, Mr. Roger Fontenot, the council's bingo hall and Singeaux Cafe manager, resigned. On November 26, 1996, Ms. Jolene Frugs, the council's chief fiscal officer, terminated.

The Elderly Protective Services (EPS) contract between OGA and the council was terminated by OGA on October 17, 1996. OGA assumed responsibility for the services.

LEGISLATIVE AUDITOR

**CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Executive Summary (Concluded)

- The council did not comply with the Louisiana Public Bid Law.
- The council failed to maintain timely written minutes of board meetings.
- The council did not file annual sworn financial statements with the Office of Legislative Auditor.
- The council did not complete the Louisiana Compliance Questionnaire.
- The council failed to comply with its contract with OCA relating to Adult Protective Services funds.
- The council failed to comply with its contract with OCA relating to Special Programs for the Aging funds.
- The council failed to comply with its contract with OCA relating to United States Department of Agriculture Cash-in-Lieu of Commodities funds.
- The council charged unallowable costs to the United States Department of Agriculture Cash-in-Lieu of Commodities federal financial assistance program.
- The council failed to comply with federal cash management requirements.
- The council failed to monitor subrecipients.
- The council did not fully comply with the Civil Rights Act requirements.



LEGISLATIVE AUDITOR

CALCASIEU AREA COUNCIL ON AGING, INC.  
Lake Charles, Louisiana

EXECUTIVE SUMMARY

The following represents a summary of the findings that resulted from our financial related audit of the Calcasieu Area Council on Aging, Inc., dated November 26, 1998. Detailed information relating to the findings can be found in the findings and recommendations section of the report.

- The council failed to maintain proper accounting records.
- The council did not maintain adequate controls over revenue.
- The council did not maintain adequate separation of duties over disbursements.
- The council did not maintain adequate controls over disbursements.
- The council did not maintain adequate controls over payroll.
- The council did not authorize the former executive director's salary increase.
- The council did not maintain adequate controls over electronic data processing.
- The council failed to comply with travel regulations.
- The council failed to adopt budgets for some funds.
- The council failed to comply with the Governor's Office of Elderly Affairs policy prohibiting employment of family members.
- The council's former fiscal officer received additional compensation.
- The council furnished large supplies to another without obtaining a distributor's license.
- The council advanced and loaned funds in violation of council policy.
- The council did not report the personal use of the council's automobile as taxable income.
- The council did not adequately invest idle funds.

**CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana

Letter Report  
Dated November 28, 1990

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

April 9, 1997



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November 20, 1998

**Independent Auditor's Report**

**MS. TONI CARAWAY, EXECUTIVE DIRECTOR,  
AND MEMBERS OF THE BOARD OF DIRECTORS  
CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana

We attempted to audit the financial statements of the Calcasieu Area Council on Aging, Inc., (council) as of June 30, 1998, and for the year then ended. It is the responsibility of management of the council to maintain adequate accounting records and internal controls and to prepare financial statements in accordance with generally accepted accounting principles. Our responsibility is to express an opinion on the council's financial statements based on an audit of these statements.

Our audit was to have been conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards contained in Government Auditing Standards, issued by the United States Comptroller General, and the provisions of the Office of Management and Budget Circular A-133, "Audits of State and Local Governments." However, because of a failure by the council to maintain adequate accounting records, we were not able to apply the foregoing standards and audit the accounts, records, and transactions of the council.

Our efforts were limited to a review of the council's records, or lack thereof, and procedures to determine whether such records were in a condition for audit. We conducted interviews with the prior executive director, Ms. Mills Sault; the current executive director, Ms. Toni Caraway; members of the board of directors; and current and former employees of the council. We examined specific transactions of the council as we deemed appropriate given the condition of the records.

Based upon the review, the accompanying findings and recommendations represent those conditions that we feel warrant attention by the appropriate parties. Had the council's records permitted an audit in accordance with the foregoing standards, there might have been other matters that we would have brought to your attention.

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Calcasieu Area Council on Aging, Inc.  
Lake Charles, Louisiana

November 28, 1990



*Policy and Quality Assurance Division*

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*Daniel G. Kyle, Ph.D., CPA, CFE*  
*Legislative Auditor*

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

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**LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

**DIRECTOR OF POLICY AND QUALITY ASSURANCE**

**Grover C. Austin, CPA**

**CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Continued)

Failure to comply with the applicable travel regulations increases the risk that public funds may be used improperly and amounts paid for travel advances may exceed actual travel expenses.

The council should strictly enforce its travel policies. In addition, the council should limit travel advances to extraordinary travel.

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**Funds Not Budgeted**

The council failed to adopt budgets for all funds. Proper internal controls require that the council prepare, adopt, and publish a comprehensive annual budget to present a complete financial plan for the ensuing year. The council's budget document for the year ended June 30, 1996, failed to include the General, USDA Cash-in-Lieu of Commodities, Energy Assistance, Medicaid, Bingo, Video Bingo, and Bingeaux Cafe funds. In addition, the council failed to publish the proposed and adopted budgets in the newspaper. As a result, the council had not provided a framework from which all its revenues can be monitored and all expenditures controlled and the public has not been informed of the activities of the board.

The council should (1) prepare and adopt a budget that includes all the council's funds; (2) adopt a budget amendment when there has been a change in operations; (3) publish the proposed budget, adopted budget, and any subsequent amendments in the newspaper; and (4) retain copies of the adopted budget and the adopting board resolution at the council's records.

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**Failure to Comply With OEA's Policy of  
Employing Family Members**

The sister (Ms. Diane Foster) of the former executive director (Ms. Millie Gault) was employed by the council in violation of the OEA Policy Manual. The OEA Policy Manual states, "Area agencies shall not employ immediate family members in direct supervisory relationships."

For the year ended June 30, 1996, Ms. Diane Foster received salary payments totaling \$14,208 in an employee of the council (Bingeaux Cafe bookkeeper) while Ms. Millie Gault was the executive director.

The council should comply with the OEA Policy Manual in the future.

**CALCASSIN AREA COUNCIL ON AGING, INC.**

Lake Charles, Louisiana

Findings and Recommendations (Continued)

- Bingoaux Cafe cash receipts were balanced to the total sales summary tape by the same person who prepared the bank deposit.
- Deposits were not made timely for Bingoaux Cafe sales and progressive jackpot session fees. For example, there was a 3 to 8 day delay between the date of the sale and the date deposited in the bank account for 8 of the 10 days reviewed for Bingoaux Cafe sales.

The council should (1) require the receptionist to restrictively endorse all incoming checks and record those checks in a log; (2) compare the log of checks to the bank deposit detail listings by someone with no revenue functions to ensure that all checks received are deposited in a timely manner; (3) separate the duties of balancing reports/cash register tapes and preparing bank deposits; and (4) separate the duties of recording revenues, preparing the bank deposit, and reconciling bank accounts. In addition, cash receipts should be deposited intact daily and a detailed register tape should be generated by the Bingoaux Cafe cash registers.

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**Inadequate Separation of Duties Over Disbursements**

Council employees performed a number of duties relating to disbursements that were incompatible for a proper system of checks and balances. The fiscal officer recorded the disbursements of the general operating account in the council's accounting system, signed checks with a check signing machine (since May 23, 1999, the payroll checks are signed by two board members), mailed the checks to the vendors, and reconciled the bank account. After the checks were signed and mailed, the check copies and supporting documentation were given to the executive director for review.

For the council's Bingoaux Cafe operation, the manager of the Bingoaux Cafe (Mr. Roger Fontenot) entered the food items, received the food items, prepared the checks, signed the checks (sole signatory on the checks), and mailed/gave the checks to the vendors/delivery persons. In addition, for the bingo session operations, the bingo manager (Mr. Roger Fontenot) maintained the bingo supplies inventory (bingo game sheets and pull tabs), completed the bingo session accounting forms required by the Louisiana State Police, and prepared and signed the bingo account checks.

The assistant accountant performed a number of duties relating the council's payroll and the Bingoaux Cafe payroll that were incompatible or did not provide for a proper system of checks and balances. For example, with respect to the council's payroll, the assistant accountant (1) set up employees, including their pay rates, on the computerized payroll system, (2) performed maintenance on any payroll field, (3) received employee time sheets and input their hours, (4) prepared payroll checks, (5) signed payroll checks with a check signing

**CALCASSIN AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Continued)

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**Annual Sworn Financial Statements Not Filed**

The council did not prepare and file sworn annual financial statements for the fiscal year ended June 30, 1996. LSA-R.S. 24:514 requires that the council prepare annual sworn financial statements in accordance with generally accepted accounting principles. These financial statements must be submitted to the Louisiana Legislative Auditor within 90 days of the close of the fiscal year.

The council should develop a formal accounting and reporting system that ensures annual financial statements are prepared in accordance with generally accepted accounting principles.

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**Failure to Complete the Louisiana Compliance Questionnaire**

The council did not complete the Louisiana Compliance Questionnaire as required by Louisiana law. LSA-R.S. 24:513 requires that the Louisiana Compliance Questionnaire, an integral part of the Louisiana Governmental Audit Guide, be completed by management and adopted by the governing body by means of a formal resolution in an open meeting. The questionnaire is the council's representation of compliance with state laws.

The council should complete the Louisiana Compliance Questionnaire at the beginning of all future audits and the board should review the completed questionnaire and indicate agreement by adopting the questionnaire via a formal resolution in an open meeting.

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**Failure to Comply With Adult (Elderly)  
Protective Services Contract**

The council did not comply with its contract with OEA relating to Adult Protective Services (Catalog of Federal Domestic Assistance (CFDA 85.041) funds). The council failed to comply with the contract as follows: (1) the Adult Protective Services funds were deposited in a separate bank account, however, donations were commingled with the federal funds in the bank account and the council's accounting records did not separately account for the federal and non-federal expenditures; (2) all books, records, and source documentation were not retained; (3) state travel regulations were not complied with; (4) filed asset records were not adequately maintained; (5) funds were not disbursed in accordance with normal state invoicing and billing procedures; and (6) written amendments were not prepared and approved by the OEA for the preceding variances from the contract.



**CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Continued)

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**Additional Compensation Received  
by Former Fiscal Officer**

The council's former fiscal officer (Ms. Joline Fruge) received additional compensation from the council as an independent contractor and contracted with agencies that are under the oversight responsibilities of the council.

- The council paid Ms. Joline Fruge \$300 each quarter (\$1,200 per year) as an independent contractor (no payroll tax withholdings) for preparing the Louisiana State Police quarterly bingo reports. Ms. Joline Fruge informed us that this work was done at her home and on her own time.
- Pursuant to a contract dated April 21, 1994, the Allen Council on Aging paid Ms. Joline Fruge \$280 per month for bookkeeping services. The Calcasieu Area Council on Aging is a multi-parish agency with oversight responsibilities over the Allen Council on Aging.

Filing the Louisiana State Police quarterly bingo reports should be part of the routine duties of the council's accounting department since the bingo operation is part of the council. The council should prohibit employees from receiving additional compensation from the council as independent contractors and contracting with agencies that are under the oversight responsibilities of the council.

In addition, the council should obtain a ruling from the Louisiana Board of Ethics to determine if this practice violates the Code of Governmental Ethics.

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**Distribution of Bingo Supplies Without a License**

The council furnished bingo supplies and equipment to another without obtaining a distributor's license. Louisiana Revised Statute (LSA-R.S.) 33:4881.1(1)(2) requires any person or entity that furnishes bingo supplies or equipment to obtain a distributor's license from the Louisiana State Police gaming division.

On November 15, 1995, without the knowledge of the board of directors, the council's former bingo manager, Mr. Roger Fontenot, ordered 200 bingo cards and a bingo cage from the Sheveporit/Dossier Bingo Supply. On November 28, 1995, the council received a personal check from Ms. Annie Funk for the items. We were informed that Ms. Annie Funk wanted the supplies and equipment for the Sisters of Charity Insaneite in Houston, Texas. After the bingo supplies and equipment were delivered to the council's bingo hall, on December 15, 1995, the council paid \$220 for the items.

**DALCASIEU AREA COUNCIL ON BINGO, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Continued)

The council's distribution of bingo supplies and equipment to others without a distributor's license subjects the council to possible penalties and loss of its bingo license.

The council should not furnish bingo supplies and equipment to others without obtaining a distributor's license. In addition, the council should implement policies and procedures to prohibit employees from purchasing bingo supplies and equipment for others.

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**Advances and Loans of Council Funds Should Be Prohibited**

Certain payments relating to advancing and loaning funds were made that violate the council's policies. The council's Orientation Handbook (page 30) prohibits employees from borrowing money or other council property and provides that the council will not be responsible for any employee debts. In addition, the policy prohibits advancing money against wages.

During the year ended June 30, 1998, the council:

1. Paid three employees a total of \$8,347 before the end of the pay period. The former executive director, Mr. Mills Seals, informed us that it was the practice of the council to pay employees their salary in advance for vacation only.
2. Allowed \$681 of council funds to be used to purchase items for employees' personal use as follows:
  - On October 1, 1998, the council's former manager of the Bingeaux Cafe, Mr. Roger Fontenot, charged personal building materials of \$184 to the council's account at Lowe's Hardware. Mr. Roger Fontenot subsequently reimbursed the council and the reimbursement was included in a bank deposit on October 27, 1998.
  - On October 20, 1998, the council's Maintenance Supervisor, Mr. Dale Johnson, charged personal building materials of \$164 to the council's account at Lowe's Hardware. Mr. Dale Johnson subsequently reimbursed the council and the reimbursement was included in a bank deposit on October 23, 1998.
  - Mr. Roger Fontenot wrote two Bingeaux Cafe checks dated August 11, 1998, payable to Wal-Mart and Sam's Club of \$128 and \$167, respectively, for food items for a wedding reception he catered and held at the CCDA building (3-Flour). Mr. Roger Fontenot subsequently reimbursed the council and the reimbursement was included in a bank deposit on August 21, 1998.

LEGISLATIVE AUDITOR

MS. TONI CARAWAY, EXECUTIVE DIRECTOR,  
AND MEMBERS OF THE BOARD OF DIRECTORS  
CALCASIEU AREA COUNCIL ON AGING, INC.,  
Lake Charles, Louisiana

We acknowledge with appreciation the courtesies extended our representatives by personnel of  
the council.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

KDG:OLM #1

09/14/00

Mr. Ranach then reimbursed the agency. I can not have employees would be of the notion that this was legitimate conduct.

My understanding of Roger Fontenot's procurement of catering services at the building was that the vendors would advance for Higgins Cafe. You may want to analyze the deposit to which you refer again, to resolve whether more than just reimbursement for supplies was included and to observe whether additional money was also deposited. Such money would have constituted the money earned from the event.

### ***Personal Use of Council's Automobile Not Reported as Taxable Income***

*The council did not report the executive director's personal use of the council's automobile as taxable income as required by federal tax laws.*

Again, all affairs of finances and procedures for handling them were the responsibility of the Board of Directors. As such, I have nothing with which I can respond to this.

### ***Failure to File Internal Revenue Service Form 990-G***

All matters of finances and procedures for managing them were the obligation of the Board of Directors. However, I just learned from former CCOA bookkeeper, Shalene Baldwin, that she did, in fact, prepare and distribute all W-2Gs due for 1995. Copies of these were kept in her office in an envelope labeled "W-2Gs". If you were permitted to access this information, those records would have to have disappeared after I left the agency's employment.

### ***Failure to Invest Idle Funds***

The money in which you allude was U.S.D.A. money. I understood that the money is now gone.

### ***Failure to Obtain Bids***

The law upon which you rely is a law that is pertinent to state agencies and/or agencies that are recipients of state and federal grants, as it pertains to expenditures of those grants (and). I did not previously know that the CCOA is a state agency.

### ***Failure to Maintain Current Written Minutes***

This criticism must be imputed to those who have dictated policy at CCOA since the date of my departure, May 21, 1995. This infraction transpired after I left. All minutes of meetings that had been approved by the board up to and including December of 1995 were contained in the official minute book. The suspension of this began in December of 1995, and there was some difficulty in the preparation of minutes of meetings between that date and the date of my suspension.

**DALCASIEU AREA COUNCIL ON AGING, INC.**  
 Lake Charles, Louisiana  
 Findings and Recommendations (Continued)

and supplies exceeding \$10,000, the OEA Policy Manual requires competitive bids for purchases exceeding \$5,000. Furthermore, the Louisiana Attorney General has opined that (1) a lease purchase or lease with option to purchase must be bid since the contract includes the opportunity to obtain title or purchase the equipment, and (2) recurring purchases that in the aggregate exceed the bid limit must be let for public bid.

- Without the benefit of bids or approval of the council's board, on January 10, 1985, the council leased a 1985 Buick Roadmaster. The lease agreement required a \$10,000 payment in advance and included an option to purchase the automobile at the end of the lease, January 11, 1987, for \$10,341.
- During the year ended June 30, 1985, the council purchased gasoline for \$0,000 from Gascard, Inc., without advertising for competitive bids or obtaining quotations.
- Without advertising for competitive bids, the council purchased approximately \$114,000 of food and related supplies for the council's Bingerus Cafe concession operation during the year ended June 30, 1985.

Competitive procurement ensures the council's goods and services are obtained at the most favorable prices. In the future, the council should comply with the bid requirements of state law and the OEA Policy Manual.

**Failure to Maintain Current Written Minutes**

The council did not maintain current written minutes of the meetings of the board as required by Louisiana law. LSA-R.S. 42:7.1 requires that all public bodies keep written minutes of all of their open meetings. Because of the turnover of personnel at the council, the minutes of the board from September through December 1985 were not typed until January 1987.

In the future, the council should maintain timely written minutes.

## LEGISLATIVE AUDITOR

### CALCASIEU AREA COUNCIL ON AGING, INC. Lake Charles, Louisiana Findings and Recommendations (Continued)

- Contingency plans had not been developed for alternative processing in the event of loss or interruption of the EDP function.

The council should adopt written EDP policies and procedures that ensure (1) EDP security is assigned to one employee; (2) passwords are changed at regular intervals; (3) passwords for terminated employees are canceled immediately; (4) all transaction files are backed up daily; (5) off-premises storage is maintained for transaction files; and (6) contingency plans are developed for alternative processing in the event of loss or interruption of the EDP function.

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#### Failure to Comply With Travel Regulations

The council did not comply with applicable travel regulations required by the council's contract with the OEA, the OEA Policy Manual, and the council's Orientation Manual. These regulations require that (1) employees complete a travel request which must be approved by the executive director before traveling; (2) travel documentation be submitted within seven days after the travel is completed; and (3) reimbursements for travel expenses be based on rates established by state travel regulations. In addition, those regulations require that travel by the executive director be approved by a designated board member and all out-of-state travel be documented in the board minutes.

The council failed to comply with travel regulations as follows:

- For the travel expenditures we reviewed, totaling \$3,634, all employees received travel advances. The travel advances were not approved and a final accounting of the actual travel expenses was not completed.
- The council's former executive director (Ms. Mills Seals) received travel advances totaling \$1,680 (\$680 from the council's Dingus Cafe operating account and \$400 from the council's general operating account) and she charged \$652 to the council's bank card to attend out-of-state training conferences. The travel advances were not approved by a board member, a final accounting of the actual travel expenses was not completed, and the out-of-state travel was not documented in the board minutes.
- Employees were paid \$120 for gasoline used in their personal vehicles while on council business. The amount paid was based on estimated gasoline costs rather than actual mileage traveled. Travel regulations permit reimbursement based on standard mileage rates for actual mileage traveled and not estimated gasoline costs.

**CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Continued)

As a result of the council's failure to comply with the contract, we were unable to determine if the council used the contract funds properly. In addition, on October 17, 1996, OEA terminated the contract. In the future, the council should comply with all OEA contracts.

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**Failure to Comply With Special Programs  
for the Aging Contract**

The council did not comply with its contract with OEA relating to Special Programs for the Aging funds. The council failed to comply as follows:

1. Monitoring reports by the OEA revealed that the council failed to (a) perform assessments on a regular basis to determine that elderly individuals were still qualified for the services they received; (b) maintain an IRS Form W-4 in one of seven employees' personnel files that were examined; and (c) execute a contract with the Allen Council on Aging and the Jefferson Davis Council on Aging.
2. Federal project funds were commingled with non-federal funds and adequate accounting records were not maintained that established independent accounting for all receipt and disbursement of grant monies as follows: (a) United Way contributions and miscellaneous program income was commingled with federal funds in the Title III-B Support Services Fund; (b) United Way contributions and donations were combined with federal funds in the Title III-C-2 Home Delivered Meals Fund; (c) miscellaneous program income was commingled with the federal funds in the Senior Center Fund; (d) raffle proceeds were commingled with federal funds in the Centennial Fund; and (e) donations were commingled with federal funds in the Elderly Protective Services Fund.

The council should adopt and implement formal policies and procedures to ensure compliance with the contract between the council and the OEA.

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## LEGISLATIVE ASSISTANT

**CALCASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Continued)

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### **Failure to Comply With USDA Contract**

The council did not comply with its contract with OEA relating to the United States Department of Agriculture (USDA) Cash-in-Lieu of Commodities (CFDA 16.570) funds.

- Non-federal revenues were commingled with the USDA Cash-in-Lieu of Commodities federal funds.
- The council did not pay the provider promptly. The council did not pay Lake Charles Memorial Hospital for June 1996 in-home and congregate meals until August 28, 1996.
- The council had no written policies and procedures to monitor and assess the services of the providers.
- Employees were paid from the federal programs; however, they did not complete time sheets indicating they worked on the federal programs.

As a result of the council's failure to comply with the contract, we were unable to determine if the council used the contract funds properly. The council's failure to comply with the contract subjects the council's grant to suspension or termination and subjects the council to revocation of its charter by the OEA.

The council should (1) prohibit locally generated funds from being commingled with USDA funds; (2) enter into a written agreement with each approved nutrition service provider and retain the agreement; (3) promptly disburse all cash payments to nutrition service providers; (4) establish procedures and conduct quarterly on-site program monitoring of nutrition service providers; and (5) establish procedures requiring that all employees maintain detailed time records of hours worked and services provided.

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### **Unallowable Costs Incurred**

The council charged unallowable costs to the USDA Cash-in-Lieu of Commodities (CFDA 16.570) federal program. The following disbursements from the USDA bank account were not supported by underlying documentation and did not appear to be necessary and reasonable for the proper administration of the program as required by Office of Management and Budget (OMB) Circular A-87.



## LEGISLATIVE AUDITOR

### CALCASSIN AREA COUNCIL ON AGING, INC.

Lake Charles, Louisiana

Findings and Recommendations (Continued)

1. Transfer of \$31,766 to the General Fund
2. Payment of principal (\$19,800) and interest (\$5,233) on a bank loan
3. Payment of bank credit card charges of \$2,309

The council should become familiar with the requirements of OMB Circular A-87. In addition, disbursement procedures should document the allowability of disbursements from federal funds before payment.

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#### Failure to Comply With Cash Management Requirements

The council did not minimize the time elapsed between the receipt of funds from the OEA and disbursement of those funds to providers. Federal regulations (Common Rule) require the council to limit the time between the receipt of funds from the grantor (OEA) and disbursement of those funds to three days.

For the council's USDA Cash-in-Lieu of Commodities Fund, the cash balance (book balance) at June 30, 1999, was \$30,908. However, the council's full service contractor (Lake Charles Memorial Hospital) was not paid for June 1999 in home and congregate meals until August 28, 1999.

The council should pay its obligations on a timely basis and minimize the time between the receipt of funds from the OEA and payment to the full service contractor.

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#### Council Lacks Monitoring System for Subrecipients

The council did not have a monitoring system to ensure that all of its subrecipients receiving \$25,000 or more of federal funds were audited in accordance with Government Auditing Standards. Federal laws and regulations (OMB Circulars A-128 and A-133 and the Common Rule - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments) require that recipients monitor subrecipients of federal funds.

During the year ended June 30, 1999, the council remitted federal funds received from the OEA for \$102,894 and \$81,313 to the Allen Council on Aging and the Jefferson Davis Council on Aging, respectively. However, the council was unable to locate the contracts between the council and the Jefferson Davis and Allen Parish Councils on Aging for the year ended June 30, 1999, and the council had not developed a comprehensive monitoring system to ensure that subrecipient's audit reports are received and reviewed and that corrective action is taken within six months after receipt of an audit report citing deficiencies.

**DALGASIEU AREA COUNCIL ON AGING, INC.**  
Lake Charles, Louisiana  
Findings and Recommendations (Concluded)

The council should implement a system to monitor subrecipients since the council is responsible for the proper operation of the federal programs and could be liable for funds not expended in accordance with program requirements.

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**Failure to Fully Comply With Civil Rights Act Requirements**

The council failed to fully comply with the Civil Rights Act. Federal statutes (42 USC 6101 et. seq., 42 USC 20003, 29 USC 794) concerning civil rights require agencies employing more than 15 persons to assign a person to oversee civil rights compliance, track civil rights complaints, and file an annual Equal Employment Opportunity Commission report. The council employed more than 15 persons; however, it failed to formally designate a person to oversee civil rights compliance, track civil rights complaints, and file an annual report with the Equal Employment Opportunity Commission. As a result, council employees may not be receiving the complete protection offered by the Civil Rights Act.

In the future, the council should fully comply with the requirements of the Civil Rights Act.

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## **Attachment I**

### **Management's Responses**

whatever was necessary during the fiscal year. The board president had full knowledge of, and gave authorization for my travel with local funds. I maintain the belief that money received through some means other than from the state or local government is not subject to the same rules as state and federal money. OCEA has confirmed this belief down through the years. The Inspector General cited a similar finding. Nevertheless, I am certain that this information will be useful to other COAs who may choose, in the future, to supplement their budgets with local funds.

#### Inadequate Separation of Duties Over Disbursements

Council employees performed a number of duties relating to disbursements that were incompatible for a proper system of checks and balances. This has been a problem with COCOs. It is symptomatic of non-profit agencies whose resources and staff are limited. In June of 1995, COCA had a compliance audit performed by OCEA, and many of these same concerns were addressed. Management did implement new policies at that time which were intended to create a system of checks and balances. Joe Hue responded to me by May, 1996 report. He stated that the suggestions from his June, 1995 inspection had met his compliance advice satisfactorily. Your recommendations contain more than those suggested by Mr. Hue, and are not commonly practiced by councils as aging in the state. Other agencies will find these recommendations helpful.

#### Lack of Control Over Disbursements

The council does not have adequate controls and procedures in place to control disbursements. Many of the comments and findings raised herein are noteworthy and need no response. Others pertain to things of Disputax. Call operations that were not within my immediate scope of responsibility. Some of the comments make recommendations for management policies that most agencies do not practice, but should find very effective (i.e. reconciling odometer statements).

I do, however, wish to respond to several of the comments.

- You state there were 21 payments for telephone usage that were not supported by detailed invoices from the telephone company. I am unclear as to what period of time you refer here, but I can vouch for the fact that all telephone invoices were located on the premises at the time that I was escorted from the building, May 22, 1996. Copies of all of these bills were provided to the Inspector General (mentioned above) at his request.
- With respect to the \$300 payment made to the employee, I learned after our discussion and from Roger Patterson, direct supervisor of the employee, that payment was made due to his failure to enroll her in the retirement program, not the medical insurance I had been suspended prior to August 8, 1996. I apologize for the confusion.

- *Five Elderly Protective Services (EPS) account checks made payable to a bank were cashed by a council employee. Elderly Protective Services employees who learned that their clients' needs were not being fully met by state dollars, took it upon themselves to donate their spare time to fundraising. Their intention was to furnish money to use at their discretion to provide emergency assistance for their clients' needs. The Elderly Protective Services Department of OCEA was fully aware of this process, and praised the staff's efforts. The "Request for Funds" form that you note with respect to check number 1030, is a document that is submitted to OCEA when an expenditure is made from the donated petty cash fund. If OCEA considers the request to be reimbursable in accordance with their specifications, they then approve and reimburse the fund from their EPS discretionary money. Apparently, check number 1030 was a OCEA reimbursable expense. You do not state whether a "Request for Funds" form was attached to that check also, but I believe it would have been. There are numerous witnesses who can attest to the use of this money.*

### **Lack of Controls Over Payroll**

*The council did not have adequate payroll procedures.*

- *Time sheets were not always prepared, signed by the employee, and approved by the employee's immediate supervisor. The personnel whom you identified as not having completed time sheets were all salaried personnel. I have always understood that time sheets are not necessary for salaried employees.*
- *Employees assumed compensatory time without obtaining prior written approval. Both Roger Fineman and I had provisions in our contracts which superseded provisions contained in the Organization Handbook concerning compensatory time. Neither contract required prior approval. I compiled, and dated the Organization Handbook that I subsequently presented to the Board of Directors. They approved it as evidenced in the Board minutes of August 13, 1994.*

*Although you note the impact on business caused by compensatory time earned by Roger Fineman and me, I can assure you that most money would have been spent on additional employees needed to perform these same duties. Adding employees would only have increased the agency's liability through the payment of additional fringe benefits. As an example of what I mean, please review the personnel at the Ringneck Cafe and lounge hall nodes, and assess the current liability to the agency. Past different employees assumed the duties of Roger Fineman upon his resignation.*

**CALCASSIN AREA COUNCIL ON AGING, INC.**  
 Lake Charles, Louisiana  
 Findings and Recommendations (Continued)

These practices violate the council's policies. Council funds should not be used to pay employees' salaries before the end of the pay period or to purchase items for employees' personal use.

**Personal Use of Council's Automobile**  
**Not Reported as Taxable Income**

The council did not report the executive directors' personal use of the council's automobile as taxable income as required by federal tax laws. For the years ended December 31, 1990, and 1991, the council did not report to the Internal Revenue Service (IRS) the personal use of a council vehicle by the former, interim, and current executive directors. In addition, the council did not withhold the employees' share of FICA taxes nor did they pay the FICA tax obligations on the taxable value of the council provided vehicle.

We were informed that the council canceled the vehicle lease on January 9, 1997. Furthermore, there are no plans to provide the executive director with a council automobile in the future. At closure, the council should file amended 1990 and 1991 (IRS) W-2 forms (Wage and Tax Statement) with the IRS for the executive directors' personal use of the council's vehicle.

**Failure to Invest Idle Funds**

The council did not adequately invest idle funds. Good business practice requires the council to invest monies in excess of immediate cash needs in interest-bearing accounts or securities. Because of lack of management emphasis, \$92,729 (84 percent) of the council's total cash (book) balance of \$113,716 at June 30, 1996, was not invested in interest-bearing accounts or securities. As a result, the council missed the opportunity to earn much needed interest income.

The council should invest funds that exceed immediate cash needs in interest-bearing accounts or securities.

**Failure to Obtain Bids**

The council failed to obtain competitive bids for certain purchases as required by the Louisiana public bid law and the OEA Policy Manual. Although LSA-R.S. 38:2013 (Public Bid Law) requires that the council advertise for competitive bids for all purchases of materials



## Calcasieu Council on Aging

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March 20, 1997

Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor  
Office of Legislative Auditor  
P.O. Box 94397  
Haiter Rouge, LA 70604-9397

RE: Response to Audit Report of Calcasieu Council on Aging Compiled By the  
Louisiana Legislative Auditor

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Dear Dr. Kyle:

On behalf of the Board of Directors of the Calcasieu Parish Voluntary Council on the Aging, Inc. please extend to your staff our gratitude for their diligence in conducting the legislative audit of this agency.

In regards to the audit's recommendations, the agency, through its executive director, chief fiscal officer, and other staff have been directed by the board to implement the measures and procedures necessary to effect said recommendations in a practical and expeditious manner.

Through these efforts, the agency's management is striving to improve the working partnership with the Governor's Office of Elderly Affairs.

Again we thank you for your time, your cooperation, and as well as the dedication of your efficient staff.

Sincerely yours,

E. Geneva G. Woods  
President

EGM:ed

07 MAR 27 4 51:24

- *The former executive director (Mike Fragi) and former Wage Auditor/Personnel Cash Manager (Roger Patterson) were simultaneously paid vacation and regular pay in violation of their employment contracts and the council's policy manual. It is true that my contract stated my accrued vacation was to be paid at the end of the calendar year and that I did collect some prior to the end of the calendar year. I note that your finding, well founded, is as to the timing of payment, not the fact of payment.*
- *Vacation leave, sick leave and compensatory leave records were not maintained for Allegiance Cash employees. To my knowledge, these records had been kept during my term of office.*

### **Executive Director's Salary Increase Unsanctioned**

*This was discussed in the body of the letter.*

### **Electronic Data Processing Controls Inadequate**

*The council's electronic data processing (EDP) controls are inadequate.*

- *No one employee was assigned the responsibility for EDP security. . . .*
- *During my tenure, Julius Frago, CFO, did protect the privacy of the accounting records with the use of passwords. These were furnished to me. The EDP Department had its own passwords due to the fact that this information could be accessible only to EDP personnel, given the confidential nature of the data.*
- *All transaction files were not backed up. I know nothing about this and I believe the incident to which you are referring occurred after I left.*
- *Off-premise storage was not maintained for transaction files. Management was never required by the Board of Directors to employ this practice. It is an admirable practice, but costly, and one not used by most councils on aging.*

*Contingency plans had not been developed for alternative processing in the event of loss or interruption of the EDP function. I was never informed by either the board or the GSEA that contingency plans were required. This is, however, an excellent suggestion and would undoubtedly apply to other agencies.*

### **Failure to Comply with Travel Regulations.**

*It is in this area that my prior understanding of the nature of this agency (not a state agency, but a private corporation) becomes more evident.*



I am sure you noticed that some travel expenses clearly complied with state travel regulations while others did not. The difference was the source of payment. Those travel expenses paid for with local moneys did not always comply with state travel regulations; however, I have always understood that this compliance was not necessary in the agency's use of its local funds.

It is true that the *DEA Policy Manual* and the *CCOA Disposition Handbook* require compliance with state travel regulations; however, as author of the latter document, please realize that the handbook was meant to apply those regulations only to state and federal, not local, funds for travel. Further, I was told that none of the CCOA policies pertaining to funding would apply to local moneys. As I have established herein, I was advised that CCOA was not a state agency.

### ***Funds not Audited***

***The council failed to adopt budgets for all funds.*** You obviously did not see the entire working budget. What you probably reviewed was the budget that is required to be submitted to CCOA.

The working budget for CCOA included 100% of revenues obtained from all sources you mention in this finding, except for Ringo's Cafe. Extracts of that working budget were prepared for various reasons, and I can only presume that is what you inspected. As executive director, I required a working budget from accounting prior to the beginning of every fiscal year. It included all revenue sources and the expenditures attributed to those sources.

You are correct that the proposed budget was not published. Prior to your report, I was not cognizant that the CCOA was a state agency, or that this rule was incumbent upon it. Never in my fourteen year relationship with the council, was I ever required by the board or CCOA to observe this policy.

### ***Failure to Comply with DEA's Policy of Employing Family Members***

DEA's policy pertains to the employment of family members with state or federal funds. It was and still is my belief that no separate rule was ever violated at CCOA. My niece, Dixie Foster, was employed by Tradewinds Software with whom the agency contracted for computer services, for a great portion of her time at CCOA. She was thereafter employed by the Ringo's Cafe and paid with non state and federal moneys, and would not fall under my understanding of nepotism. She was not, as stated by the rule, under my "direct supervision," nor was she paid by state or federal funds.

You have levied no fault here, and I repeat that. You merely make a recommendation. Since Dixie Foster is my niece, I feel compelled to point out that the CCOA/DEA and the Board of Directors for CCOA were fully aware of her employment. I consider this to

mean that neither entity considered this to be a breach of the nepotism rule or CCGA policy. That Dale is my sister was a well-known fact. Her identity was never a secret. The reality that she performed services for the agency is extremely sound, as is substantiated by extensive evidence maintained in agency files at the time of my departure. Mike worked at CCGA for three years before this investigation surfaced. It plainly became a problem when the unauthorized "inquisition" of me began.

### ***Additional Compensation Received by Former Fiscal Officer***

Again, the rules you cite obviously apply to state agencies. I was hired without notice that CCGA is a state agency. This should be particularly beneficial to other CCGAs for the position is complex throughout the state.

### ***Distribution of Bingo Supplies Without a License***

I was not immediately engaged in the bingo operations. Roger Fontenot had a separate contract with the board, and reported directly to the board. However CCGA most definitely did hold a distributor's income from the Charitable Gaming Division of the Louisiana State Police while I was the director. This income, EYB-28 when purchased, provided the council with the same rights and privileges granted to any other distributor holding such a license. I trust, however, that those now conducting bingo operations will consider your suggestions when called upon for assistance by the Sisters of Charity Institute.

### ***Advances and Loans of Council Funds Should be Prohibited***

*Certain payments relating to advancing and loaning funds were made that violate the council's policies.*

1. Paid three employees a total of \$8,047 prior to the end of the pay period. I never interpreted allowing employees to be paid before they left on vacation to be the same as permitting them to borrow from the agency. This has been a long-standing practice at CCGA.

2. Allowed \$66 of council funds to be used to purchase items for employees' personal use as follows:

- This report is the first I learned of your claim that Roger Fontenot and Dale Johnson charged personal items on council accounts and then re-converted. In their defense, I want to disclose the fact, that some members of the board set a wretched example in this practice. I recently learned that in 1993 or 1994, then Board President Mary Edwards instructed Dale Johnson to purchase a television for her on the agency's account at Sam's Club, so that she could avoid payment of sales tax.

in fact kept, even though there was no board policy requiring that management practice this.

- **Malcolm's complete employer personnel files.** Please refer to Joe Hise's (COGA auditor) report of July, 1996 wherein he commended the agency on the condition of the employee files. I cannot speak to the condition in which you found the records, but I do understand that those files were rifled through repeatedly by any number of individuals during the course of the illicit "investigation" of me, and after the board suspended me May 27, 1996.

**Malcolm up to date fixed asset records.** The COGA is required to submit a current list of fixed assets purchased with state and/or federal funds to GOEA every year. (Please see the GOEA Policies and Procedures Manual, Subchapter D, Section 1029 (A), Excessively Control and Disposition, which states in part: "This Section applies to all property, as defined below, purchased wholly or partially with Governor's Office of Elderly Affairs funds. However COGA has not used any state or federal money to purchase equipment for a number of years. Though I know of no GOEA or board established policy requiring this for equipment, etc. purchased with the agency's local funds, management did observe this policy as a courtesy to GOEA and to the annual auditor in his act. It is a sound policy and a suggestion that should be well taken. This was done during my administration.

#### ***Need to Improve Controls Over Revenue***

**The council did not have controls over revenue.** This section of the report deals entirely with bingo operations or Bingoaux Cafe operations. This was handled directly by the manager of the hall and cafe, and Bingo Committee, who reported straight to the board. It is the responsibility of the Board of Directors of the agency to formulate practices and procedures for management in the treatment of revenues of the agency. Most of this was never developed by the board or the committee, with respect to these operations. The board never requested an audit of these sources of revenue, never set forth a written policy on how to report, nor did the members take any active part in the governance of these funds. The board never paid attention to the need for any of this information until the unauthorized "sweeping" of me began.

The only matter mentioned under this heading that pertains to me is the withdrawal of the \$600 cash travel advance from Bingoaux Cafe money. That was given to me, through my sister, for travel to a training seminar, with full knowledge of the board president, as required in Subsection D, "Accounting Principles", Chapter 1 (7) **Travel Authorization and Expense Account** that states in part: "The Travel Authorization form should be prepared by any individual requesting permission to travel on behalf of the contractor," It further states: "In the case of the Executive Director, approval must be authorized by the designated Board Member."

Every July, the Board of Directors adopted a blanket resolution empowering the board president to make decisions for the board, sign contracts, amendments, authorize

## Exhibit "A"

The following is a response to the specific comments made in the "Letter Report" of the California Council on Aging (CCA). Quotations of the Legislative Auditor's comments are printed in *italics*. The response of Willie Smith follows.

### ***Adquate Accounting Records Not Maintained***

*The council did not maintain adequate accounting records. The council did not:*

- *Maintain a separate general ledger for each fund of the council. This is true but I know of no such requirement for management. The Governor's Office of Elderly Affairs (OECA) in Subsection 1, of its "Policies and Procedures Manual," Accounting, Principles, Procedures, and Records, Chapter 2, (4) General Ledger states in part: "The general ledger is the accounting book where all financial transactions are summarized."*
- *Retain a detailed general ledger and a year-ending trial balance for the year ended June 30, 1996. I was not present June 30, 1996. However, that information was given to Mr. Carlisle Warner with the Inspector General's Office through the time of his review. It most certainly had been retained in all prior years for presentation to the auditor.*
- *Prepare monthly cash statements and cash receipts journals for the Hingoes Cafe and progressive jackpot band programs. During my tenure, the CCA had a separate employment contract for the person responsible for handling the management of the building, the Hingoes Cafe and bingo operations. Except for these few times he was unable to attend the board meetings, he reported to and responded to inquiries from the Board of Directors at those meetings. The board formed a Bingo Committee comprised of board members and agency personnel. It was to have dealt with such matters for both programs. To my knowledge, Roger Fomont was not asked to prepare monthly statements, no policy was ever set, and this was never an issue until after the unauthorized "investigation" of me began.*
- *Retain amortization schedules for the bank loans, automobile loans, and mortgage on the building. This was not done during my tenure but I know of no requirement that management do so. No such suggestion was ever made to me by the board. This information is always available from the bank.*
- *Maintain adequate records for the use and control of the council's "E-Room." I am not certain what you mean by "adequate" but records were*

to me, that you reviewed the Calcasieu Council on Aging from a state and professional perspective, rather than from a private, practical vantage point, expressing "opinions" only. The findings, criticisms and recommendations that you set forth in this report may assist councils on aging in the future, although that deviates extremely from the normal context of the past. I understand that your findings pertain only to CCOA, and not to all councils. Please discuss that CCOA is afforded very little administrative money with which to pay ample, professional staff. Ordinary semi-professionals work diligently to adhere to the complex rules, regulations, policies and procedures required by the numerous laws that govern such agencies. The CCOA and other funding entities are well aware of this problem and generously tolerate restrictions imposed by budget constraints.

In previous years, all excess funds were appropriated for use in caring the elderly, not for use in defraying administrative and operating expenses. The retention of certified public accountants (C.P.A.s) to perform routine bookkeeping is certainly an ideal, though not a pragmatic practice commonly employed by councils on aging. Most council fiscal affairs are handled by conventional bookkeepers who know very little about Generally Accepted Accounting Principles and requisite internal controls. Annual audits by CCOEA by C.P.A.s have sufficed.

Acting upon advice of council, I am unable to comply with a telephone request from your field advisor today, to amend my initial response to his findings, faxed to him March 11, 1997. I only received the revised draft of his report today, after asking that I be given a copy. Upon hastily perusing it, I find that it has changed significantly from the original draft previously reviewed. I have no time to explore this amended draft in depth, or to review it with my attorney. Therefore, due to the time limit prescribed by him, I must forward my response in its rudimentary form. If you require that I amend my response, I will need more time to thoroughly review the revised draft. I would be happy to do that, given extended time.

Please accept my appreciation for the courtesy and consideration extended to me by your staff. If there is any additional information that I can provide, you need only ask.

Very truly yours,



Daniel G. Kyle  
MELISSA  
MELISSA

Attachment: Exhibit "A"

I do take exception, however, with the portion of the report entitled "Executive Director's Salary - Increase Unauthorized." I do not at all agree with the statement that I "approved (my) own salary increase . . ." This portion of your report acknowledges that my contract had only two requirements for an increase in my salary: (1) availability of funds; (2) review of my performance. This portion of your report also states I had not been evaluated since March 8, 1993, but then acknowledges the existence of an evaluation on May 11, 1994. You conclude that "[a]lthough the minutes state that the activities report serve as an annual evaluation of the executive director, there was no board resolution increasing the executive director's salary."

Nothing in my contract with the Board of Directors required a specific board resolution approving any raise. Nothing in the practice of the CCOA ever required a specific board resolution, other than contract and compliance documents prepared and submitted to GOLA. My salary was included in the fiscal year 1995 budget at the raised amount and it was listed specifically as a separate item on the agency working budget. This budget was submitted to the entire board of directors for review, and a copy of it was placed in their board books, prior to approval of the FY 1995 budget. Never in my fourteen year association with the CCOA was any case file opened, involving me, required to be passed upon separately by board action. It was always approved through the budget.

Accordingly, I must respectfully disagree with your conclusion reached about my raise. There was, in fact, an evaluation accepted (see the May 11, 1994 minutes) and monies were available (see the FY 1995 budget). While you may disagree the amount of the raise, nevertheless it was approved by the Board of Directors. Adoption of a budget constitutes authority to the executive officer to spend money from the budgeted funds. See, for example, La. R.S. 39:1318. If this board had a problem with my raise, they should never have approved the budget.

My position on this is supported by the Ethics Commission for Elected Public Employees and the Governor's Office of Ethics Affairs. When asked by Mike Mansville, re- action or take action against me for this, both maintained that approval of the budget constituted approval of the raise. Change of my salary would require subsequent board action, yet the Board voted down Mike Mansville's motion to do so at its February 28, 1996 meeting. According to counsel for the GOLA, no board action could retroactively undo prior action, therefore, the board could not in any way annul its vote to me already in accordance with its prior approved budget. Confirmation of this is an file at the office of my attorney, Kathleen Kay.

As mentioned previously, I am attaching as Exhibit "A" a document which responds specifically to several of the points made. I do not know whether you will find any information contained on this exhibit particularly helpful but it is offered nonetheless.

Overall I see this report as being very constructive and useful to Councils on Aging across the State of Louisiana. Through your report you are providing guidance which has not been given before and which can be used to improve internal controls in any state. However, it is obvious

**Mike Sault**

1018 West Bala Road  
Lafayette, LA 70503

March 11, 1991

Dr. Daniel G. Kyle  
Legislative Auditor  
State of Louisiana  
Post Office Box 94997  
Baton Rouge, LA 70804

RE: "Letter Report" of the Calcasieu Area Council on Aging, Inc.

Dear Dr. Kyle:

Thank you for the courtesy that you and your staff extended me in your completion of the Calcasieu Council on Aging, Inc. (CCOA) "Letter Report". Your field auditors were very pleasant and polite and it was my pleasure providing whatever assistance I could.

I note from the report that your office was unable to complete the report "because of a failure by the council to maintain adequate accounting records . . . ." Please realize that your auditors did not arrive at the CCOA until September of 1990, and I had been barred from that office in May of 1986. When I left, all financial information was in place. This can be proven by referring to prior audits (which do not imply that any financial records were ever missing) as well as the report of the Governor's Office of Elderly Affairs (OELEA) auditor, Joe Hua, who presented himself to the agency the day after my suspension and reviewed the financial data. From Mr. Hua's report, a copy of which your auditors received, it is clear that all financial records were in fact and that the agency, under my management, was current on contracts, reports, and compliance issues, and exactly where it should have been in expenditures as they related to the budget.

Several comments made in the report indicate that the CCOA was reviewed by your office as though it were a state agency. See, for example, page 9 where you note applicability of an Attorney General (A.G.) opinion concerning public employers, or page 13 where you suggest the board seek an opinion from the Louisiana Board of Ethics, or page 16 where you raise the applicability of La. R.S. 18:1212 (Public Bid Law). I have always understood the the Public Bid Law applied only to the awarding of contracts funded by state and federal monies. The notion that the CCOA is a state agency was never before made clear to me. As you see by the attached Exhibit "A," several of the findings that would apply to my inconsistency are a direct result of my being totally unaware that the CCOA was a state agency. Had I known that to be the case, I can state to you that the procedures would have been different.