

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Richmond  
Richmond, Louisiana

June 18, 1998



*original*



**Investigative Audit**

---



---

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

## LEGISLATIVE AUDIT ADVISORY COUNCIL

### MEMBERS

Senator Ronald C. Bean, Chairman  
Representative Francis C. Thompson, Vice Chairman

Senator Robert J. Barham  
Senator Wilson E. Fields  
Senator Thomas A. Greene  
Senator Craig E. Rossier  
Representative F. Charles McMains, Jr.  
Representative Edwin B. Murray  
Representative Warren J. Triche, Jr.  
Representative David Vitar

### LEGISLATIVE AUDITOR

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

### DIRECTOR OF INVESTIGATIVE AUDIT

Allan F. Brown, CPA, CFE

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public 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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94287, Baton Rouge, Louisiana 70804-0287 in accordance with Louisiana Revised Statute 24:513. Seventy-two copies of this public document were produced at an approximate cost of \$728.00. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:36. An executive summary of this document is available on the Legislative Auditor's Web site at [www.la.state.la.us](http://www.la.state.la.us).

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Big" Irwin, Director of Administration, at 504-738-3580.

---

# Town of Richwood

June 19, 1998



**Investigative Audit  
Office of the Legislative Auditor  
State of Louisiana**

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

---

# Table of Contents

---

Legislative Auditor's Transmittal Letter.....	v
Executive Summary.....	vii
Background and Methodology.....	xi
	<b>Page</b>
<b>Findings and Recommendations:</b>	
Mayor's Sister-in-Law Enrolled in the PTPA Program in Violation of Program Guidelines.....	1
Mayor Received \$1,675 in Mileage Reimbursements While Also Using the Town's Credit Card for Fuel Purchases.....	2
Inadequate Documentation Suggests Inconsistencies in the Town's Summer Lunch Program.....	3
Town Uses \$9,528 of Grant Funds in Violation of Grant Guidelines.....	6
Town Adds Unauthorized Payee to Checks and Then Gives Those Checks to That Payee.....	6
Attachment I.....	Management's Response
Attachment II.....	Legal Provisions





OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-4197

1800 NORTH THIRD STREET  
POST OFFICE BOX 9897  
TELEPHONE: (504) 385-3600  
FACSIMILE: (504) 385-3476

DONALD G. KYLE, CPA, CFE  
LEGISLATIVE AUDITOR

June 19, 1998

**HONORABLE EDWARD HARRIS, MAYOR,  
AND MEMBERS OF THE BOARD OF ALDERMEN  
TOWN OF RICHWOOD**  
Richwood, Louisiana

Transmitted herewith is our investigative report on the Town of Richwood. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations, as well as your responses. Copies of this report have been delivered to the Town of Richwood; the Honorable Jerry L. Jones, District Attorney for the Fourth Judicial District of Louisiana; the Honorable Michael Skinner, U.S. Attorney for the Western District of Louisiana; and others as required by state law.

Respectfully submitted,

Donald G. Kyle, CPA, CFE  
Legislative Auditor

APB/wc

cc:cc:cc:cc

---

# Executive Summary

---

## Investigative Audit Report Town of Richwood

The following summarizes the findings and recommendations as well as management's responses that resulted from this investigation. Detailed information relating to the findings and recommendations may be found at the page number indicated. Management's response may be found at Attachment I.

---

### Mayor's Sister-in-Law Enrolled in the JTPA Program in Violation of Program Guidelines

(Page 1)

- Findings:** Mayor Edward Harris enrolled his sister-in-law, Ms. Gloria Harris, in the Job Training Partnership Act On-the-Job-Training Program in direct violation of program guidelines and possibly federal law. By enrolling an ineligible recipient in the JTPA program, the Town of Richwood (Town) received \$1,968 of improper salary reimbursements from the Ouachita Parish Police Jury.
- Recommendation:** We recommend that the Louisiana Department of Labor review this information and take appropriate action, to include seeking restitution. In addition, we recommend that the District Attorney for the Fourth Judicial District and the United States Attorney for the Western District of Louisiana review this information and take appropriate legal action, to include seeking restitution.
- Management's Response:** We have contacted the JTPA and the matter is being resolved. Moreover, the violation regarding the listing of in-laws through the JTPA program will not occur again.
- 

### Mayor Received \$1,675 in Mileage Reimbursements While Also Using the Town's Credit Card for Fuel Purchases

(Page 2)

- Findings:** Between April 1995 and August 1995, Mayor Edward Harris received \$1,675 in reimbursements for mileage while he was using the Town's credit cards for the purchase of fuel.

<b>Recommendation:</b>	We recommend that management for the Town review this information and by ordinance establish how the Mayor is to be reimbursed for mileage and other business expenses. We further recommend that management for the Town seek reimbursement for any Town funds improperly paid to Mayor Harris.
<b>Management's Response:</b>	The policy for reimbursing the Mayor for business is covered in the Town's policy and procedure manual, which was adopted by ordinance in 1992. In addition, the Town allocates the Mayor an amount per year to be given for miscellaneous travel and per diem. The yearly aggregate never exceeded the Mayor's budgeted allowance.

---

**Inadequate Documentation Suggests Inconsistencies  
in the Town's Summer Lunch Program****(Page 3)**

<b>Finding:</b>	Inadequate documentation suggests that Mayor Edward Harris, Town Clerk Jacqueline Newfalk, and former Town Clerk Velma Smith may have received improper salaries totaling \$10,888 from the Summer Lunch Program (Program). It appears that Ms. Newfalk and Ms. Smith may have been paid for the same hours twice, once from the Town of Richmond's General Fund and then again from the Program. Furthermore, there is uncertainty as to the time actually worked by Mayor Harris for the Program.
<b>Recommendation:</b>	We recommend that the Town amend Program budgets as needed to appropriately reflect employees to be paid with Program funds. We also recommend that management ensure that time sheets for both Town and Program employees consistently reflect the hours worked by establishing and implementing policies regarding the recording of time and attendance.
<b>Management's Response:</b>	The alleged improper salaries were not improperly received; however, we have revised our time sheets so that they will consistently reflect work done for the Town as well as individual programs.

---

**Town Uses \$9,528 of Grant Funds  
in Violation of Grant Guidelines****(Page 6)**

<b>Finding:</b>	The Town of Richmond used \$9,528 of Louisiana Housing Finance Agency grant funds rehabilitating a residence that did not qualify under program guidelines.
-----------------	---



- Recommendation:** We recommend that management for the Town comply with the provisions of the LHA Small Cities and Home Health Safety Rehabilitation Grant. Furthermore, we recommend that LHA review this information and take appropriate legal action, to include seeking restitution.
- Management's Response:** We have contacted LHA to determine how to resolve this policy violation and come within complete compliance of their program guidelines.
- 

#### **Town Adds Unauthorized Payee to Checks and Then Gives Those Checks to That Payee**

(Page 6)

- Finding:** The Town of Richwood included Mr. Simon Profit as a payee on checks, which were actually owed to Mr. Wallace Calhoun, a general contractor. According to Mr. Calhoun, these checks were then given to Mr. Profit without his (Mr. Calhoun's) knowledge. Mr. Calhoun stated that checks made payable to him from the Town of Richwood for payment of construction contracts amounting to \$3,870 were negotiated without his knowledge. Mr. Simon Profit, a business associate, agreed that he obtained and negotiated these checks, but states that he had Mr. Calhoun's consent.
- Recommendation:** We recommend that the Town establish and implement policies and procedures ensuring that checks are made payable only to appropriate payees. Furthermore, we recommend that the District Attorney for the Fourth Judicial District of the State of Louisiana review this information and take appropriate legal action, to include seeking restitution.
- Management's Response:** E-Z Loan Co. owned by Mr. Simon Profit did the financing for W C & Son Construction; subsequently, it was the Town's understanding that there was an existing business agreement between Mr. Wallace Calhoun and Simon Profit. However, in the future, we will insist that both parties be present when issuing checks on similar projects.
-



---

# Background and Methodology

---

The Office of the Legislative Auditor received various allegations related to the Towns of Racewood. We conducted our investigation to obtain additional information regarding these allegations. Our procedures consisted of (1) interviewing employees and officials of the Towns of Racewood, (2) interviewing other persons as appropriate, (3) examining selected documents and records of the Towns of Racewood, (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose, and (5) reviewing applicable Louisiana laws.



---

# Findings and Recommendations

---

---

## **MAYOR'S SISTER-IN-LAW ENROLLED IN THE JTPA PROGRAM IN VIOLATION OF PROGRAM GUIDELINES**

Mayor Edward Harris enrolled his sister-in-law, Ms. Gloria Harris, in the Job Training Partnership Act On-the-Job-Training Program in violation of program guidelines and possibly federal law. By enrolling an ineligible recipient in the JTPA program, the Town of Richwood (Town) received \$3,968 of improper salary reimbursements from the Ouachita Parish Police Jury.

The Job Training Partnership Act (JTPA) provides assistance to both employers and employees. Through an On-the-Job-Training Contract (OJT), the employee is provided on-the-job-training, and a portion of the employer's salary is subsidized by JTPA. On June 17, 1997, Mayor Edward Harris, on behalf of the Town, signed an OJT contract with the Ouachita Parish Police Jury providing that Ms. Gloria Harris was to be employed and trained through this program as the Town's tax accountant. According to the contract, Ms. Harris' salary was set at \$8 per hour, of which the JTPA program would reimburse the Town \$4 per hour. The contract was for the period June 17, 1997, through December 17, 1997, and allowed maximum cost reimbursements of \$4,160 by the JTPA program. The Town of Richwood actually received \$3,968.

The provisions attached to the JTPA contract, which was signed by Mayor Harris, specified that "the Contractor agrees that no relative (wife, husband, son, daughter, mother, father, brother, sister, aunt, uncle, niece, nephew, in-law, stepparent, or stepchild) shall be employed under this contract." Furthermore, the contract provides that the contractor agrees to be bound by the criminal provisions that are specified in the JTPA. Contrary to these provisions, Mayor Harris hired his sister-in-law, Ms. Gloria Harris, who began receiving \$4,160 per month from the Town of Richwood.

In response to this issue, Mayor Harris stated that he was not aware of any such provision in the JTPA contract prohibiting him from hiring his sister-in-law. However, according to Ms. Pamela Jackson, Job Developer and OJT Contract Specialist for the Ouachita Parish Police Jury, Mayor Harris should have been aware of the program guidelines because he has dealt with the JTPA program for the last several years. Ms. Jackson stated that she reviewed the contract with Mayor Harris and specifically asked if he was related to Ms. Harris. She stated that Mayor Harris assured her that he was not related to Ms. Harris in any way. Ms. Jackson explained that after Mayor Harris had assured her of this, her supervisor instructed her to approach Mayor Harris and ask him a second time. Ms. Jackson stated that when she approached Mayor Harris and asked a second time, he again assured her that he was not related to Ms. Harris. She further stated that Mayor Harris offered to provide a sworn statement to this effect.

When we spoke with Mayor Harris concerning this matter, he agreed that he told Ms. Jackson that Ms. Harris was not related to him. He further stated that he did not consider a sister-in-law a relative. He added that he must have overlooked the provision in the JTPA contract that defined a relative.

The candidate eligibility section of the JTPA contract clarifies that the candidate must not be substantially trained in the type of work for which he will be trained under the employment agreement. A review of Ms. Harris' resume indicates that she has two years of college credit in accounting and over 12 years of business experience with computers. Ms. Harris' resume also shows that she has attended several professional seminars including governmental accounting, auditing, and management.

By enrolling an ineligible participant in the JTPA program, Mayor Edward Harris may have violated the following Louisiana and federal laws:

- R.S. 14:134, "Malfeasance in Office"
- 18 U.S.C. §665, "Violation of JTPA"

We recommend that the Louisiana Department of Labor review this information and take appropriate legal action, to include seeking restitution. In addition, we recommend that the District Attorney for the Fourth Judicial District and the United States Attorney for the Western District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

---

#### **MAYOR RECEIVED \$1,675 IN MILEAGE REIMBURSEMENTS WHILE ALSO USING THE TOWN'S CREDIT CARD FOR FUEL PURCHASES**

Between April 1995 and August 1997, Mayor Edward Harris received \$1,675 in reimbursements for mileage while he was using the Town's credit cards for the purchase of fuel.

During each of the past three fiscal years, the Town of Ridewood's (Town) annual operating budget has included a line item titled, "Mayor's Car Allowance." This allowance provides the Mayor with \$100 monthly for the purchase of fuel through the use of the Town's credit cards. However, since April 1995, in addition to using the Town's credit cards for fuel purchases, Mayor Harris has been receiving mileage reimbursements. The Town's auditors were not aware that Mayor Harris was receiving mileage reimbursements in addition to receiving the \$100 monthly allowance. Furthermore, former City Clerk Velma Smith and former Police Officer

Doug Carter stated that they also observed the Mayor using the Town's gas pump to fill his personal vehicle.

A review of the Town's credit card statements discloses that Mayor Harris regularly uses the Town's credit cards to purchase fuel. Furthermore, on 21 occasions between April 1995 and August 1997, Mayor Harris used the Town's credit cards to purchase fuel on the same day or within the same week he billed the town for mileage reimbursements. During this period, Mayor Harris charged \$1,431 of gas on the Town's credit cards while he received \$8,675 in mileage reimbursements.

We asked Mayor Harris why he received mileage reimbursements while at the same time charging fuel on the Town's credit card. Mayor Harris explained that he did not do this intentionally. He stated that if this happened, he hoped that it only happened once or twice because he should not get reimbursements on occasions when he charged fuel on the Town's credit card. Mayor Harris added that on occasion, he would fuel his car using the Town's credit card, then drive his wife's car for overnight trips. He would then be reimbursed by the Town for mileage. He stated that his mileage reimbursement covers everything (gas, maintenance, and depreciation) on his vehicle, and there was no reason he should use the Town's credit card to purchase fuel and also receive a mileage reimbursement.

We recommend that management for the Town review this information and by ordinance establish how the Mayor is to be reimbursed for mileage and other business expenses. We further recommend that management for the Town seek reimbursement for any Town funds improperly paid to Mayor Harris.

---

## **INADEQUATE DOCUMENTATION SUGGESTS INCONSISTENCIES IN THE TOWN'S SUMMER LUNCH PROGRAM**

Inadequate documentation suggests that Mayor Edward Harris, Town Clerk Josephine Nowak, and former Town Clerk Yelma Smith may have received improper salaries totaling \$16,589 from the Summer Lunch Program (Program). It appears that Ms. Nowak and Mr. Smith may have been paid for the same hours twice, once from the Town of Richwood's General Fund and then again from the Program. Furthermore, there is uncertainty as to the time actually worked by Mayor Harris for the Program.

The Town of Richwood receives funding for the Program each year from the Department of Education. The primary purpose of the Program is to provide food service to children from needy communities during periods when area schools are closed for vacation. Town records show that Mayor Harris, Ms. Nowak, and Ms. Smith were paid as employees of the Program in addition to receiving their full pay from the Town. A review of time sheets, payroll records, and statements provided by Program and Town employees indicate that Ms. Nowak and Ms. Smith may have been paid twice for the same hours. In addition, there is uncertainty concerning the actual hours

Mayor Harris worked for the Program. Furthermore, the Town council members told us that they do not recall approving these individuals to be paid through the Program in addition to receiving their regular pay.

#### **Mayor Edward Harris**

The Town's 1994 Operational and Administrative Budget for the Summer Lunch Program lists Mayor Edward Harris as the Program Administrator. His salary was set at "\$0" and his hourly pay was established as "volunteer." However, Mayor Harris was paid \$600 during the 1994 Program. In the 1996 budget, Mayor Harris was not listed at all, but he received \$510 from the 1996 Program.

The Program operated 42 days in 1994 and 43 days in 1996. We were only able to locate three weekly attendance sheets for the 1995 Program. Mayor Harris' name appears on 12 days in these weekly attendance sheets. On January 14, 1998, we asked Mayor Harris about his Program duties. Mayor Harris stated that he was a Program Monitor during the 1994 and 1996 programs. He explained that he usually worked a couple of hours per day during the program. However, Program employees told us that Mayor Harris worked for approximately 30 minutes per day, anywhere from 1 to 3 days per week. One program director stated that Mayor Harris "only showed up at the Program to eat, and then would leave." Furthermore, another program director stated that during some weeks Mayor Harris did not show up at all.

Mayor Harris also told us that he allocated his hours between the Program and the Town. He explained that we should see his salary decrease during the summer months. However, our review of payroll records indicated that Mayor Harris' regular pay as Mayor did not decrease, but in fact increased.

When we provided Mayor Harris with the above information, he told us that he did not recall telling us that his pay was prorated, and if he did, he misinformed us and was sorry. Mayor Harris then told us that he was able to perform Program duties in addition to his normal duties. He further stated that he usually worked three to four hours per day on the Program, but it was probably only two to three days per week.

#### **Ms. Jacqueline Newfah**

We also examined the payroll records of Ms. Newfah, Town Clerk. Ms. Newfah received \$1,350 from the Program in 1996, despite not being listed in the Program Operational Budget. Ms. Newfah received this pay, while at the same time receiving 100% of her regular pay from the Town. On February 27, 1998, Ms. Newfah told us that her salary was not prorated in 1996 because she performed her Program duties as Program Director before and after her Town duties. However, both Town and Program employees stated that Ms. Newfah's Program duties were performed during normal business hours.

Ms. Newfah's Town pay was reduced for the period of the Summer Lunch Program during 1997 by 25% to allocate her time between the Town and the Program. During 1997, Ms. Newfah was budgeted to receive \$4,253; however, she actually received \$4,853 from the Program. A review



of the 1997 Operational Budget showed that Ms. Newfob was listed as Program Director and was paid \$21 per hour compared to her \$8 per hour Town pay. Her time sheets prepared for the Program indicated that she worked between 4.5 and 6 hours per day. Therefore, the Program hours for which she was paid were more than twice the 2 hours per day (25%) that her Town pay was reduced. Furthermore, we were told by Program employees that Ms. Newfob worked at the Program for approximately 1 to 2.5 hours per day during the Town's business hours, not 4.5 to 6 hours each day as shown by Ms. Newfob's time sheets.

On March 6, 1998, we spoke with Ms. Newfob regarding the discrepancies noted for 1997. At this time, Ms. Newfob agreed that she did work on the Program during the Town's business hours, but she stated that she performed her Town duties early in the morning and late at night. She added that she does a lot of office work at home and on the weekends. She also explained that it was not uncommon for her to work 12-16 hour days. When asked why her time sheets did not show the actual hours she worked, she stated that she prepared her time sheets in this manner because the hours she actually worked were too complicated for the Town's payroll employees to understand.

#### **Ms. Velma Smith**

Former Town Clerk Velma Smith also received a total of \$3,335 from the Program for years 1994, 1995, and 1996 in addition to receiving 100% of her full-time pay from the Town. Payroll records indicated that her salary as Town Clerk was not reduced to reflect the time she charged to the Program. Ms. Smith told us that she performed her Program duties during normal Town business hours; however, she worked after normal Town business hours to complete her Town duties.

The information provided above discloses the following inadequacies in the Town's and the Program's procedures and records:

- The Program Budget was not properly amended to include all employees who were paid with Program funds.
- Time sheets from which Town employees were paid do not accurately reflect the hours worked.
- Time sheets from which Program employees were paid may not accurately reflect the hours worked.

We recommend that the Town amend Program budgets as needed to appropriately reflect employees to be paid with Program funds. We also recommend that management ensure that time sheets for both Town and Program employees accurately reflect the hours worked by establishing and implementing policies regarding the recording of time and attendance.

---

## **TOWN USES \$9,528 OF GRANT FUNDS IN VIOLATION OF GRANT GUIDELINES**

The Town of Richwood used \$9,528 of Louisiana Housing Finance Agency (LHFA) grant funds rehabilitating a residence that did not qualify under program guidelines.

The Town received \$78,000 in grant funds through the Louisiana Housing Finance Agency (LHFA). The purpose of the grant was to rehabilitate houses in the Town to Section 8 Housing Quality Standards. A review of the grant documents indicated that one of the 8 houses rehabilitated did not meet the program qualifications.

The LHFA program guidelines state that eligible homeowners must own the single unit residence or higher principal residence to qualify under the rehabilitation program. However, Richwood used \$9,528 of grant funds to rehabilitate the residence of Ms. Annie B. Head. Ouachita Parish Clerk of Court records indicate that Ms. Head does not own the rehabilitated property. However, the grant agreement represents that Ms. Head is the owner of the property. Furthermore, both Ms. Head and former Grant Administrator Yvette Woods signed the agreement giving assurance that Ms. Head owned the property.

Ms. Woods stated that she prepared the grant application for Ms. Head thinking that the Town would be able to show that Ms. Head would inherit the house. However, after the contract had been completed and the money was disbursed, they realized that Ms. Head would not inherit the house. Ms. Woods stated that after speaking with the Mayor on this issue, both reasoned that they may have to pay the money back. Ms. Woods stated that she is responsible for this mistake.

According to Ms. Head, the rehabilitated house belonged to her grandmother. After her grandmother's death, her mother and other heirs inherited the house. Ms. Head added that the heirs were going to have the house transferred to her, but they have not completed the transfer.

These actions indicate a possible violation of LHFA program guidelines.

We recommend that management for the Town comply with the provisions of the LHFA Small Cities Home Health and Safety Rehabilitation Grant. Furthermore, we recommend that LHFA review this information and take appropriate action to include seeking restitution.

---

## **TOWN ADDS UNAUTHORIZED PAYEE TO CHECKS AND THEN GIVES THOSE CHECKS TO THAT PAYEE**

The Town of Richwood included Mr. Simon Profit as a payee on checks, which were actually owed to Mr. Wallace Calhoun, a general contractor. According to Mr. Calhoun, these checks were then given to Mr. Profit without his (Mr. Calhoun's) knowledge. Mr. Calhoun stated that checks made payable to him from the Town of Richwood for

payment of construction contracts amounting to \$5,876 were negotiated without his knowledge. Mr. Simon Profit, a business associate of Mr. Calhoun, agreed that he obtained and negotiated these checks, but states that he had Mr. Calhoun's consent.

In 1994, the Town of Richwood contracted with Mr. Wallace Calhoun of Wallace Calhoun Construction to rehabilitate two houses under the Louisiana Housing Finance Agency Small Cities Health and Safety Rehabilitation Grant. The total contract price was \$15,040. A review of the five cancelled checks relating to these contracts indicated that all but one check was to "Wallace Calhoun Construction and EZ Loans" while the other check was made payable to "Mr. Wallace Calhoun and Mr. Simon Profit." Although both EZ Loans and Mr. Simon Profit were payees on the checks, a review of the contracts reveals that neither EZ Loans nor Mr. Profit were parties to these contracts.

Mr. and Ms. Calhoun stated that Mr. Simon Profit of EZ Loans approached them offering to finance Wallace Calhoun Construction by purchasing the building materials and paying the laborers. Furthermore, Mr. and Ms. Calhoun said that this agreement was a private agreement with Mr. Profit and had nothing to do with the Town.

Mr. and Ms. Calhoun stated that they had negotiated two of the five checks made payable to them. Both agreed that they had neither seen nor signed the three checks amounting to \$5,876, even though an endorsement represented as Wallace Calhoun Construction appeared on each check. Both Mr. and Ms. Calhoun stated they did not give Mr. Profit permission to endorse checks on their behalf.

Former Grant Administrator Yvonne Woods stated that she never gave Mr. Profit any checks made payable to Calhoun Construction because Mr. Profit was not a party to the contracts. She stated that the agreement between Mr. Calhoun and Mr. Profit was independent of the Town. Ms. Woods stated that Mr. Profit made repeated requests to have his name included on Mr. Calhoun's checks. She refused to do this. However, she stated that Mr. Profit and Mr. Calhoun later came to her office together, and Mr. Calhoun told her to include Mr. Profit's name on the checks. Mr. Calhoun denies this, stating that he was unaware of the reason that Mr. Profit's name was included on his checks. Furthermore, Ms. Woods stated that she would write out the checks on Friday evenings and then leave the checks on her desk. When she returned, the checks would be gone.

Meyer Harris stated that he could not remember specifically giving Mr. Profit a check made payable to Mr. Calhoun, but added that it was possible that he did. He said that he did remember giving Mr. Profit checks in the past, but was not sure which checks he had given to Mr. Profit.

Mr. Profit stated that he and Mr. Calhoun had a verbal agreement and that they would pick up the checks from the town hall together. Mr. Profit added that in a prior agreement with Mr. Calhoun, he (Mr. Calhoun) used one of the checks for himself depriving Mr. Profit of the funds. Mr. Profit said that he then decided that he should have his name on the checks and pick them up by himself.

Mr. Profit said that he recalled receiving Town checks from Ms. Felope Sparks, a former Town employee. Ms. Sparks stated that she never gave Mr. Profit any Town checks. We showed Mr. Profit the three checks in question. Mr. Profit stated that he picked up one check and negotiated it by signing Mr. Calhoun's name to the back of it. He explained that he picked up the other two checks from the Town, and that he or someone from his office signed Mr. Calhoun's name to the back of the checks. The three checks in question were deposited into bank accounts of either E-Z Loans or E-Z Construction.

Mr. Profit also stated that he gave Mr. Calhoun a check for \$3,000 from the proceeds of one of the Town's checks. Mr. Calhoun stated that the \$3,000 check from Mr. Profit was unrelated to the work he had done for the Town. Mr. Calhoun explained that the \$3,000 check from Mr. Profit was payment for work he (Mr. Calhoun) did for Mr. Profit in the Tanglewood subdivision.

We recommend that the Town establish and implement policies and procedures ensuring that checks are made payable and given only to appropriate payees. Furthermore, we recommend that the District Attorney for the Fourth Judicial District of the State of Louisiana review this information and take appropriate legal action, to include seeking restitution.

## Attachment I

### Management's Response

# TOWN OF RICHWOOD

1100 Brown Road  
Richwood, LA 71272-7004  
Phone: (504) 333-2104  
Fax: (504) 333-0254

504.333-0. 611842

June 5, 1998

Edward L. Harris  
Mayor

Interpreters

100 Park  
Mayor P.O. Box

Links Clerk

Levin Hunter

Steve S. Hunter

Jessie "Grand" Smith  
Street Commissioner

May Quin  
Personnel Director

George Lewis  
Tax Clerk

Jacqueline J. Neuhoff  
Town Clerk

Clara Thomas  
Secretary

Lois Wright  
Building Inspector

Jay Noller  
Town's Attorney

Office of Legislative Auditor  
Attn: Dr. Daniel G. Kyle  
P.O. Box 94397  
Baton Rouge, LA 70804-0397

Dear Dr. Kyle,

Please find enclosed our official response to the finding of your investigative audit of the Town of Richwood.

If any additional information is needed, please advise.

Sincerely,



Ed Harris, Mayor

cc. Council Members  
Jay Noller, Town's Atty.



RESTORING PRIDE, DIGNITY AND RESPECT

---

# Executive Summary

---

## Investigative Audit Report Town of Richwood

The following summarizes the findings and recommendations as well as management's response that resulted from this investigation. Detailed information relating to the findings and recommendations may be found at the page number indicated.

---

### **Mayor's Sister-in-Law Enrolled in the JTPA Program in Violation of Program Guidelines (Page 1)**

**Finding:** Mayor Ed Harris enrolled his sister-in-law, Ms. Gloria Harris, in the Job Training Partnership Act On-The-Job-Training Program in direct violation of program guidelines and possibly federal law. By enrolling an ineligible recipient in the JTPA program, the Town of Richwood received \$1,968 of improper salary reimbursements from the Ouachita Parish Police Jury.

**Recommendation:** We recommend that the Louisiana Department of Labor review this information and take appropriate action, to include seeking restitution.

**Management's Response:** We have contacted the JTPA and the matter is being resolved. Moreover, the violation regarding the hiring of in-laws through the JTPA program will not occur again.

---

### **Mayor Received \$1,675 in Mileage Reimbursements While Also Using the Town's Card for Fuel Purchases (Page 2)**

**Finding:** Between April 1995 and August 1997, Mayor Edwards Harris received \$1,675 in reimbursements for mileage while he was using the Town's credit cards for the purchase of fuel.

**Recommendation:** We recommend that management for the Town review this information and by ordinance establish how the Mayor is to be reimbursed for mileage and other business expenses. We further recommend that management for the Town seek reimbursement for any Town funds improperly paid to Mayor Harris.

**Management's Response:** The policy for reimbursing the Mayor for business is covered in the Town's Policy and Procedures manual, which was adopted by ordinance in 1991. In addition, the Town allocates the Mayor an amount per year to be given for miscellaneous travel and per-diem. The yearly aggregate never exceeded the Mayor's budgeted allowance.

---

**Inadequate Documentation Suggests Inconsistencies  
in the Town's Summer Lunch Program**

(Page 3)

**Finding:** Inadequate documentation suggests that Mayor Ed Harris, Town Clerk Jacqueline Newfish, and former Town Clerk Valma Smith may have received improper salaries totaling \$13,889 from the Summer Lunch Program (Program). It appears that Ms. Newfish and Ms. Smith may have been paid for the same hours twice, once from the Town of Richwood's General Fund and then again from the Program. Further, there is inconsistency as to the time actually worked by Mayor Harris for the program.

**Recommendation:** We recommend that the Town amend Program budgets as needed to appropriately reflect employees to be paid with Program funds. We also recommend that management ensure that time sheets for both Town and Program employees accurately reflect the hours worked by establishing and implementing policies regarding the recording of time and attendance.

**Management's Response:** The alleged improper salaries was not improperly received; however, we have revised our time sheets so that they will accurately reflect work done for the town as well as individual programs.

---

**Town Uses \$9,528 Of Grant Funds  
In Violation of Grant Guidelines**

(Page 6)

**Finding:** The Town of Richwood (Town) used \$9,528 of Louisiana Housing Finance Agency grant funds rehabilitating a residence that did not qualify under program guidelines.

**Recommendation:** We recommend that management for the Town comply with the provisions of the LHA Small Cities and Home Health Safety Rehabilitation Grant. Further we recommend that LHA review this information and take appropriate legal action to include seeking



rectification.

**Management's Response:** We have contacted LEPFA to determine how to resolve this policy violation and come within complete compliance of their program guidelines.

---

**Town Aids Unauthorized Payee to Checks  
Then Gives Those Checks To That Payee**

(Page 6)

**Finding:** The Town of Richwood included Mr. Simon Profit as a payee on checks, which were actually issued to Mr. Wallace Calhoun, a general contractor. According to Mr. Calhoun, these checks were then given to Mr. Profit without his (Mr. Calhoun's) knowledge. Mr. Calhoun stated that checks made payable to him from the Town of Richwood for payment of construction contracts amounted to \$3,878 were negotiated without his knowledge. Mr. Simon Profit, a business associate, agreed that he obtained and negotiated these checks, but states that he had Mr. Calhoun's consent.

**Recommendation:** We recommend that the Town establish and implement policies and procedures insuring that checks are made payable only to appropriate payees. Furthermore, we recommend that the District Attorney for the Fourth Judicial District of the State of Louisiana review this information and take appropriate legal action, to include seeking restitution.

**Management's Response:** E-Z Loan Co. owned by Mr. Simon Profit did the financing for W C & Son Construction, subsequently; it was the Town's understanding that there was an existing business agreement between Mr. Wallace Calhoun and Simon Profit; however, in the future we will insist that both parties be present when issuing checks on similar projects.

**Attachment II**  
**Legal Provisions**

---

# Legal Provisions

---

The following legal citations are referred to in the Findings and Recommendations section of this report:

- **R.S. 14:634** provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee, (2) intentionally perform any such duty in an unlawful manner, or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.
- **18 U.S.C. §605** provides that whoever, being an officer, director, agent, employee of, or connected in any capacity with any agency receiving any funds under the Job Training Partnership Act, knowingly enrolls an ineligible participant shall be fined not more than \$10,000 or imprisoned for not more than 2 years, or both.

