

LEGISLATIVE AUDITOR

STATE OF LOUISIANA



DISTRICT ATTORNEY OF ORLEANS PARISH
CHILD SUPPORT ENFORCEMENT DIVISION

AUDIT REPORT
ISSUED JUNE 9, 2004

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June 9, 2004

HONORABLE EDDIE J. JORDAN, JR.
DISTRICT ATTORNEY OF ORLEANS PARISH
New Orleans, Louisiana

We have performed a limited examination of the Child Support Enforcement Division (CSED) of the District Attorney of Orleans Parish. 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.

A limited examination is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The accompanying report presents the background and methodology and our findings and recommendations, as well as responses from you and the former district attorney. We will continue to monitor the findings until you resolve them. Copies of this report have been delivered to the Louisiana Board of Ethics and others as required by state law.

Respectfully submitted,

A handwritten signature in black ink that reads "Grover C. Austin".

Grover C. Austin, CPA

First Assistant Legislative Auditor

ESS:GLM:GCA:dl

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The following summarizes the findings that resulted from this limited examination of the Child Support Enforcement Division (CSED) of the District Attorney of Orleans Parish. The Findings and Recommendations section of this report provides details for these findings. The district attorney's response is included in Attachment I and the former district attorney's response is included in Attachment II.

1. The district attorney needs to improve controls over purchasing and disbursements. (See page 5.)
2. During the period from January 1, 2001, through March 31, 2003, funds totaling \$23,620 were spent for (1) Christmas parties; (2) Christmas luncheons; (3) holiday candy and food items; (4) retirement parties; (5) restaurant charges; (6) alcohol; (7) gifts for retiring employees; (8) gift certificates and trip for collectors; (9) flower and plant arrangements; and (10) birthday cake, all of which payments are generally prohibited by Louisiana's constitution. (See page 6.)
3. CSED funds were used for personal travel costs and for expenditures that lack a public purpose and are not supported by adequate documentation. Also, the district attorney does not have an adequate travel policy, travel expense reports were not prepared, and documentation for travel and travel-related expenditures was missing. (See page 7.)
4. An immediate family member of a CSED employee received broker commissions for personally negotiating the CSED's office leases on behalf of the district attorney, an arrangement which may be prohibited by the ethics law. (See page 8.)
5. CSED financial statements were not prepared and bank statements and related deposits and canceled checks were not reconciled to the book (general ledger) balances on a timely basis. (See page 9.)
6. The district attorney's policy and procedure manual is not complete. (See page 9.)





Need to Improve Controls Over Purchasing and Disbursements

The district attorney needs to improve controls over purchasing and disbursements. We reviewed 209 transactions (92 checks, 90 credit card charges, and 27 debit card charges) of the CSED, totaling \$68,129, made during the 2¼ year period from January 1, 2001, through March 31, 2003. Our review of these disbursements, including our general observations and inquiries, revealed the following:

1. Paid invoices and itemized credit card charge tickets/receipts are missing. Former CSED management personnel informed us that supporting documentation for disbursements was always turned in and maintained on file; however, itemized receipts are missing for transactions totaling \$32,750 (48% of \$68,129). The largest single expenditure not supported by receipts or other documentation was a \$4,000 check dated February 22, 2001, payable to “cash,” signed by the office manager, and endorsed by the finance officer.
2. Accounting is not centralized because the CSED maintains a separate accounting system from the district attorney’s main office. Also, neither the CSED nor the main office reconciles interfund transfers, monthly state warrants, or payroll tax reports to their respective general ledger balances.
3. Purchasing is not centralized because the CSED purchases its own supplies and equipment separate from the district attorney’s main office. In addition, purchase requisitions and purchase orders are not used in the CSED or district attorney’s main office purchasing process.
4. The CSED finance officer performs a variety of duties that are incompatible for a proper system of checks and balances. The finance officer is the sole employee involved in (1) processing, summarizing, and recording accounts payable; (2) preparing and mailing/distributing checks; (3) reconciling monthly bank statements; (4) posting and reconciling general ledger accounts; and (5) maintaining general ledger and accounting/financial records.
5. On numerous occasions, the CSED division chief and the office manager signed their own expense reimbursement checks.
6. All CSED and district attorney employees do not complete time/attendance reports.
7. Human resource/personnel functions are not centralized. The CSED maintains a separate personnel department from the district attorney’s main office.
8. Changes made to CSED payroll are not reviewed by someone independent of the payroll/human resources department.
9. The CSED employees with access to cash are not bonded.
10. The CSED maintains a petty cash fund; however, the fund is not reconciled to an established cash balance and individual petty cash vouchers are not prepared to document the (1) person making the disbursement; (2) items purchased; and (3) approval.
11. CSED requests for cost reimbursements from the Louisiana Department of Social Services are not reconciled with the expenditures recorded in the general ledger.

The district attorney should:

- Implement controls to ensure that paid invoices and all other supporting documentation is filed in an appropriate manner to safeguard them from being misplaced or lost
- Prohibit checks payable to “cash”



DISTRICT ATTORNEY OF ORLEANS PARISH CHILD SUPPORT ENFORCEMENT DIVISION

- Centralize accounting functions and implement procedures and controls to ensure that financial information is input, reconciled, and generated on a timely basis
- Centralize purchasing to promote operational efficiency, including requiring the use of purchase requisitions and purchase orders to provide for a system of checks and balances
- Separate the recording and reconciling functions of the finance officer
- Prohibit employees from signing their own expense checks
- Require all district attorney employees to prepare a time/attendance report and submit to an appropriate supervisor for approval before payment
- Centralize human resource/personnel functions to promote operational efficiency
- Require that all changes made to payroll be reviewed by someone independent of the payroll and human resource department
- Obtain adequate fidelity bond insurance coverage on all employees with access to cash
- Establish the amount of petty cash to be maintained and ensure individual petty cash vouchers are used that document the person making the disbursement, items purchased, and approval
- Require that all requests for cost reimbursement be reconciled with the general ledger on a timely basis

Prohibited Use of Public Funds

During the period from January 1, 2001, through March 31, 2003, funds totaling \$23,620 were spent for (1) Christmas parties; (2) Christmas luncheons; (3) holiday candy and food items; (4) retirement parties; (5) restaurant charges; (6) alcohol; (7) gifts for retiring employees; (8) gift certificates and trip for collectors; (9) flower and plant arrangements; and (10) birthday cake, all of which payments are generally prohibited by Louisiana's constitution.¹

¹ Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. The Louisiana Attorney General (AG) has consistently held (AG No. 92-737) that the expenditure of public funds for Christmas parties, including entertainment incidental to the parties, for public officials, employees, and the general public is in contravention of Article VII, Section 14. AG Opinion No. 94-1115 addresses meals and Christmas parties for public employees and concludes that such a private use of public funds would be prohibited by Louisiana's constitution. AG Opinion No. 96-159 addresses parties for retirees and conclude that the payment or reimbursement for food, drink, or other expenses associated with luncheons, banquets, parties or similar functions, from public funds, is improper under Louisiana's constitution.

AG Opinion No. 03-0387 provides in part that, historically, the Attorney General has followed the Louisiana Supreme Court's interpretation of Louisiana Constitution Article VII, Section 14, as set forth in *City of Port Allen v. Louisiana Municipal Risk*, 439 So.2d 399 (La. 1983), wherein the Court states “. . . this Section is violated whenever the state or political subdivision seeks to give up something of value when it is under no legal obligation to do so.” In addition, the AG maintains that the legal obligation is not the only threshold predicate for the constitutionality of an expenditure, but that the expenditure must also be for a public purpose and create a public benefit proportionate to its cost.

The AG has opined (No. 92-737) that using public funds for the purchase of alcoholic beverages is not considered reasonable and is contrary to Article VII, Section 14. The AG has opined (No. 00-39) that gifts purchased for retiring employees are tantamount to a donation of public funds which is expressly prohibited by the Louisiana constitution. AG Opinion No. 95-210 provides that gift certificates constitute remunerative donations which are prohibited by Article VII, Section 14. AG Opinion No. 03-0157 addresses the purchase of flowers and concludes that public funds cannot be used to purchase flowers and gifts.



The district attorney should:

- provide training and guidance to its entire administrative staff relating to payments that are prohibited by Louisiana's constitution or that violate office policies, and
- require that all payments be reviewed and approved (in writing) by the executive assistant district attorney or his designee.

Travel

CSED funds were used for personal travel costs and for expenditures that lack a public purpose and are not supported by adequate documentation. Also, the district attorney does not have an adequate travel policy, travel expense reports were not prepared, and documentation for travel and travel-related expenditures was missing. Good internal controls require that appropriate policies be in place and followed to ensure that proper documentation exists to support all transactions. In addition, the public records law² generally requires public records be preserved and maintained for a period of at least three years from the date on which the public record was made.

The district attorney's travel policy is not adequate to meet the needs of the district attorney and his approximately 240 employees. The present policy is very general. For example, it does not include reimbursement rates for mileage, lodging, and meals and does not provide specific guidance as to what is allowable relating to travel for district attorney business or conference and seminar travel. In addition, the policy does not address the use of rental vehicles or specifically require employees to submit completed travel expense reports and detailed receipts for all individual expenses incurred.

We selected three of the four out-of-state conferences attended in 2002 by CSED employees for a detailed review. The following are the findings of that review:

- The majority of travel costs was charged on the office VISA cards and paid with CSED funds without the completion and filing of travel expense reports by the employees. Total costs for the three conferences totaled \$9,135, of which there were missing credit card receipts totaling \$4,691.
- There is no documentation that rental vehicles were the most cost effective method of transportation either when traveling to the conference or while at the conference site. In addition, there was no documentation of the business and personal use of the rental vehicle nor did the conference participants reimburse CSED for the personal use of the rental vehicles.
- There is no documentation of the business purpose or reimbursement to the CSED for the conference participants' lodging and meals for the days arriving early or staying after the completion of the conferences.
- There is no documentation or reimbursement to the CSED for the cost of meals for the conference participants' family member who accompanied them on the trips.

² Louisiana Revised Statute 44:36(A) provides that all persons and public bodies having custody and control of any public record shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal record retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal record retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made.



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- The CSED was not reimbursed for the cost of the conference participants' personal tours or hotel movies charged on the office VISA cards.

The district attorney should:

1. Cease allowing public funds to be used to pay for personal travel and related costs and for expenditures that lack a public purpose
2. Seek reimbursement of all public funds that were used to pay for personal travel and related costs
3. Adopt a more detailed travel policy using the State of Louisiana policies as a guide
4. Prohibit the payment of travel costs for non-employees of the district attorney's office
5. Allow rental of vehicles only when it can be documented that vehicle rental is the only or most economical means by which the purposes of the trip can be accomplished
6. Discontinue using credit cards and require all employees to file expense reports for reimbursement of all expenditures made for business purposes. The expense reports should include all appropriate documentation supporting the business nature of the expenditures, in particular, the business purpose for meals and the names of all individuals participating should be documented. Also, all business expenses claimed for reimbursement should be within the district attorney's adopted travel policies
7. Require that itemized receipts supporting the business nature of the expenditures are received before reimbursement is made
8. Require that the business purpose of travel and the benefit to the district attorney be documented in the approval process

Ethics

An immediate family member of a CSED employee received broker commissions for personally negotiating the CSED's office leases on behalf of the district attorney, an arrangement which may be prohibited by the ethics law.³ The ethics law generally prohibits an immediate family member from entering into transactions that are under the supervision or jurisdiction of the employee's agency.

³ R.S. 42:1113(A) prohibits a public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such public servant's immediate family, or legal entity in which he has a controlling interest from bidding on or entering into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

R.S. 42:1102 defines "immediate family" as the public servant's children, the spouses of children, brothers and their spouses, sisters and their spouses, parents, spouse, and the parents of the spouse. Also, a "public servant" is defined as a public employee or an elected official.

R.S. 42:1111(C)(2)(d) provides that no public servant and no legal entity in which the public servant exercises control or owns an interest in excess of twenty-five percent, shall receive anything of economic value for or in consideration of services rendered, or to be rendered, to or for any person during his public service unless such services are neither performed for nor compensated by any person from whom such public servant would be prohibited by R.S. 42:1115. R.S. 42:1115(A)(1) provides that no public servant shall solicit or accept, directly or indirectly, any thing of economic value as a gift or gratuity from any person or from any officer, director, agent, or employee of such person, if such public servant knows or reasonably should know that such person has or is seeking to obtain contractual or other business or financial relationships with the public servant's agency.



The husband (immediate family member) of a CSED employee received a \$66,990 co-broker commission fee (4% of the 6% fee) from the Amoco building owner for negotiating the CSED's current five-year (March 1, 2002, through February 28, 2007) office lease. In addition, the CSED employee's husband informed us that he negotiated the CSED's prior office lease with Plaza Tower and was paid \$55,000 by the building owner.

We recommend that the district attorney request an ethics opinion from the Louisiana Board of Ethics to clarify whether the husband's brokering services provided for the district attorney are prohibited under state law.

Financial Statements Not Prepared and Bank Statements Not Reconciled Timely

CSED financial statements were not prepared and bank statements and related deposits and canceled checks were not reconciled to the book (general ledger) balances on a timely basis. Without timely financial statements, including budget comparisons, the district attorney cannot effectively exercise his responsibilities over CSED fiscal operations. Also, reconciling the bank balances with the book balances on a monthly basis is necessary to ensure that (1) all receipts and disbursements are recorded (an essential process in ensuring complete and accurate monthly financial statements); (2) checks are clearing the bank in a reasonable time; (3) reconciling items (errors, unrecorded deposits and checks, etc.) are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger cash balance.

On April 2, 2004, we asked the CSED finance officer to provide us with copies of the 2003 financial statements and bank statement reconciliations; however, he informed us that he was still in the process of preparing them.

The district attorney should ensure that the CSED finance officer prepares monthly financial statements that report the operations of its office compared to the budgeted amounts. Also, the district attorney should implement procedures requiring timely preparation and supervisory review and approval of all bank statement reconciliations.

Written Policies and Procedures

The district attorney's policy and procedure manual is not complete. Formal/written policies and procedures are necessary as a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed meet management's expectations. Also, written procedures aid in continuity of operation and for cross-training of staff.

The district attorney does not maintain written policies and/or detailed procedures for the following:

- Retention of public records, including electronic communications (e-mail)
- Procurement/purchasing process, including how purchases are initiated and approved, and preparation, approval, distribution process of purchase requisitions and purchase orders
- Nature, extent, and frequency of financial reporting information provided to district attorney, including a comparison of actual results to amounts budgeted
- Processing, reviewing, and approving disbursements, including filing formal expense reports
- Travel guidelines for airfare, meals, lodgings, and rental vehicles



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CHILD SUPPORT ENFORCEMENT DIVISION

- Processing, reviewing, and approving payroll, including procedures relating to time/attendance records for all employees
- Collecting, processing, and reconciling child support payments received to bank deposits, including using pre-numbered receipts for all collections
- Recording, tagging, and safeguarding of capital assets, including conducting periodic physical inventories of all capital assets
- Accounting for the business and personal use of cellular telephones
- Computer contingency and recovery plan in the event of a disaster, including procedures to test the plan periodically

The district attorney's policy and procedure manual should include these matters.



The Child Support Enforcement Division (CSED) of the District Attorney of Orleans Parish employs approximately 65 people whose primary responsibilities are to enforce and collect upon child support orders in the Civil District Court for the Parish of Orleans. The CSED is managed by a division chief who approves expenditures of the CSED and administratively reports to the first assistant district attorney. During the period of our review from January 1, 2001, through March 31, 2003, the CSED employed three different division chiefs. The division chief's support staff includes a finance officer, an office manager, attorneys, collection specialists, and investigation specialists.

The CSED is funded solely through an annual reimbursement contract (contract) made between the district attorney and the Louisiana Department of Social Services (DSS) - Office of Family Support. For the fiscal year July 1, 2002, through June 30, 2003, the contract amount totaled \$2,857,143. The funds received from DSS are authorized by Act 117 of 1975, which established family and child support programs compatible with Title IV-D of the Social Security Act. Twice each month, the CSED submits requests for reimbursement of its direct and indirect costs/expenditures incurred for child support enforcement services.

The funds received by the CSED are comprised of state (34%) and federal (66%) monies. The contract stipulates that expenditures/costs must be necessary and reasonable for proper and efficient performance and administration of Title IV-D, allocable to Title IV-D, and be authorized or not prohibited under state or local laws or regulations. In addition, the district attorney is required to maintain books, records, documents and other evidence of cost and cost category, including time and attendance records of all personnel performing services under the contract.

Our procedures consisted of:

- (1) examining selected district attorney records;
- (2) applying our *Checklist of Best Practices in Government*;
- (3) interviewing certain current and former employees of the district attorney;
- (4) reviewing applicable Louisiana laws and Attorney General opinions; and
- (5) making inquiries of other persons to the extent we considered necessary to achieve our purpose.









Eddie J. Jordan, Jr.
District Attorney of New Orleans ~ State of Louisiana

GAYNELL WILLIAMS
EXECUTIVE FIRST ASSISTANT DISTRICT ATTORNEY

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(504)822-2414

June 7, 2004

Mr. Grover C. Austin, CPA
Office of Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

Dear Mr. Austin:

The Orleans Parish District Attorney's Office has been diligently working to change the accounting system to make it more effective. Among other things, we have increased the level of audit services that we contract. Furthermore, we have purchased an automated accounting program and hired a certified public accountant as a consultant. The following statements are in response to the conclusions presented in the preliminary draft from the legislative audit:

1. The following list addresses the discrepancies listed in the legislative audit:
 - (1.) Employees currently donate monies to fund parties.
 - (2.) Luncheons are funded at employee expense.
 - (3.) Holiday candy and food items are funded at employee expense or from vending machine proceeds.
 - (4.) Catering and restaurant charges are funded at employee expense, except when otherwise permissible.
 - (5.) Alcohol is not funded at the office expense.

Mr. Austin
June 7, 2004
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- (6.) Gifts are only funded at employee expense.
 - (7.) Gift certificates and trips for collectors no longer exist.
 - (8.) Flowers and plant arrangements are funded by the office vending machines.
 - (9.) Birthday cakes are funded at employee expense.
 - (10.) Employees who travel will reimburse the office for any hotel movie costs and family meal purchases. A new rule will be enforced to prevent these charges.
2. Over the past ten months, we have been working hard to professionalize our management processor.
 3. We recognize the existence of potentially illegal transactions in the previous administration, and we will not repeat them.
 4. A new travel system is being prepared and will be enforced immediately. The system will have emphasis on policy and documentation.
 5. The new accounting software will allow the main office to monitor and review Child Support Division activity. Also, the new software will allow the main office to reconcile Child Support Division interfunds, transfers, and all other accounting functions to the general ledger.
 6. The Child Support Division is funded solely through the state and the main office depends on the city for funding and grants. We are working from two separate budgets, but the new accounting software will allow us to account for all purchases. A new purchase order system is now being utilized.
 7. The main office accounting department will assist the Child Support Division with accounting functions to develop a better checks and balance system.
 8. A new policy has been implemented for signatures on checks to prevent this problem in the main office. We will extend this policy to the Child Support Division.
 9. We have implemented a new time sheet system.
 10. Since, the Child Support Division is not co-located, and it has a different mission and funding source, we prefer to maintain two separate human resource divisions using our procedures.
 11. The main office accounting department will review payroll records.

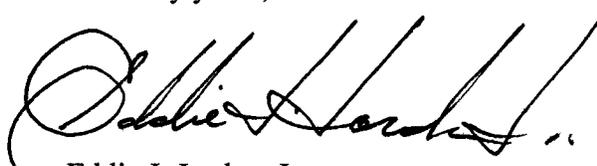
Mr. Austin
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12. Any employee that handles cash will be bonded.
13. The main office is currently using a petty cash voucher system that will be applied to the Child Support Division as well.
14. The main office accounting department will train the Child Support Division staff on reconciling information to the general ledger.

Please note that we have no objection to the final recommendation listed on page 4 and 5 of the preliminary draft. All of these listed discrepancies applied to the previous administration. Many of the procedures leading to these errors have been amended as indicated.

The Orleans Parish District Attorney's office appreciates your suggestions. We either have or will make adjustments, and I am confident that the adjustments will be effective.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Eddie J. Jordan, Jr.", written in black ink.

Eddie J, Jordan, Jr.

EADA:RW:dp



Harry F. Connick
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June 2, 2004

Via Fax (225) 339-3870
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**Re: District Attorney of Orleans Parish-
Child Support Enforcement Division**

Dear Mr. Austin:

Thank you for giving me the opportunity to respond to your preliminary draft report on the Child Support Division (CSED) of the District Attorney's Office in Orleans Parish. As you should be aware I left office as District Attorney on January 12, 2003 and took no records with me. I have not had the opportunity to review the records of the office since then. The Director of the CSED remained in position when I left and I have never known during my tenure as District Attorney of any complaint of missing records or supporting documents. The finance officer in 2002 has a distinct recollection that the supporting documentation for all the expenditures you questioned was in place when she was terminated on January 15, 2003 including the support and reasons for the check for \$4,000 written in February 2001 and covered by the outside auditor's report.

The Legislative Auditor's office had approved LaPorte, Sehrt, Romig, and Hand as the auditors for the office in lieu of the Legislative Auditor performing audits each year and those reports were forwarded to your office as they were made. We have never received any finding from the auditors on inadequate or missing records or support. The most recent report for 2001 found no "questioned costs" in connection with that year and it has never been brought to my attention that there ever were.

I understand that when Mr. Eddie Jordan came in to office he changed outside auditors to review the year 2002. No one from his office or the auditor's office has ever contacted me about their inability to locate supporting documentation. I understand Jordan has had significant turnover in the office and new personnel did not know where some documentation was located.

Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
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You should also be aware that there were over 160 employees in the District Attorney's Office when I left and I did not handle the direct and immediate supervision of them, nor did I review the individual transactions that you questioned. Furthermore, the CSED was a relatively autonomous unit which was totally funded by the Federal and State Government through the State Department of Social Services which in 2002 was responsible for the collection of over \$34 Million of child support. In that year the budget of expenditures was approximately \$2.9 Million for CSED. Without denigrating your observations on the appropriateness of many of the charges I point out that with the exception of those expenditures for the Christmas parties, the amounts questioned seem to be about \$5,000-\$6,000 which is less than 2/1000 % of the total expenditures of the unit.

Of course, I agree with you that personal expenses are not to be covered by public funds and if that occurred I would certainly object to it and would have taken action to recoup it from the employees involved had I been aware of it. However, when an employee is on a trip which justifies the rental of a car, common sense tells us that there are no additional costs involved if the non-employee husband rides in the car and I fail to see any law or logic that requires such a proration of the cost.

Getting to the major issue that you raise, that is, the Employee's Christmas Parties, I totally disagree with your interpretation of the law. In the first place those CSED employees like all the other employees of the District Attorney's Office, worked long hours and on days such as Lundi Gras when other agencies were virtually shut down. Furthermore, they are on the low end of the pay scale in the New Orleans legal world. When we see Clerks of Courts, judges and sheriffs holding Christmas parties for their staff there is certainly ample justification for District Attorney employees to be given the same consideration.

You cite L.S.A. Constitution Art. VII as authority for your statement that the Employee Christmas parties are prohibited. There is nothing in that provision or in the jurisprudence that stands for that proposition. The Constitution prohibits the loan, pledge or donation of state funds. The case you cite: *City of Port Allen v. La. Mun. Risk*, gives no support to your argument. That case stands for the proposition that one municipality cannot guarantee the debts of another.

Further, you cite to attorney general opinions. You should be aware that you can often find attorney general opinions on both sides of an issue but more importantly they have no binding authority on anyone. I do not accept the opinions you cite as controlling.

Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
State of Louisiana
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Finally your suggestion that Elizabeth Chatelain may have violated the State Ethics because her husband was paid a commission by the owner of the Amoco Building and Plaza Towers in negotiating a lease with the CSED seems to me to be far fetched. To my knowledge Elizabeth Chatelain was not the director of CSED or responsible person for the negotiation of or entering into the lease for the office space used by CSED. Furthermore, we paid no more than market price and Mr. Chatelain, so I am told, helped immeasurably the Director in locating the space and tying down a lease, especially in view of the fact that because of the high traffic volume for the units, few building owners wanted the CSED as a tenant.

As to other matters and recommendations made by you, I do agree that bank reconciliations should be prepared timely. I am informed that the financial officer who worked for CSED when I was District Attorney made them at least quarterly. However, she was fired by the new District Attorney on January 15, 2003 when she was in the process of doing so.

There was a written Policies and Procedures Manual in the District Attorney's office which was updated periodically and I thought it covered most of the issues that you raised. However, I am informed that the retention of records was dictated (3 years) by the State and that our office kept them for 5 years.

I agree with your other recommendations and if I were District Attorney I would accept them.

Thanks again for permitting me the opportunity to respond to your draft report.

Sincerely yours,



Harry F. Connick