



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 9, 2015

The Honorable Tina Miceli, Mayor
and City Council Members
City of Harahan
6437 Jefferson Highway
Harahan, Louisiana 70123

Dear Mayor Miceli and Council Members:

At your request, my Investigative Audit staff visited the City of Harahan (City) to examine certain financial transactions. This letter briefly summarizes the results of our work. We stress the importance of addressing these issues and encourage you to consider our recommendations as you work to resolve the following:

Property not Seized or Sold to Collect Delinquent Property Taxes

The City failed to collect \$163,475 in delinquent property taxes and interest (tax charges of \$132,204 with accrued interest of \$31,271) on 333 properties between December 31, 1995 and June 9, 2015. Louisiana Revised Statute (La. R.S.) 47:2154(A) establishes that *“The tax collector shall seize, advertise, and sell tax sale title to the property or an undivided interest therein upon which delinquent taxes are due, on or before May first of the year following the year in which the taxes were assessed, or as soon thereafter as possible.”* Although required by state law, the City did not seize, advertise, and sell properties on which delinquent property taxes were due. According to City representatives, the City does not have regulations concerning delinquent property taxes, and as such, has done nothing more than send out tax collection notifications.

Improper Health Insurance Premiums Paid

The City improperly used \$47,588 in public funds to provide health insurance benefits to ineligible City employees and former employees after termination from May 1, 2012 through May 31, 2015. The City provides health insurance benefits to full-time employees and pays a portion of the premiums for employees’ dependents. Our review of the premiums paid by the City indicated that premiums were improperly paid for employees or former employees as follows:

- 1) Premiums totaling \$24,382 were improperly paid for 16 employees during their three-month probationary period. From January 1, 2003 to April 16, 2014, City

policy did not allow full-time employees to receive health insurance benefits during their three-month probationary period. On April 17, 2014, this policy was changed to allow City employees to receive benefits the first day of the month following their hire date.

- 2) Premiums totaling \$19,238 were improperly paid for 11 former employees for months following their separation from City employment. According to City policy, an employee's insurance should be canceled on the last day of the final month of their employment.
- 3) Premiums totaling \$3,968 were improperly paid for four former employees for COBRA coverage when the City did not collect reimbursement payments. Upon termination of employment, former City employees are given the option of remaining on the City's health plan through a COBRA election, provided the former employee pays both the employer and employee share of the premiums to the City.

Improper Compensation to City Council Members

The City improperly paid \$58,404 in health and life insurance premiums for City Council members from May 1, 2013 through May 31, 2015. City Ordinance 1562 allows council members to be paid \$11,400 per year but does not address the payment of health and life insurance premiums. In addition to these wages, the City also paid health and life insurance premiums for council members beginning in May 2013. In Opinion No. 13-0136, the Louisiana Attorney General opined that although La. R.S. 33:5151 allows municipalities to pay for insurance for elected officials, the insurance premiums should be considered compensation and included when determining adherence to wage restrictions. Attorney General Opinion No. 13-0136 further states that "if an official's salary is set by ordinance, the ordinance must be amended to include health insurance and any other benefits." In addition, the City's Personnel Manual (adopted by Ordinance 1361) allows only full-time employees to receive City-provided insurance. However, the City has not defined council members as full-time employees and does not require council members to comply with employment policies for full-time employees, including maintaining scheduled work hours and recording hours worked.

Unsupported Payments to Contractors and Employees

The City paid \$45,300 to five contracted Regulatory Department inspectors from January 1, 2012 through December 31, 2014. These individuals were paid a monthly flat fee to perform inspections associated with permit applications which generated revenue for the City totaling only \$27,476 during this period. These contracted inspectors typically signed simple two-line contracts stating that they would provide inspector services for a specified monthly fee. These contracts did not specify payment, service, performance, work scope, or reporting terms. The monthly fees were paid to these individuals without invoices or job/work performed records.

The Honorable Tina Miceli, Mayor
and City Council Members
City of Harahan
September 9, 2015
Page 3

Further, three of the five contracted inspectors, as well as the Regulatory Department Director, were also paid \$9,120 for fuel reimbursements with no records of mileage traveled on City business. The director was not required to submit any records other than a check request to receive \$200 per month (\$3,466 total) for gas “reimbursements” associated with using his personal vehicle for City business. However, during this period, the director also used a City vehicle and fuel card on which he made fuel purchases totaling \$2,228.

Three of the five contracted inspectors were paid \$5,654 for fuel purchases despite the fact that the City’s contract with them did not require such payments. The three contracted inspectors submitted receipts, but these receipts did not demonstrate when or where they went nor what City business they were conducting. As such, these payments were made with no records to document the purpose, such as miles traveled, date and time of travel, destination, or the associated job/permit information.

Inadequate and Outdated Contracts

During our review, we noted instances of inadequate and outdated contractual agreements between the City and its vendors. For instance, the City’s contract for engineering services was signed in 1997. We also found several one page contracts with little to no payment, service, performance, or reporting terms.

Missing Public Records

During our review, we noted instances of missing public records, such as bid records, receipt books, and invoices, which may violate state law. In general, City records were poorly-organized and in some instances not available. La. R.S. 44:36 requires public records to be maintained for at least three years.

Undocumented Employee Pay Raises

During our review, we found that employee pay raises were not properly recorded and maintained in personnel files. No documentation of the reason, request, approval, or amounts of pay raises were maintained because, according to former mayor Mr. Provino Mosca, he gave these directives verbally.

Noncompliance with Local Government Budget Act

For the fiscal year beginning January 1, 2015, the former mayor, Provino “Vinny” Mosca, did not complete and submit a proposed budget to the council no later than 15 days prior to the beginning of the fiscal year as required by the Local Government Budget Act (La. R.S. 39:1305, et seq.). Mr. Mosca left office on December 31, 2014 and stated that he did not create a budget for 2015 because he thought it best to let the new administration (Mayor Miceli) do this. The City adopted its 2015 budget on June 24, 2015.

The Honorable Tina Miceli, Mayor
and City Council Members
City of Harahan
September 9, 2015
Page 4

Recommendations

We recommend that the City:

- (1) collect property taxes and conduct property seizures and tax sales in accordance with state law;
- (2) verify eligibility of all employees for whom health insurance premiums are paid on a monthly basis;
- (3) regularly verify that all elected officials are paid in accordance with City ordinance;
- (4) modify the existing ordinance limiting council members' compensation before insurance benefits are paid;
- (5) seek legal counsel regarding the possible recoupment of insurance premiums paid for council members;
- (6) require detailed invoices and receipts for all expenditures;
- (7) require and maintain detailed up-to-date contracts;
- (8) maintain public records in accordance with state law; and
- (9) comply with the Local Government Budget Act.

Should you have any questions, please contact Roger Harris or Kevin Kelley at 225-339-3800.

Sincerely,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

APPENDIX A

Management's Response



TINA MICELI
Mayor

NICOLE S. LEE
City Clerk/Tax Collector

City of Harahan

6437 Jefferson Highway
Harahan, Louisiana 70123
Phone (504) 737-6383
FAX (504) 737-6384

CITY COUNCIL

TIMOTHY L. BAUDIER
SUSAN BENTON
DANA HUETE
CRAIG JOHNSTON
CARRIE WHEELER

September 1, 2015

Via Email and Ordinary Mail
Daryl G. Pupera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: City of Harahan
Investigative Audit Report
Certain Financial Transactions
Dated August 17, 2015

Dear Mr. Pupera:

We appreciate your Investigative Audit Staff examining certain financial transactions on behalf of the City of Harahan. As indicated in your report the City contacted the Legislative Auditor to express concern over financial transactions that occurred under the previous administration. Each of the findings listed in your audit report were in fact reported to the Legislative Auditor as an area of concern by the City prior to the start of the investigative audit. We have received the report and based on our review, we respectfully submit the following comments and information.

As to the finding on the delinquent property taxes referenced in your report, we appreciate your reporting this factual finding. The City is aware of this issue as it was an area of concern identified by the current administration. It is certainly not fair to the taxpayers in our City who do pay their taxes that certain other property owners do not pay their taxes and the City does not pursue the collection of these taxes in accordance with state law. Prior to issuance of the Legislative Auditor report the City initiated several meetings with a representative from Jefferson Parish regarding tax sales. We are in the process of developing procedures to ensure compliance with state law.

As to the findings 1 and 2 regarding improper health insurance premiums, we know of no facts which would affect these findings. The City informed the Legislative Auditor of this issue prior to the start of the investigative audit. The City has increased controls over Human Resources and Accounts Payable. There is now a dual review of the invoices from our health care providers each month to ensure premiums are only paid as prescribed by the City's own policies and that premiums for employees that have separated from service are cancelled timely.

The Investigative Audit Report did not disclose whether the Legislative Auditor had developed any opinion as to whether the improper payments discussed in the previous paragraph were due to negligence or were intentional. The City will seek legal counsel to determine the appropriate course of action necessary for the premiums paid to ineligible employees. The City will also seek legal counsel to determine a course of action for possible recoupment of the premiums paid for employees that had separated from service.

The City has also addressed Finding 3 related to COBRA payments for former employees as part of the increased controls discussed in the previous paragraph. The City will work with our health care provider to determine what action is necessary (including cancellation of policy) when the former employee does not remit the total cost of their premium in a timely manner. The City will seek legal counsel to determine a course of action for possible recoupment of these funds from the former employees.

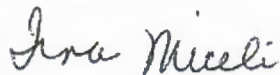
As to the finding regarding Improper Compensation to City Council Members, we know of no facts which would affect these findings. The City first notified the Legislative Auditor of this issue in January 2015, although the additional compensation began in 2013. While the City Council can set its compensation by ordinance, we believe that the compensation of elected officials should be transparent to the public. Furthermore, the compensation of elected officials should follow our ordinance and state law. The City has addressed this issue and effective June 30, 2015 the City Council members were removed from the insurance plan provided by the City. The City will seek legal counsel to determine a course of action for possible recoupment of these funds from current and former Council members.

As to the findings regarding Unsupported Payments to Contractors and Employees, Inadequate and Outdated Contracts, Missing Public Records, Undocumented Employee Pay Raises, we know of no other facts which would affect these findings. Prior to the issuance of the Legislative Auditor's report the City has taken measures to implement the recommendations concerning these findings - related to our contracting processes, accounting, Human Resources, and record keeping processes and procedures.

As to the Noncompliance with Local Government Budget Act (LGBA), we know of no other fact which would affect this finding. The City is currently setting dates to review the 2016 budget and will work with the City Council to increase controls that will ensure compliance with the LGBA.

On behalf of the City of Harahan, we appreciate the assistance of your office.

Very truly yours,



Tina Miceli
Harahan Mayor

APPENDIX B

Provino “Vinny” Mosca’s Response

August 28, 2015

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Mr. Roger W. Harris J.D. CCEP
Assistant Legislative Auditor
1600 North Third St.
Baton Rouge, LA 70804-9397

And

Ms. Kimberly Jones, CPA, CFE
Senior Auditor
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Sent via U.S. Postal Service;
Fax and Email

Re: Audit Report City of Harahan

Dear Mr. Harris and Ms. Jones:

Thank you for allowing me the opportunity to provide information which I deem material to your recent City of Harahan Audit Report.

I served 20 years as an elected official in Harahan, both as a councilman and mayor. During the 1997 to 2015 time span of your audit, Harahan had two mayors, myself and Paul Johnston.

I
Property not seized or sold to collect delinquent property taxes

Prior to 1995 and continuing to date (2015), the City of Harahan has not seized or sold property to collect delinquent property taxes.

The City of Harahan has collected delinquent property taxes by tax liens placed on delinquent city property after notification and re-notification. The liens included accrued interest and in some cases additional charges. Accordingly the City has collected delinquent property taxes.

The City of Harahan has never codified in its' Municipal Code an ordinance and/or regulation regarding the collection of delinquent Harahan property taxes.

No Mayor dating back to 1978 has authorized a Harahan tax sale. No councilperson had drafted an Ordinance that was approved, so that a Harahan delinquent tax sale could occur.

The City of Harahan consistently approved the policy of placing tax liens on delinquent properties and the Harahan tax rolls with accrued interest.

The City of Harahan based its policy regarding delinquent tax property sales on an interpretation of Louisiana Revised Statute 33:461.

II

Improper Health Insurance Premiums Paid

In 2012, the City of Harahan entered into a Consent Judgment in the 24th Judicial District Court, Division C; Case number: 714-922; whereby, the City of Harahan, as part of a Judicial Settlement, was ordered to provide full benefits for 15 months, including health insurance to a former employee who had sued the City of Harahan. This employee collected money while not working as part of the Settlement.

The City also settled with two other employees to avoid litigation in a wage lawsuit with the Office of Workers Compensation.

Health insurance benefits were provided to City employees who were not eligible because of the Court ordered Consent Judgment.

The City did attempt to cancel certain employee's health insurance benefits after separation by sending notice to our health insurance agent to cancel the insurance. However, after the failure by the insurer to cancel the insurance and an argument with the insurance agent, the agent's contract was terminated.

I was unaware of Cobra payments not being made, as I was never informed of this situation until recently.

III

Improper compensation to City Council Members

As mayor I included health and life insurance premiums for City Council Members through the Annual Line Item Budget of Revenue and Expenditure Ordinance for the City of Harahan. The Council was aware of the same and voted to approve the Budget, which included the added premiums for health insurance.

This year (2015) the City Council amended a specific ordinance to provide for health and life insurance for Council Members.

IV

Unsupported Payments to Contractors and Employees

The revenue generated by the Regulatory Department for the City of Harahan is approximately \$130,000.00 per year. The expenditures for the Regulatory Department for the City of Harahan is approximately \$140,000.00 per year. The Regulatory Department collects inspection fees, license fees, construction fees, renovation fees, application fees, variance fees, appeal board fees and more.

The Harahan City Council sets fees by Ordinance. The Regulatory Department is not set up to make money, rather it is set up to provide service for our residents to provide for and improve the health, safety and welfare of our City.

The City Council is always reluctant to raise regulatory fees.

The Regulatory Director worked without certain City benefits. As an incentive to hire a person who was qualified as a C.B.O. (Certified Building Official) as well as a Certified Flood Plain Manager and FEMA Flood Insurance representative, I included limited gas reimbursements a part of his employment package.

A daily log of inspections were provided to the regulatory clerk.

V

Inadequate and Outdated Contracts

All City Contracts were voted on and approved by the City Council through the Annual Budget and Amended Budgets of Revenue and Expenditures for the Fiscal Year.

VI
Missing Public Records

I am unaware of any records that were not properly kept by employees for the City of Harahan during my terms as Mayor.

I was informed by several employees, including the Human Resource Clerk, the Municipal Clerk and other City Clerks that several boxes of City Records were allowed to be taken out of City Hall on or about January 6, 2015, after my term as Mayor was over. These boxes included invoices, bills, health records, bids and contracts. Boxes were returned to City Hall at a later date. If any further inquiry is necessary on this matter, I can provide you with names and phone numbers of the employees who saw the boxes being carried out of City Hall.

VII
Noncompliance with Local Government Budget Act

As Mayor for the Fiscal Year beginning January 1, 2015 I did not timely present a budget for that fiscal year. Instead I met with the incoming Mayor and informed her that I would allow her and the new City Council to present a comprehensive budget of their choosing for the year 2015. The 2015 budget was passed in June of 2015. Harahan's governing authority did not request a budget document prior to my leaving office pursuant to Louisiana Revised Statute 39:1305(2)(c).

Your time and patience regarding this issue is sincerely appreciated.

Very truly yours,



Provino Mosca
7212 Stoneleigh Dr.
Harahan, LA 70123
Phone: 504-738-3994
Fax: 504-737-5443
vmosca@cox.net