

ST. BERNARD PARISH GOVERNMENT
TRANSIT DEPARTMENT



INVESTIGATIVE AUDIT
ISSUED JULY 16, 2014

**LOUISIANA LEGISLATIVE AUDITOR
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DARYL G. PURPERA, CPA, CFE

**DIRECTOR OF INVESTIGATIVE AUDIT
AND ADVISORY SERVICES**
ROGER W. HARRIS, J.D., CCEP

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 16, 2014

**THE HONORABLE DAVID PERALTA,
PARISH PRESIDENT,
AND MEMBERS OF THE
ST. BERNARD PARISH COUNCIL**
Chalmette, Louisiana

We have audited certain transactions of St. Bernard Parish. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of allegations we received.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our finding and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 34th Judicial District of Louisiana, the United States Attorney for the Eastern District of Louisiana, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

SBPT 2014

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BACKGROUND AND METHODOLOGY

St. Bernard Parish (Parish) is located in southeast Louisiana and, according to the 2010 United States Census Bureau, has a population of 35,897. The Parish is operated under the provisions of a Home Rule Charter and has a Parish President and seven council members. The St. Bernard Urban Rapid Transit (SBURT) is part of the Parish's transit department, which provides transportation services in St. Bernard Parish.

Our audit of SBURT began after the Parish's Finance Department notified us that the SBURT was several months behind with bus fare deposits and that no one had reconciled the daily route sheets to the deposits for years. The Finance Department reconciled the daily route sheets to the previous deposits and found that there were funds collected that were not deposited for a few months in 2014.

The procedures performed during this audit included:

- (1) interviewing certain Parish employees;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records; and
- (4) reviewing applicable state and federal laws and regulations.

FINDING AND RECOMMENDATIONS

Missing Bus Fares

St. Bernard Parish Government records indicate that bus fares totaling \$98,105 were collected, but not deposited into the Parish's bank account from January 2011 to March 2014. Three employees of the transit department had access to the bus fares, but all three denied taking any of the missing funds.

The St. Bernard Parish Government (SBPG) operates the St. Bernard Urban Rapid Transit (SBURT - public buses) through its transportation department. SBURT bus drivers collect fares from each rider ranging from \$.50 to \$1.00 and complete daily route sheets to document ridership. As passengers board the bus, they place the fares in a locked vault located at the entrance of the bus. For additional security, the vaults are located in lockable cabinets on the buses. Two different keys are required to access the cash: one for the lockable cabinet and one for the vault.

Mr. Larry Calabresi, back-up bus driver, would take the fare boxes out of the buses about once a week or when they overflowed and bring them to the count room in the transportation office. Ms. Tina Pitre, office manager, had a key for the count room where the cash was stored and opened it for Mr. Calabresi. According to Ms. Pitre, she prepared a deposit of the fares collected by the SBURT drivers once a month. The Louisiana Legislative Auditor was notified in March 2014 by the SBPG finance department that the transportation department was several months behind with the bus fare deposits and that no one had reconciled the daily route sheets to the deposits for years. The finance department reconciled the daily route sheets to the previous deposits and found that there were funds collected that were not deposited for a few months in 2013.

We reconciled the daily route sheets to deposits for January 2011 through March 2014 and found that the daily route sheets showed \$48,585 more in bus fares were collected than were deposited into the Parish bank account. We also determined that 767 daily route sheets were missing during this period. Based on the ridership from an average daily route sheet, an estimated \$43,557 in additional bus fares were collected but not deposited.

During the audit, Mr. Lonnie Campbell, Jr., transportation director, found a stack of completed daily route sheets hidden in the count room at the transportation department office. These daily route sheets totaled \$5,963 in additional bus fares that were collected but not deposited. In total, it appears \$98,105 was collected by the bus drivers but not deposited.

According to Mr. Campbell, he and two other employees had access to the cash collected from bus fares. He stated that he had keys to the vaults and cabinets on the buses as well as the key to the count room where the cash was stored. Mr. Calabresi, a back-up bus driver, had the keys to the cabinets and the vaults, but he did not have keys to the count room. Ms. Tina Pitre,

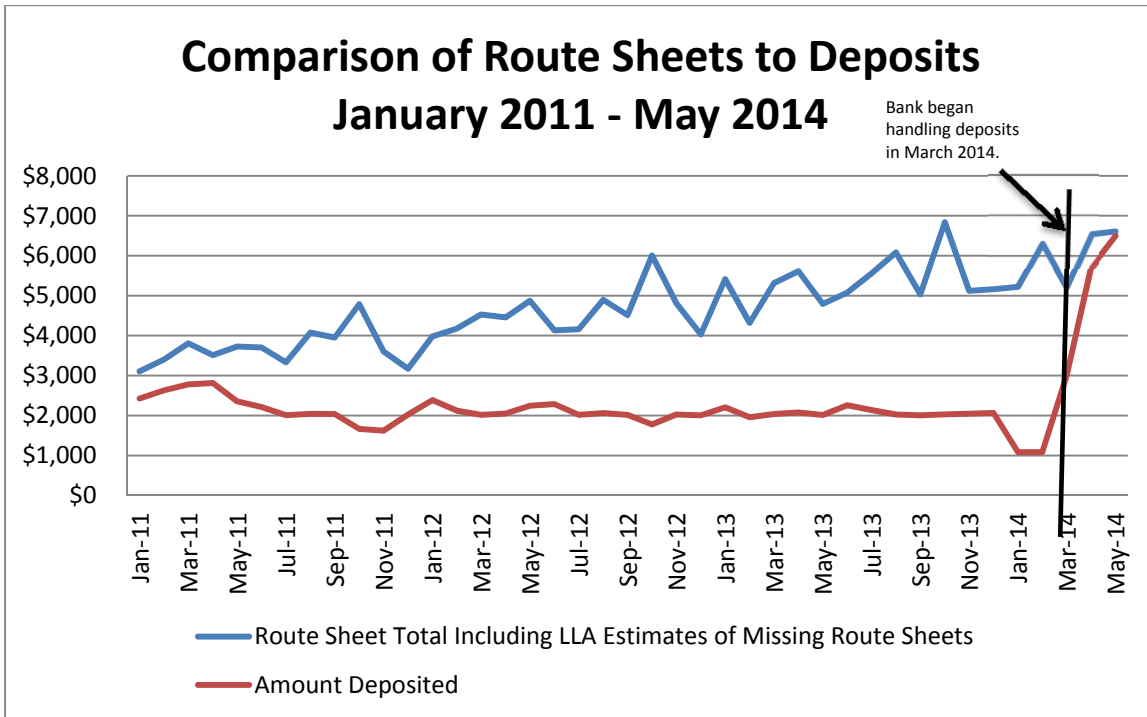
office manager, had keys to the count room. All three employees denied taking any of the missing funds and would not consent to a polygraph examination.

Ms. Pitre stated that she was responsible for counting the cash, preparing the deposit, and had a key to the count room but could not open the vaults. According to Ms. Pitre, Mr. Calabresi opened and emptied the vaults for her to count the cash for deposit at the end of the month; however, if an empty vault was needed on a bus, Mr. Calabresi emptied one of the locked vaults into an unsecure cardboard box in the count room. To explain the difference between the daily route sheets and the deposit, Ms. Pitre stated the driver's daily route sheets might have been filled out incorrectly or some of the riders may not have paid the entire fare.

Mr. Calabresi stated that he was responsible for removing the vaults from the buses when they were full and had a key to the cabinets on the buses but did not have a key to the vaults or the count room. However, he changed his statement in a subsequent interview and confirmed that he did have a key to the vaults, but he had lost it. He said he got another key from Ms. Pitre, but he is not sure whether she found his key or it was a new key. Ms. Pitre stated that she did not give Mr. Calabresi another key to the vault and that Mr. Calabresi told her that he changed his statements every time he talked to the auditors so he could keep them guessing. Ms. Pitre said that Mr. Calabresi is not taking the missing money and the investigation seriously. To explain the difference between the daily route sheets and the deposit, Mr. Calabresi stated the driver's daily route sheets might have been filled out incorrectly or some of the riders may not have paid the entire fare. Five days after our first interview with Mr. Calabresi, he submitted his retirement paperwork to the SBPG Human Resources and his last day to report to work was May 13, 2014.

Mr. Campbell stated there were two sets of keys for the bus cabinets and vaults and copies had to be ordered from the manufacturer. However, he later located the invoice for the bus cabinets and vaults and discovered that there were 13 sets of keys. According to Mr. Campbell, there were five missing keys to the cabinets on the bus and two missing keys to the vaults.

In March 2014, the process changed for depositing bus fares by providing the keys to the vault to a local bank where the cash is counted and deposited to the SBPG's bank account. Mr. Campbell is now responsible for removing the vaults from the buses and delivering them (unopened) to the bank. In addition, the bus driver's daily route sheets are turned in daily to allow for reconciliation to the bank deposits. Although Ms. Pitre, Mr. Calabresi, and Mr. Campbell (in his response) claimed that the driver's daily route sheets were unreliable, the following graph demonstrates the amount of deposits has increased since the new procedures were instituted, but the driver's daily route sheets have remained consistent. Given this information, it appears \$98,105 in bus fares were collected but not deposited to the SBPG's bank account.



Recommendations

The St. Bernard Parish Government should:

- (1) ensure the daily route sheets are completed by the bus drivers and reconciled to the deposits;
- (2) ensure the proper segregation of duties is in place for SBURT employees;
- (3) maintain control of all keys to the lockboxes and vaults used for cash collection on the buses;
- (4) consider changing the locks on the bus cabinets and vaults; and
- (5) continue using a bank to count the cash collections from the buses and make timely deposits.

APPENDIX A

Responses

1. St. Bernard Parish Government	A.1
2. Lonnie M. Campbell, Jr.	A.2-4
3. Larry Calabresi.....	A.5-6



St. Bernard Parish Government

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David E. Peralta
Parish President

July 14, 2014

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Re: Investigative Audit Report

To Kevin Kelley:

This letter is in response to the "Investigative Audit Report on the St. Bernard Parish Government –Department of Transit." After a thorough review of the report and our own internal documentation, I have no objection to the facts or conclusions presented. Further, I would like to thank you and your team for your hard work and diligence throughout this process.

Sincerely,

A handwritten signature in blue ink, appearing to read "David E. Peralta", is written over a horizontal line.

David E. Peralta
Parish President for,
St. Bernard Parish

July 9, 2014

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

2014 JUL 10 AM 8:15

Re: SBURT Audit

Dear Mr. Purpera:

Please allow me to thank you and your team for performing the referenced audit on passenger count and fare collection procedures requested by the St. Bernard Parish Government (SBPG) Finance Department. I must commend the level of professionalism and respect your auditors demonstrated throughout the process.

I begin my response by respectfully but clearly stating that I disagree with the findings of missing farebox revenue of \$98,000 from 2011-2014. My reasoning and computations appear later in this document. Before the initial LLA visit I was notified by SBPG's unpaid volunteer CAO Judge David Gorbaty and SBPG's Finance Director Ross Gonzales that farebox revenue was not being deposited in a timely manner and that farebox funds were missing. To my current understanding, the Finance Department knew of shortages for some time but never brought them to my attention for correction. Moreover, the data was confiscated from my office which prevented me from performing an internal audit. In fact, until the completion of the LLA audit, and the subsequent return of the SBURT data, I had no records or evidence in order to find the source of the revenue loss and take appropriate action. Although by that point I had made the then-logical assumption that members of my staff were stealing farebox revenue, I had no way of knowing who was involved, how it was being done, or how much was stolen until the audit was complete.

Once the documents were returned I of course launched my own internal audit which showed the SBURT office manager, Tina Pitre, to have neglected a number of her job's responsibilities. When questioned she admitted to being months behind in both her rider count tabulations and her farebox revenue deposits. These failings had been actively and strategically masked by false recordkeeping and other behaviors in blatant violation of my department's policies. In a ripple effect, because she had stopped monitoring rider count and revenue collections, drivers had ceased to use the manual passenger counters and instead were estimating rider counts resulting in inflated figures. During investigational interviews with drivers, they admitted to me that estimating was easier than counting,

and that since rider counts was so important to me they overestimated rather than underestimated in order to avoid questioning. Had the records not been falsified, the discrepancy between rider counts and revenue would have been immediately obvious; however, as they were, there was no evidence to suggest that revenues were out of line with ridership.

Another discovery of my internal investigation involved long-time drivers who had been allowing frequent passengers complimentary rides on SBURT vehicles. These behaviors, also in stark and unmistakable violation of SBURT policy, only furthered the discrepancy between rider counts and revenue collected.

After having tabulated all existing data from the period in question, as well as having interviewed Tina Pitre and SBURT drivers, I no longer believe farebox theft is the source of the discrepancy in data. Because of inflated rider count data from both driver estimates and the Office Manager's tabulations, the data cited as evidence for missing revenues is simply not reliable.

For the past 24 years the administration of SBURT has been beyond reproach as evidenced by eight separate triennial audits by the Federal Transit Administration. As such, when the SBURT Office Manager's performance began to affect the department, I delivered verbal feedback, continued with formal counseling discussions, and provided written disciplinary action. I recommended terminating her employment to the Parish President on three occasions with, sadly, no action taken. The actions uncovered by LLA and by my own investigation are shocking and frustrating but were avoidable.

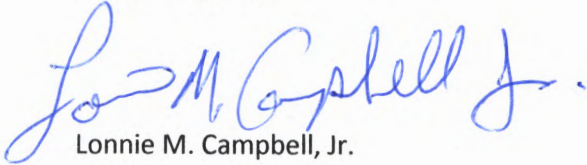
As SBURT's leader I have always taken great pride in knowing that the services we provide the residents of St. Bernard Parish help them thrive. Our vehicles bring them to the jobs that feed their children and to the people they love. Our routes keep them in touch with the grand and majestic city of New Orleans. The smiles on our faces and the sweat on our foreheads keep them connected to the world. And for those of us who understand the impact of what we do, we are all honored to have served the people of our parish.

Summary

- SBPG Finance Department was aware of irregularities in SBURT recordkeeping but elected not to notify my office.

- My office's own internal audit discovered that drivers had largely stopped using rider counters and were routinely overestimating ridership resulting in artificially inflated expectations for farebox revenues
- The SBURT Office Manager willfully concealed from me her neglect in tabulating ridership data and farebox deposits, including by creating false records
- The existing data is not able to reliably indicate theft of farebox revenues

Kindest regards,



Lonnie M. Campbell, Jr.

6/30/14

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DEAR MR. PURPERA -

RECEIVED MY COPY OF YOUR DRAFT
REPORT TODAY - IN RESPONSE

* PAGE 3 PARAGRAPHS - 2-4-5

ACC 4
PARAGRAPH
2

ACCORDING TO YOUR OWN REPORT
(CAMPBELL) - 13 SETS OF KEYS TO MONEY
BOXES FOUND IN CABINET FOR MONEY BOXES
* NOTE - THE SPARE GIVEN TO ME LATER HAD TO COME FROM HERE

PARAGRAPH
5

TINA PITRE HAD ACCESS TO THESE KEYS
INSIDE THE MONEY ROOM. I STAND BY
MY STATEMENT OF THE LOST KEY WHICH
OCCURRED FAR BACK WHICH I DID
FORGET. - THE NEXT INTERVIEW
WITH THE AUDITORS I MENTIONED
IT TO CLEAR UP THE FACTS.
NOT TO CONFUSE THE AUDITORS!

PARAGRAPH
4

TINA PITRE'S COMMENT ABOUT TRYING TO
CONFUSE THE AUDITORS - WAS NOT TRUE.

WHEN I REMOVED A FARE BOX FROM A
BUS. I DELIVERED IT UPSTAIRS
TO THE OFFICE -

I THEN DEPOSITED THE BOX OR BOXES ON THE FLOOR AGAINST THE MONEY ROOM DOOR - WHENEVER SHE GOT AROUND TO IT - SHE NOT ME BROUGHT THE BOXES INSIDE AND AGAIN - SHE NOT ME OPENED THE BOXES AND SHE NOT ME EMPTIED THE MONEY INTO THE UNSECURED CARDBOARD BOX AND LEFT TO WHENEVER TIME WAS ALLOWED TO SEPARATE + COUNT FOR DEPOSIT.

ALSO MENTIONED TO THE AUDITORS BUT NOT OBSERVED IN THIS REPORT MY STATEMENT MENTIONS MY

MEDICAL LEAVE OF ABSENCE FROM MY JOB FROM JAN TO JUNE 2013. SOMEONE HAD TO HANDLE THE MONEY BOXES BESIDES MYSELF.

IN ADDITION - MY RETIREMENT PLAN WAS PLANNED LONG BEFORE THE AUDITORS BEGAN THEIR INVESTIGATION.

ONLY AFTER THE MONEY WAS COUNTED AND BAGGED BY TINA PITRE (SECURELY) THEN I DELIVERED TO GULF COAST BANK FOR DEPOSIT.

[REDACTED] HARRY CALABRESI [REDACTED]