

UNIVERSITY OF LOUISIANA
AT LAFAYETTE



INVESTIGATIVE AUDIT
SEPTEMBER 30, 2015

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 30, 2015

DR. E. JOSEPH SAVOIE, PRESIDENT
UNIVERSITY OF LOUISIANA AT LAFAYETTE
Lafayette, Louisiana

We have audited certain transactions of the University of Louisiana at Lafayette. 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 findings 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 15th Judicial District of Louisiana, the Louisiana Board of Ethics, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

ULL 2015

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EXECUTIVE SUMMARY

Sodexo Overbilled the University of Louisiana at Lafayette (University) for Catering Services and Provided Catering Services for the Former University Student Union Director at No Cost

From October 10, 2009 to November 7, 2013, Sodexo Management, Inc. (Sodexo), the University's food service provider, overbilled the University for catering services totaling \$5,454. Former Sodexo General Manager Patrick Pappion stated he directed the former Sodexo catering manager to inflate Sodexo invoices for catering services at the direction of former University Student Union Director Anthony Daniel. In addition, Sodexo appears to have provided catering services that benefited Mr. Daniel at no cost. By knowingly submitting inflated catering invoices to the University, Sodexo management may have violated state law. Also, if Mr. Daniel directed Sodexo management to inflate invoices for catering services while receiving catering services from Sodexo at no cost, Mr. Daniel may have violated the Louisiana Constitution and state law.

Former Student Union Director Received University Football Tickets Purchased with Marketing Support Funds

From June 21, 2010 through August 1, 2014, Sodexo used marketing support funds totaling \$41,637 to purchase University season game and bowl game football tickets. According to Sodexo management, football tickets were purchased at the direction of Mr. Daniel, who received the tickets and appears to have distributed them to University employees. University management failed to document the business purpose for the ticket purchases or the individual recipients of the tickets. Because of the lack of appropriate documentation, we could not determine whether the University received equivalent value in exchange for the football tickets. If the University did not receive equivalent value in exchange for the football tickets, it may have violated the Louisiana Constitution and state law.

Sodexo Provided Meals to Student Union Housekeeping Staff in Exchange for Cleaning Services

From July 2009 through August 2014, Sodexo provided meals to University student union housekeeping staff in exchange for cleaning the student union dining hall service area during their regular work hours. According to the food service lease agreement, Sodexo was responsible for cleaning the student union dining hall service area. Because the housekeeping staff cleaned the student union dining hall service area during their regular work hours, their services appear to have been donated to Sodexo in possible violation of the Louisiana Constitution and state law.

University Exchanged Season Football Game Tickets for Meal Plans

From January 2009 through December 2014, the University provided general admission season football game tickets to Sodexo management on the University campus in exchange for meal plans provided to University Athletic Department staff. The arrangement was not specified in contracts between the University and Sodexo, and the business purpose of this arrangement was not documented in writing. By exchanging football game tickets for meal plans, University management may have violated the Louisiana constitution and state law.

BACKGROUND AND METHODOLOGY

The University of Louisiana at Lafayette (University) is a component unit of the state of Louisiana within the executive branch of state government and under the management and supervision of the University of Louisiana System Board of Supervisors. As a publicly-supported institution of higher education, its instructional programs are funded in part through annual appropriations made by the Louisiana Legislature. Student enrollment in the 2014 fall semester was 18,796.

On July 1, 2009, the University entered into a Food Service Lease Agreement (agreement) with Sodexo Management, Inc. (Sodexo), by which Sodexo leased the University's food service facilities and equipment. Pursuant to the contract, Sodexo became the University's exclusive food service provider and operated the main campus dining hall and provided catering services to University departments and campus organizations. In October 2014, the University's internal audit department completed a review of transactions between the University and Sodexo which indicated a possible misappropriation of public funds. This audit was initiated to determine the propriety of these transactions. The procedures performed during this audit included:

- (1) interviewing University employees;
- (2) interviewing other persons as appropriate;
- (3) examining selected University documents and records;
- (4) gathering and examining external parties' documents and records; and
- (5) reviewing applicable state laws and regulations.

FINDINGS AND RECOMMENDATIONS

Sodexo Overbilled the University of Louisiana at Lafayette (University) for Catering Services and Provided Catering Services for the Former University Student Union Director at No Cost

From October 10, 2009 to November 7, 2013, Sodexo Management, Inc. (Sodexo), the University's food service provider, overbilled the University for catering services totaling \$5,454. Former Sodexo General Manager Patrick Pappion stated he directed the former Sodexo catering manager to inflate Sodexo invoices for catering services at the direction of former University Student Union Director Anthony Daniel. In addition, Sodexo appears to have provided catering services that benefited Mr. Daniel at no cost. By knowingly submitting inflated catering invoices to the University, Sodexo management may have violated state law.^{1,2} Also, if Mr. Daniel directed Sodexo management to inflate invoices for catering services while receiving catering services from Sodexo at no cost, Mr. Daniel may have violated the Louisiana Constitution³ and state law.^{1,2,4,5,6,7}

On July 1, 2009, the University entered into a Food Service Lease Agreement (agreement) to lease its food service facilities and equipment to Sodexo. Pursuant to the contract, Sodexo became the University's exclusive food service provider and operated campus food service facilities, including the University student union, dining halls, and retail outlets. The contract also required Sodexo to provide catering services to University departments and campus organizations. Mr. Daniel was the University's point of contact for the Sodexo contract and was responsible for contract management.

Sodexo Overbilled the University for Catering Services

During our audit, we found at least nine occasions in which Sodexo appears to have overbilled the University a total of \$5,454 on catering services for University-sponsored tailgating events held at University home football games. The tailgating events took place from October 10, 2009 to November 7, 2013. The former Sodexo catering manager (catering manager) stated that Mr. Daniel and Mr. Pappion directed her to increase billing for catering services Sodexo provided at tailgating events. She could not recall whether Mr. Daniel or Mr. Pappion first directed her to increase tailgating invoices. She stated that she only overbilled on invoices for University-sponsored tailgating events and that she increased the invoices as instructed because she felt that her job would be in jeopardy if she refused. She stated that the funds made available through the overbilling were referred to as Mr. Daniel's "account" and were used to pay for subsequent catering events requested by Mr. Daniel.

Catering requests from University departments and campus organizations were sent to the catering manager who stated that she recorded the requests on a "Banquet Event Order" (BEO), which included the department, contact person, catering site, description of food items, and costs for the catered event. After completing the BEO, she sent a hard copy to Sodexo kitchen staff so they could prepare the food and another copy to a Sodexo administrative employee in order to prepare the invoice Sodexo sent to the University. In regard to tailgating events, the catering

manager stated that after she sent a copy of the BEO to the Sodexo kitchen staff, she altered the original BEO by inflating quantities or unit prices for requested food items. She then sent the altered BEO to the Sodexo administrative employee who used the altered BEO with the inflated quantities or unit prices to prepare the Sodexo invoice. The administrative employee was aware that the BEO she used to prepare the invoice had been inflated. As a result, the University was invoiced for catering costs in excess of the catering services provided by Sodexo.

The catering manager provided copies of original BEOs for several events that Sodexo catered from 2009 through 2013. We compared these BEOs to the invoices that the University paid for these events. According to these records, Sodexo overbilled the University on at least nine occasions totaling \$5,454 from October 2009 to November 2013. For example, the University requested catering services for a tailgating event held on November 24, 2012. The original BEO sent to the kitchen staff required Sodexo to provide sausage, hamburgers, hotdog buns, bottled water, sodas, and jambalaya at a cost of \$1,287. However, the invoice sent to the University for this event totaled \$2,182 (an increase of \$895) and included additional items that were not recorded on the original BEO (cakes and cookies) and quantity increases for items that were recorded on the original BEO.

Mr. Pappion stated that the catering manager informed him that Mr. Daniel wanted to increase tailgating invoices and put the extra funds in an account to pay for future events. Mr. Pappion confirmed that he directed the catering manager to inflate invoices for University tailgating events. Mr. Pappion stated that he received no direction from his regional manager and on his own initiative directed the catering manager to overbill on the catering invoices by a “reasonable amount.” He also stated that he reviewed and approved all Sodexo invoices prior to their submission to the University and knew that the catering costs for the tailgating events had been increased by the catering manager. Mr. Daniel, through his attorney, stated that “he never asked any employee of Sodexo to increase the price of services or products to set aside in an account to fund events for his personal benefit.”

Catering Services Provided for Former Student Union Director

During our review of Sodexo and University records, we identified functions in which Sodexo provided catering services that appear to have benefited Mr. Daniel and nonprofit organizations with which Mr. Daniel was affiliated. These catered events included three graduation parties for Mr. Daniel’s children. Sodexo records show that Mr. Daniel was the contact person for two of the three graduation parties. Other catered events included homecoming receptions and annual banquets for two local nonprofit organizations. Mr. Daniel was the president of one of the nonprofit organizations and a member in the other. Sodexo records supporting the catering it provided to these organizations do not identify Mr. Daniel; however, officials from both organizations informed us that Mr. Daniel arranged for the catering of their events. The catering provided by Sodexo to Mr. Daniel as well as these two organizations occurred between 2009 and 2013, which corresponds approximately to the period during which Sodexo overbilled on catering invoices to the University.

From 2009 to 2012, Sodexo catered three parties for Mr. Daniel’s children. According to Sodexo officials, the parties included high school and college graduation parties for Mr. Daniel’s

daughter and a college graduation party for Mr. Daniel's son's girlfriend. Sodexo records show that the cost of the catering provided at the two parties for Mr. Daniel's daughter was \$1,955 but provide no cost information for catering provided at the third graduation party. According to the catering manager, the issue of catering provided at these two parties was raised during a University internal audit of Sodexo operations, and shortly thereafter, Mr. Daniel's wife requested invoices for the catering provided at these parties. Mr. Daniel then issued two personal checks totaling \$1,955 to cover the costs of the catering provided at the two graduation parties for his daughter. According to Sodexo management, the catering provided at the graduation party for Mr. Daniel's son's girlfriend had been donated.

In addition, records indicate that Sodexo catered eight events for the two nonprofit organizations at a cost of \$11,007. Of these eight events, Sodexo donated the catering provided at five events at a cost of \$6,961. The donated catering included four events for which Sodexo did not bill the University and one event that Sodexo billed to the University but subsequently issued a credit, eliminating the charge. The Sodexo "Request for Credit Invoice/Memo" supporting the credit indicates that Mr. Daniel wanted the catering charge to "go against his account." The three events that Sodexo billed for were paid by the University which then billed the two nonprofit organizations for these charges.

According to Mr. Pappion, Sodexo routinely made donations of food and services to the community. For example, Sodexo donated food for a "Welcome Back Breakfast" for the University students and donated food to the Martin Luther King Center in Lafayette. Mr. Pappion stated that Mr. Daniel requested donations for charity and church events but could provide no details on these events. Mr. Pappion also stated that he did not know which catered events were paid for with the overbilling on the catering for the tailgating events. Mr. Daniel's attorney claims that Mr. Daniel never requested free catering for this or other graduation parties for his daughter and that after multiple requests, Sodexo finally submitted an invoice for the catering that was promptly paid by Mr. Daniel.

Conclusion

Sodexo and University records indicate that from October 10, 2009 to November 7, 2013, Sodexo overbilled the University for catering services totaling \$5,454. According to Sodexo management, Mr. Daniel directed Sodexo staff to inflate invoices for catering services and use the funds made available for subsequent catering. Records also show that during this period, Sodexo provided catering at no cost for Mr. Daniel and organizations of which he was a member. By knowingly submitting inflated catering invoices to the University, Sodexo management may have violated state law.^{1,2} Also, if Mr. Daniel directed Sodexo employees to inflate catering invoices and received catering services at no cost from Sodexo, a company with a contractual relationship with the University at the time the catering was provided; Mr. Daniel may have violated the Louisiana Constitution³ and state law.^{1,2,4,5,6,7}

Former Student Union Director Received University Football Tickets Purchased with Marketing Support Funds

From June 21, 2010 through August 1, 2014, Sodexo used marketing support funds totaling \$41,637 to purchase University season game and bowl game football tickets. According to Sodexo management, football tickets were purchased at the direction of Mr. Daniel, who received the tickets and appears to have distributed them to University employees. University management failed to document the business purpose for the ticket purchases or the individual recipients of the tickets. Because of the lack of appropriate documentation, we could not determine whether the University received equivalent value in exchange for the football tickets. If the University did not receive equivalent value in exchange for the football tickets, it may have violated the Louisiana Constitution³ and state law.⁷

The five-year food service lease agreement between the University and Sodexo requires Sodexo to accrue an amount equal to \$20,000 per year for marketing support into a marketing support fund. According to the contract, any unused amounts remaining at the end of any one year shall be carried forward to the next year. At the end of each five-year period, or upon termination of the agreement, Sodexo is required to pay the balance of the marketing support funds to the University. Sodexo accounting records indicate that amounts were accrued each month to properly fund the marketing support fund. Although the contract does not specifically state how the marketing support funds are to be used, Mr. Pappion stated that all expenditures from the marketing support fund were made at the direction of Mr. Daniel.

During our review of Sodexo records we determined that Sodexo used marketing support funds totaling \$41,637 to purchase 1,120 football tickets (360 regular season game tickets and 760 bowl game tickets) between June 21, 2010 and August 1, 2014. These records indicate that Mr. Pappion initiated a majority of the football ticket purchases. Sodexo did not document the business purpose for these ticket purchases or how the ticket purchases supported the University's marketing of the campus food service program and/or supported the University. The total amounts, as well as the types of football tickets purchased using marketing support funds, are provided in the following table.

Purchases of University Football Tickets from the Marketing Support Fund			
Date	Number	Description	Amount
June 21, 2010	45	Regular season football tickets	\$1,803
August 18, 2011	45	Regular season football tickets	1,802
December 21, 2012	580	Bowl game tickets	13,365
December 21, 2012	90	Bowl game tickets	5,405
April 26, 2013	90	Regular season football tickets	4,503
January 3, 2014	90	Bowl game tickets	3,953
August 1, 2014	180	Regular season football tickets	10,806
Total	1,120		\$41,637

Mr. Pappion stated that Mr. Daniel requested that Sodexo become a corporate sponsor for the University Athletic Department. He explained that Sodexo could not become a corporate sponsor because it would require a multi-year commitment that Sodexo could not make. According to Mr. Pappion, Mr. Daniel then suggested that Sodexo use the marketing support fund to purchase football tickets. Mr. Pappion stated that Mr. Daniel directed him to purchase regular season and bowl game football tickets with the marketing support funds set aside pursuant to the food service lease agreement. Mr. Pappion stated that he used marketing support funds to purchase the tickets and that he gave the tickets to Mr. Daniel. Mr. Pappion stated that Mr. Daniel never told him what he did with the football tickets purchased with the marketing support funds.

During our audit, we were informed that Mr. Daniel gave football tickets to University employees; however, the University had no documentation indicating who Mr. Daniel gave tickets to or the purpose for giving away the tickets. The University Assistant Student Union Director for Building Services stated that Mr. Daniel gave him University football tickets each year for the student union housekeeping staff. He stated that Mr. Daniel characterized these tickets as a gesture of appreciation for the work of the student union staff. In addition, a senior administrator in the Office of Student Affairs stated that Mr. Daniel gave her University football tickets and that Mr. Daniel gave football tickets to other University staff and students. She also stated that she did not know how Mr. Daniel obtained the tickets. We attempted to speak with Mr. Daniel, but his attorney declined our request and informed us that Mr. Daniel denies any personal economic benefit derived from Sodexo.

The five-year food service lease agreement between the University and Sodexo required Sodexo to accrue funds totaling \$20,000 per year for marketing support. During our audit, we determined that Mr. Daniel directed Sodexo management to purchase University football tickets with a portion of these marketing support funds. The purchase of these tickets was not supported with a documented business purpose nor were the individual recipients of the tickets documented. Because of the lack of documentation, we cannot determine whether the University received equivalent value in exchange for the tickets. If the University did not receive equivalent value in exchange for the football tickets, the University may have violated the Louisiana Constitution³ and state law.⁷

Sodexo Provided Meals to Student Union Housekeeping Staff in Exchange for Cleaning Services

From July 2009 through August 2014, Sodexo provided meals to University student union housekeeping staff in exchange for cleaning the student union dining hall service area during their regular work hours. According to the food service lease agreement, Sodexo was responsible for cleaning the student union dining hall service area. Because the housekeeping staff cleaned the student union dining hall service area during their regular work hours, their services appear to have been donated to Sodexo in possible violation of the Louisiana Constitution³ and state law.⁷

The food service lease agreement between the University and Sodexo requires Sodexo to operate campus food service facilities, including the University student union dining halls and

retail outlets. The lease agreement makes Sodexo responsible for the “routine cleaning and housekeeping in the food preparation and service areas.” During our audit, we were informed that while Sodexo staff cleaned the food preparation area, they did not clean the service area of the student union dining hall as required by the lease agreement. We were further informed that the University student union housekeeping staff cleaned the service area during regular work hours and that Sodexo provided them with meals (served at the Union dining hall) in return for their cleaning services.

The University Assistant Director for Building Services manages the student union housekeeping staff and stated that he understood that Sodexo management requested that housekeeping staff clean the dining hall service area in return for meals provided to the housekeeping staff. He stated that this arrangement was in effect when he started working for the student union six years ago but was not documented in writing. Based on this arrangement, he stated that he directed housekeeping staff to clean the dining hall service area as part of their regular work responsibilities. We spoke to four members of the housekeeping staff who stated that cleaning the dining hall service area takes approximately 45 minutes to one-and-a-half hours to clean and that the dining hall service area is cleaned three times a day.

Sodexo management informed us that it provided meal plans to each member of the housekeeping staff in return for cleaning the dining hall service area. Sodexo loaded the meal plans onto the housekeeping staff’s University-issued ID cards, which enabled each staff member to receive one meal a day. Transaction data from the University-issued ID cards of the housekeeping staff indicate that housekeeping staff members used the meal plans provided to them to purchase 5,837 meals from July 2009 to August 2014. The value of these meals was at least \$33,213.

Louisiana Attorney General Opinion 09-0018 states that “for an expenditure or transfer of public funds to be permissible under Art. VII, Sec;14(A)... the expenditure or transfer, taken as a whole, does not appear to be gratuitous; and (iii) that the public entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of public funds.” Because the University cannot demonstrate the receipt of equivalent value in exchange for providing cleaning services to Sodexo, University management may have violated the Louisiana Constitution³ and state law.⁷

University Exchanged Season Football Game Tickets for Meal Plans

From January 2009 through December 2014, the University provided general admission season football game tickets to Sodexo management on the University campus in exchange for meal plans provided to University Athletic Department staff. The arrangement was not specified in contracts between the University and Sodexo, and the business purpose of this arrangement was not documented in writing. By exchanging football game tickets for meal plans, University management may have violated the Louisiana constitution³ and state law.⁷

From January 2009 through December 2014, the University provided regular season football tickets to Sodexo management in exchange for meal plans. University records indicate

that it gave 15 sets of general admission season football tickets to Sodexo each year from 2009 through 2014.^A Mr. Pappion confirmed that he received the season football tickets and stated he distributed them to his management staff.

In return for the season football tickets, Sodexo provided meal plans to the University Athletic Department. Sodexo records indicate it was providing 26 meal plans as of February 2015. These meal plans were either five-meals-per-week or 10-meals-per-week plans and were loaded onto electronic cards given to the University Athletic Department by Sodexo. The cards were not in the name of particular individuals, but instead were in the name of the division within the Athletic Department that received the card, e.g., one card was assigned to “Baseball.” Card usage records from the University Card Services Division show that Athletic Department staff used the meal plans provided to them to purchase 10,403 meals from January 2009 to June 2015.^B The value of these meals was at least \$59,193.

According to a senior administrator in the Athletic Department, the arrangement has been in effect since at least 2011. The senior administrator explained that his understanding of this arrangement was that it allowed coaches to supervise student athletes, prevent any disruptions during meal times, and evaluate meal quality. However, this arrangement was not specified in either the food service lease agreement or the concessions agreement between the University and Sodexo, and it is not otherwise documented in writing.

Louisiana Attorney General Opinion 09-0018 states that “for an expenditure or transfer of public funds to be permissible under Art. VII, Sec; 14(A), the public entity must have legal authority to make the expenditure and must show... (iii) that the public entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of public funds.” Because the written contracts between the University and Sodexo make no allowance for the exchange of football tickets for meal plans, we question whether the University had the legal authority to make this exchange. Furthermore, because the University cannot demonstrate the receipt of equivalent value in exchange for the football tickets provided to Sodexo, University management may have violated the Louisiana Constitution³ and state law.⁷

Recommendations

We recommend that the University:

- (1) consult with legal counsel to seek recovery of excess amounts improperly paid to Sodexo for catering services;
- (2) amend the food service lease agreement with Sodexo to clearly specify what entities are allowed to receive catering paid for by the University;

^A 2015 general admission season football tickets are priced at \$110 per seat.

^B Although the University has not provided any football tickets to Sodexo for the 2015 football season, Sodexo has continued to provide meals plans to the University Athletic Department in 2015.

- (3) formally designate a University employee to have oversight of the food service lease agreement with a written job description of the oversight responsibilities;
- (4) implement a policy prohibiting employees from receiving anything of economic value (including meals) from vendors or contractors who have or are seeking to obtain business with the University. This policy should require that all employees complete the annual ethics training in accordance with Louisiana Revised Statute 42:1170;
- (5) seek reimbursement from Sodexo for labor costs of student union housekeeping staff who cleaned the dining hall service area - a service that Sodexo was contractually required to perform;
- (6) amend the food service lease agreement to clearly specify the types of expenses that can be paid for through the marketing support fund. In addition, the food service lease agreement should indicate the parties responsible for initiation and approval of the expenses as well as the documentation to be maintained to support the expenses;
- (7) ensure that any future changes to contract terms are formally adopted and documented in writing through amendments to the food service lease agreement; and
- (8) consult with legal counsel and the Louisiana Board of Ethics on the legality of arrangements in which services or other things of value are exchanged for meals.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:67 (A)** provides that “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

² **La. R.S. 14:141(A)** provides, in part, that “splitting of profits, fees or commissions means the giving, offering to give, receiving or offering to receive, directly or indirectly, anything of apparent present or prospective value by or to a public officer or public employee or to any fund or fiduciary existing for the benefit of or use by such public officer or employee, when such value is derived from any agreement or contract to which the state or any subdivision thereof is a party.”

³ **Louisiana Constitution Article VII, Section 14(A)** provides, in part, “Prohibited Uses. Except as otherwise provided by this constitution, 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.”

⁴ **La. R.S. 14:140(A)(1)** provides that, “Public contract fraud is committed when any public officer or employee shall use his power or position as such officer or employee to secure any expenditure of public funds to himself, or to any partnership to which he is a member, or to any corporation of which he is an officer, stockholder, or director.”

⁵ **La. R.S. 14:134(A)** provides, in part, “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; or (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.”

⁶ **La. R.S. 42:1115(A)** provides, in part, “No public servant shall solicit or accept, directly or indirectly, anything 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: (1) Has or is seeking to obtain contractual or other business or financial relationships with the public servant’s agency...”

⁷ **La. R.S. 42:1461(A)** states that “Officials, whether elected or appointed and whether compensated or not, and employees of any ‘public entity,’ which, for purposes of this section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or any other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

APPENDIX A

Management's Response



September 10, 2015

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

Dear Mr. Purpera:

Thank you for your prompt assistance in responding to our Internal Audit Report dated October 21, 2014. The members of your investigative audit team were professional and thorough.

The University respectfully submits the following in response to the report's observations:

Sodexo Overbilled UL Lafayette for Catering Services and Provided Catering Services for the Former UL Lafayette Student Union Director at No Cost

In early 2014, the University realigned the management of the food service program placing it under the Division of Administration and Finance's Office of Auxiliary Services. This office began a detailed evaluation of the Sodexo Food Service program with the goal of improving the overall quality of the meal plan and catering programs. Under the Director of Auxiliaries, the University began mapping work flow for analysis and correction, and began implementing new billing procedures.

On September 2, 2014, the University discovered information that indicated Sodexo may have inflated catering invoices for various tailgating events from October 2009 to November 2013. On September 5, 2014, the University notified the State Legislative Auditor and local District Attorney of possible misappropriation of public funds. The University's Internal Auditor was instructed to conduct an audit of all available records, including documents that Sodexo maintained in house, which reflected the inflation.

The University's Office of Internal Audit's investigation also discovered evidence that Sodexo may have provided catering services for personal events that were not billed. These services have subsequently been billed to and paid by the individual involved.

On October 23, 2014, the University submitted a copy of the University's Internal Auditor's report to the Legislative Auditor and District Attorney. The Legislative Auditor responded by conducting its own investigation over the last several months. The results of this investigation reinforce the findings of the University's Internal Auditor.

The University is implementing the recommendations of the Legislative Auditor and has begun efforts to recover excess amounts improperly paid to Sodexo for catering services.

Former Student Union Director Received UL Lafayette Football Tickets Purchased with Marketing Support Fund

The scope of the University's Internal Audit included a review of various financial commitments that are part of the Sodexo Food Service Lease Agreement. One financial commitment from Sodexo is a *Marketing Support Fund*, which accrues \$20,000 per year for "marketing support." The *Marketing Support Fund* clause is broadly drafted to allow flexibility regarding the use of the fund.

The University Internal Auditors determined that between 2010 and 2014 some portion of the funds were used by Sodexo to purchase football tickets. The tickets were purchased at full face value, which addresses the "equivalent value in exchange" concern expressed in the Legislative Auditor's report. Regular season home football game general admission tickets purchased by Sodexo were distributed to Sodexo employees, Student Union housekeeping and other staff in an effort to increase attendance at home football games. The bulk of the tickets purchased by Sodexo were bowl tickets which were then offered to students at a discounted price to support student attendance at the bowl games.

The business purposes for the ticket purchases by Sodexo are of mutual benefit. The University benefits from the increased sale of game tickets and increased attendance at home games. Since Sodexo is also the concessionaire for athletic events, increased attendance at games generates additional concessions sales for Sodexo, as well as additional revenue for the University.

The University concurs with the recommendation of the Legislative Auditor to amend the *Marketing Support Fund* clause to clarify the types of expenses that can be paid for through the marketing fund.

Sodexo Provided Meals to Student Union Housekeeping Staff in Exchange for Cleaning Services

The University's Internal Auditors carefully reviewed the 2009 Sodexo Lease agreement in light of the Student Union's operational practices. In so doing, they discovered that housekeeping staff had been assigned to clean the service area of the dining hall during their regular hours. The University Internal Auditors concluded that cleaning of the service area of the dining hall in the Student Union was Sodexo's contractual and financial responsibility.

The University concurs with and adopts the recommendation of the Legislative Auditor to seek reimbursement from Sodexo for labor costs of Union housekeeping staff assigned to clean the Union dining hall.

UL Lafayette Exchanged Season Football Game Tickets for Meal Plans

It is a common practice for universities to promote their athletic programs through the use and exchange of tickets to athletic events for beneficial purposes. UL Lafayette provided 15 general admission football season tickets yearly to Sodexo management in exchange for meal cards for each of its athletic programs. Over the six year period covered in the audit, UL Lafayette provided a total of 90 general admission season football tickets at a maximum face value of \$110 per season ticket. The total face value of the tickets over this six-year period amounts to \$9,900. In exchange, the Athletics Department received \$59,193 in meals from Sodexo over the same period of time.

The meals were provided to athletics staff whose responsibility included supervising student-athletes during mealtime to monitor their food intake, evaluate the quality of the food served, ensure their dietary needs were met and supervise conduct.

The University received \$49,293 in excess of equivalent value in this exchange. The University will review the food service and/or concessions contract to determine if an amendment to either is required or if such other documentation of the transaction is more advantageous.

Conclusion

The University has, or is in the process of, implementing the relevant recommendations of the Legislative Auditor and is reviewing its contractual relationship with its food services provider. UL Lafayette welcomes the Legislative Auditor's recommendations and appreciates the opportunity to respond to this report.

Sincerely,



E. Joseph Savoie
President

svc

C: Dr. Sandra Woodley
Dr. James Henderson
Mr. Jerry LeBlanc
Ms. Debra Calais
Ms. Christine Brasher
Mr. Jeremy Guillory

APPENDIX B

Other Responses

September 9, 2015

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera,

Thank you for sharing a draft of your investigative audit report of August 26, 2015 pertaining to the University of Louisiana at Lafayette as related to Sodexo. This letter is in response to your request for Sodexo to provide any information it has which may affect the findings contained in the draft report.

Sodexo has been fortunate enough to serve UL-Lafayette for nearly 30 years, recently partnering with the University to construct a \$48 million state-of-the-art Student Union that has already made a significant and positive impact on the students and the entire UL-Lafayette community. As you know, Sodexo's current management at UL-Lafayette promptly reported its concerns to the University related to the issues outlined in your report in the summer of 2014. Since that time, Sodexo and its outside counsel have worked diligently to investigate the matter thoroughly, cooperating at every step with your office, the University, Campus Police, and the Board of Ethics, among others. Although the multi-pronged investigation has raised difficult and unfortunate issues, your office (as well as the University, Campus Police, and the Board of Ethics) has shown Sodexo and its counsel the utmost courtesy and professionalism, for which we are grateful.

Unfortunately, the investigations have clearly shown that two former Sodexo employees did not act in accordance with the company's high professional standards and business practices – for which Sodexo sincerely apologizes. Although neither Sodexo nor the former employees involved in this matter derived any tangible benefit from the actions detailed in the draft report, as they believed they were acting in UL-Lafayette's best interest and at the direction of the University's food service liaison, Mr. Daniel, some of their conduct was improper. As a result, Sodexo and UL-Lafayette have undertaken a number of initiatives to rectify the situation and prevent similar problems from arising in the future. These initiatives, along with limited comments related to the draft report, are briefly discussed below.

Overbilling for Tailgating Events

Sodexo agrees with the draft report's conclusion that UL-Lafayette was overbilled \$5,454 for catering services provided at Mr. Daniel's request for tailgating events at home football games, and is in the process of crediting that amount back to the University. Sodexo's then catering manager and general manager agreed to provide catering for these tailgating events at cost to UL-Lafayette, per the request of Mr. Daniel. It is not an un-common practice for Sodexo to assist its clients and students with reduced prices or donations of food and services for campus and community social and fundraising events. Unfortunately, in this instance Mr. Daniel also asked the catering manager to add roughly \$500 per invoice in order to create an "account" from which Mr. Daniel could draw to obtain additional services from Sodexo for later UL-Lafayette events. Because the catering manager and general manager were providing the tailgating catering at cost, without the normal mark-up found in Sodexo's catering manual, and they always understood that this "account" balance was being applied to fund additional events to benefit the UL-Lafayette community and not Mr. Daniel personally, they improperly rationalized the practice as appropriate.

Catering Services Requested by Mr. Daniel

Sodexo agrees with the draft report's findings concerning catering services requested by Mr. Daniel for his family and various non-profit organizations. As described above, Sodexo often assists clients and community organizations with reduced price or donated food and services. On occasion, Mr. Daniel, as well as other UL-Lafayette staff, students, and community members, would ask Sodexo to help sponsor an event through a donation of food and/or services. Sodexo supports this type of community outreach and is proud to have assisted the UL-Lafayette community for nearly 30 years.

It is not Sodexo's practice, however, to provide donations of any kind to private individuals, even if well intentioned. Although there appears to have been some confusion about whether Sodexo and/or Mr. Daniel initially intended Sodexo to donate food and services for three graduation parties, at some point the catering manager and general manager improperly believed that such a donation would be appropriate and neglected to bill Mr. Daniel for these events. Although Mr. Daniel has since paid for the two events where food and catering services were provided (the third event was simply the provision of event space), Sodexo personnel should have clearly stated the need to bill for these services from the outset and timely provided an invoice for payment.

Marketing Support Funds

Sodexo agrees with the draft report's findings concerning Mr. Daniel's use of Marketing Support Funds. As noted in the report, the Marketing Support Fund is part of Sodexo's contract

with UL-Lafayette. Although there is no specific restriction or requirement for the use of these funds in the contract, the intention was that these funds be accessible to UL-Lafayette to assist with whatever University promotion it deemed fit. Sodexo had no authority to decide how these funds were to be used. Only the University had such authority. Sodexo simply tracked and provided access to the funds at UL-Lafayette's request, which came through Mr. Daniel.

Meals for Housekeeping Staff

As stated in the draft report, Sodexo did make an arrangement with UL-Lafayette to have University housekeeping staff clean the student union dining hall service area. However, it was Sodexo's belief that the arrangement was not at any cost to UL-Lafayette. Sodexo understood that the housekeeping staff would perform these services outside of their normal duties and work-hours for UL-Lafayette. In fact, Sodexo placed this staff on its payroll for a time (although this practice was discontinued because it could be perceived as a conflict of interest), completely intending their services to be separate and apart from their duties for the University. Although clearly unartfully structured, at no time did Sodexo intend for its arrangement with UL-Lafayette to be at a cost to the University, only to Sodexo as required in the contract.

Sodexo will, of course, review this matter with UL-Lafayette directly. In the event UL-Lafayette incurred a cost by losing productive labor hours from the housekeeping staff, Sodexo will credit the University with the value of those labor hours.

Meals Exchanged for Football Tickets

Sodexo agrees with the draft report's findings concerning the exchange of meals to the UL-Lafayette Athletic Department for season football tickets. As stated in the draft report, this practice occurred over a period of time and was intended to assist UL-Lafayette Athletics with supervising its athletes and evaluating their meal quality. In reviewing this practice, Sodexo and UL-Lafayette agree that it should have been more formally documented as part of the contract. As such, although Sodexo has continued to provide UL-Lafayette Athletics with the benefit of these meals, it is no longer accepting the tickets in exchange and the parties are working toward formally addressing the issue in a contract amendment.

Steps Taken by Sodexo

Although all parties wish that the contract language was clearer and that better decisions were made by all involved in this matter at the outset of the conduct described in your draft report, Sodexo would like to use this unfortunate situation as a learning experience that will hopefully benefit both Sodexo and the UL-Lafayette community. To that end, Sodexo is in complete agreement with the recommendations set-forth in your draft report and already has

taken significant steps to make our relationship with UL-Lafayette stronger, more clear, and less at risk for similar situations to occur in the future. For example:

- Sodexo has installed a new management team at UL-Lafayette.
- Sodexo has implemented additional internal controls and more rigorous oversight of corporate contributions of any kind or extra-contractual services in excess of \$25.00 in value. These additional controls include:
 - Prior written approval from both the Sodexo District Manager and Finance Manager; and
 - Prior written approval from both UL-Lafayette’s Director of Auxiliary Services and Director of Purchasing.
- Sodexo management and UL-Lafayette officials, led by UL-Lafayette’s new Director of Purchasing, have been working since July 2015 on appropriate amendments to the contract that precisely conform to State guidelines and specifically address issues raised in your report, such as donation policies, use of the marketing support fund, and catering practices.

In closing, I would like to reiterate Sodexo’s apology for the improper actions and decisions of two of its former employees. Although these employees clearly had the best interest of the University and the UL-Lafayette community in mind, and received no personal benefit from their actions, they did not adhere to the high professional standards that Sodexo requires and which UL-Lafayette deserves. After bringing these matters to UL-Lafayette’s attention, Sodexo has worked diligently to assist with the multi-pronged investigation, while also strengthening internal and contractual processes to help prevent similar issues from arising in the future.

Again, Sodexo thanks the University and the UL-Lafayette community for nearly 30 years of friendship and partnership, and looks forward to our continued success together.

Sincerely,



Jim Fjelstul
Regional Vice President

EDWARD J. MARQUET

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September 9, 2015

VIA FACSIMILE: (225) 339-3987
FOR IMMEDIATE DELIVERYMr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Anthony Daniel

Dear Mr. Purpera:

Please find enclosed Anthony Daniel's response through counsel to your draft of an investigative audit report on the University of Louisiana forwarded by your letter dated August 26, 2015. A hard copy will be overnighted to your office.

Generally speaking, the draft report contains no hard evidence establishing any violations of the Louisiana Constitution or State Laws. Only one person employed by SODEXO admitted to inflating the billing for certain tailgating events. This person could not recall who "directed her to increase billing". Only this employee's supervisor had direct supervisory authority. Anthony Daniel had no supervisory authority over this person.

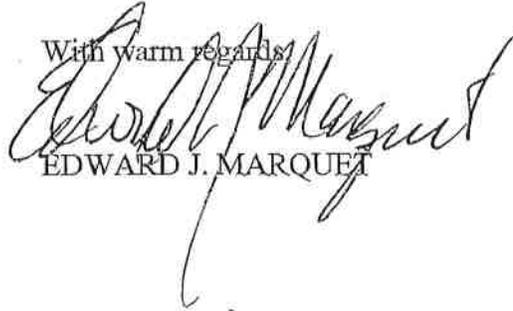
Despite months of examination and review of Mr. Daniel's emails, office computer, correspondence and all manner of investigation, there is not one scrap of paper or document that establishes Anthony Daniel violated the Louisiana Constitution or State Laws.

Anthony Daniel served the University for over 30 years with distinction. He retired at the pinnacle of his career with the opening of the new student union. Mr. Daniel played a critical role during the building of the new facility and its ultimate construction was due in part to Mr. Daniel's involvement and commitment to excellence.

Mr. Daryl G. Purperra, CPA, CFE
September 9, 2015
Page 2

Thanking you for your kind professional courtesies, I am

With warm regards,



EDWARD J. MARQUET

EJM/abl
Enclosure/Appendix

APPENDIX

A. Alleged overbilling for tailgating events

In 1998 the University administration asked Mr. Daniel to be the liaison between UL and the food service provider, since most of the food service operations were housed in the student union. He served as an informal liaison to ensure a mutually constructive and problem free delivery of services to the University. The contract management was the sole responsibility of Auxiliary Services and the VP of Administration and Finance, not Mr. Daniel.

The allegations that Mr. Daniel directed ordered or suggested to any employee or management of Sodexo to "increase billing for catering services Sodexo provided at tailgating events" clearly ignores the procedures utilized by the University to spend funds and the documentation on file.

The expenditure of funds requires that the department request approval from the appropriate administration. Documentation on file at the University clearly shows that once the student organization (UPC) elected to have the tailgating event and appropriated funds from their accounts to cater the event, a request for authority was sent by Mr. Daniel to spend the funds. The request was approved by the VP for Student Affairs, the VP of Administration and Finance and most times by the President of the University. Only after their review and approval could the event be held and the funds spent. To insinuate that all these administrators failed in their responsibilities and approved bogus charges for a period of five (5) years is totally without merit. Additionally a review of these requests will prove that University procedure was followed by Mr. Daniel and budgeted tailgate events were approved.

For example, in 2009 UPC budgeted \$12,000.00 for football tailgating events and each week request letters were sent by Mr. Daniel to VP of Student Affairs (Edward Pratt), VP of Administration and Finance (Jerry Luke Leblanc) and UL President (E. Joseph Savoie) for their approval. Each letter set a recommended budget amount not to be exceeded. For 2009 football season, the total amount spent on tailgating events did not exceed the budget amount of \$12,000.00.

Mr. Daniel was never provided copies of Sodexo-generated BEOs (Banquet Event Orders) and he had no knowledge that the original BEOs were later altered by Sodexo. Sodexo left a paper trail of original and bogus BEOs and now disparages Mr. Daniel with their undocumented and unprovable allegations. If the allegations that an account was created to deposit funds from overbilling to cover donated events are factual then the answer to who directed these actions can be determined by the answer to the following questions, to wit:

- 1) Where is the "account" maintained?
- 2) Who had access to the account?
- 3) Who determined how the funds in the imaginary account were disbursed?

B. Catering Services for Graduation Parties

Mr. Daniel paid for two (2) graduation parties for this daughter. He never asked for free catering and did not receive free catering from Sodexo for these two (2) graduation parties. In fact, because Sodexo took it upon themselves to not generate a bill for services rendered, Mr. Daniel demanded a bill and paid same. Regarding the graduation party for Mr. Daniel son's girlfriend, all food was provided by the families involved.

C. Catering events for two non-profits

When the food service company catered an event, the University billed the organization after receipt of Sodexo's invoice. When the funds were collected, the University retained their commission and then paid the balance to the food service company. Since the non-profit organizations were not identified in the preliminary draft, it is difficult to respond. According to Mr. Pappion it was the policy of Sodexo to routinely donate food and services to the community, including these non-profits. If Sodexo chose to donate food and services, the University would not be aware of the event since no bill would be generated. Sodexo billed UL for these non-profit events that were then later re-billed directly to these non-profits and paid by these non-profits. Mr. Daniel had no involvement in the catering billing process for the university or Sodexo. Sodexo donated the food and services for the other five events. Mr.

Daniel received no improper benefit of any kind from Sodexo's decision to donate such food and catering services.

D. UL Football

In the summer of 2008 the university made a major effort to sell corporate football season tickets. The goal was to get the total count to 15,000 season tickets sold yearly to increase attendance required and maintain D-1 status in football. Sodexo was one of several companies that purchased a season ticket package. These tickets would then be distributed by the company at their discretion. On occasion the company could not give away all their tickets and would ask the University for help in their distribution. Sodexo distributed tickets to their employees first then gave any extra tickets back to the University to give away. Since Mr. Daniel was the liaison between the University and Sodexo the tickets ended up in his office. No tickets provided back to the University were redeemed for cash nor were they re-sold to anyone.

With the start of the RCAF (Ragin Cajun Athletic Foundation), Sodexo was approached about becoming a \$10,000 donor, which they declined because they had just made a large capital investment to the University. After discussions on how Sodexo could better partner with athletics, Mr. Pappion stated the marketing and promotions fund could be used to buy additional season tickets to help with attendance at games. Tickets were paid for at a price set by Athletics and the tickets returned to the University were not resold.

When UL went to the first bowl game in 40 years, the Marketing and Communications Department at UL wanted Sodexo to be a sponsor to help make tickets affordable for UL students. Sodexo agreed and used the marketing fund afforded to them in the contract. Sodexo along with Cox Communications were provided with full page ads in the La Louisiane Magazine.

Sodexo is an international company and is solely responsible for how and where they spend their money. It was their assessment that the marketing fund could be used for these tickets for the university.

Conclusion:

Mr. Daniel never directed any Sodexo employees to inflate invoices for catering services to UL or directed the use of funds for subsequent catering. Mr. Daniel received no improper benefit of any kind from Sodexo's decision to donate such food and catering services to non-profit organizations. Mr. Daniel paid for all personal catering events. Mr. Daniel neither wanted nor needed these tickets from Sodexo for personal use. The tickets were in turn given away.