

SCRAP METAL REVENUE
ST. BERNARD PARISH GOVERNMENT



INVESTIGATIVE AUDIT
ISSUED JANUARY 6, 2016

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

DIRECTOR OF INVESTIGATIVE AUDIT
ROGER W. HARRIS, J.D., CCEP

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 6, 2016

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

We have audited certain transactions of the St. Bernard Parish Government. 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 34th Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

SBPG-SCRAP2015

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EXECUTIVE SUMMARY

Decline in Scrap Metal Revenue

St. Bernard Parish Government (Parish) changed scrap metal vendors in October 2012 and began selling scrap metal from Parish-owned refuse collection sites to Moley Disposal. The revenue from the sale of scrap metal declined in 2013 then fell to almost nothing in 2014 and 2015. The Parish changed scrap metal vendors again in 2015, and the revenue from sales of scrap metal increased dramatically.

BACKGROUND AND METHODOLOGY

St. Bernard Parish Government (Parish) is governed by a Home Rule Charter type of government and has a population of 35,897 as of the 2010 Census. The Parish owns and operates two refuse collection sites where Parish residents can bring their refuse. This refuse generally includes scrap metal. Once a week, Parish employees load the scrap metal into Parish-owned dump trucks, transport it to a scrap metal dealer, and sell it.

We began our audit after the Parish Finance Department noticed a sharp decline in revenues from the sale of scrap metal.

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

Decline in Scrap Metal Revenue

St. Bernard Parish Government (Parish) changed scrap metal vendors in October 2012 and began selling scrap metal from Parish-owned refuse collection sites to Moley Disposal. The revenue from the sale of scrap metal declined in 2013 then fell to almost nothing in 2014 and 2015. The Parish changed scrap metal vendors again in 2015, and the revenue from sales of scrap metal increased dramatically.

The Parish operates two refuse collection sites for Parish residents to dispose of refuse, including scrap metal. Parish employees remove scrap metal from the refuse at each refuse collection site and haul it to a scrap metal dealer to sell once a week. The Parish collected \$337,028 in revenue from the sale of scrap metal from 2010 to 2015. Parish records show that the scrap metal was sold to several different scrap metal dealers since at least 2010. From 2010 to 2012, the Parish received revenue from the sale of scrap metal from three private scrap dealers.

In October 2012, the Parish began selling substantially all of its scrap metal to Moley Disposal. From 2012 to 2014, the revenue from the sale of scrap metal declined until the Parish stopped receiving payments from Moley Disposal in October 2014. From November 2014 through March 2015, the Parish did not receive any payments for scrap metal. On April 1, 2015, the Parish Finance Department inquired about the decline in scrap revenue in an email to Mr. Jarrod Gourgues, Chief of Operations for the Parish Road Department. On April 9, 2015, Moley Disposal issued a check for \$564.32 to the Parish for February, March, and April scrap metal purchases. Moley Disposal issued a second check for \$285 to the Parish on May 12, 2015 for "Scrap".

In May 2015, the Parish stopped selling its scrap metal to Moley Disposal and is now using WB Scrap and Southern Recycling. A comparison of the Parish's scrap metal revenue by vendor is analyzed in the following chart.

January 2010 to October 2015 Revenue Received from Scrap Dealers					
Year	Southern Recycling	WB Scrap	Moley Disposal	Other	Annual Total
2010	\$5,192	\$32,272			\$37,464
2011	19,735	47,954		\$102,047 ^A	169,736
2012	2,279	69,902	\$4,508		76,689
2013	1,609	355	25,985		27,949
2014			3,560		3,560
2015	992 ^B	19,788 ^C	850 ^D		21,630
Total	\$29,807	\$170,271	\$34,903	\$102,047	\$337,028

The Parish's road department is responsible for hauling the scrap metal from the Parish's refuse collection sites to the scrap metal dealer to sell. Mr. Gourgues responded to the Parish Finance Department in an email on April 1, 2015 as follows:

“Scrap metal is not a revolving money source. Metal has dropped off due to clean up and debris removal being completed from the storms in the past last being issac. That's why the sudden drop has shown in funds. We also see more people bringing the metal to the scrap yard after they leave the transfer stations to sell themselves. The price of scrap metal went from 1.90 per ton to 1.35 per ton. We have very little in our 2 transfer stations at this time. I can send you a picture if u like.”

The three truck drivers (who have worked for the Parish as truck drivers between seven and 32 years) responsible for hauling scrap metal from the Parish landfills said they have always hauled two to three loads of scrap metal once a week (usually Thursdays) as long as they could remember unless it's raining or a holiday. The drivers further stated that prior to 2012, the Parish sold its scrap metal to WB Scrap and Southern Recycling. Both of these scrap metal dealers had scales at their place of business to weigh the scrap metal, and both WB Scrap and Southern Recycling always issued a receipt to the driver. All three drivers stated that Moley Disposal did not weigh the scrap metal they dropped off and did not provide any receipts. State law¹ requires every operator shall either keep a register and file reports or electronically maintain data and be capable of readily providing reports that give a full description of all such material purchased, including the weight of the material.

Mr. Gourgues referred us to his attorney when we requested an interview to discuss Moley Disposal and the reduction in scrap metal revenue. We contacted Mr. Gourgues' attorney, but his attorney refused our request to interview him.

^A \$97,366 of this amount is due to the demolition of a department store. The remaining \$4,681 was received from a non-scrap metal dealer and may be a coding error.

^B Amount received for scrap metal from May 2015 to October 2015.

^C Amount received for scrap metal from May 2015 to October 2015.

^D Amount received from Moley Disposal for scrap metal from January to May 2015.

Recommendations

We recommend that the Parish:

- (1) consult with legal counsel to ensure that the sale of scrap metal is done in accordance with state law;
- (2) require drivers to obtain a receipt from scrap metal dealers when they drop off the scrap metal; and
- (3) review the receipts from the scrap dealers to ensure the proper amount is deposited into the Parish bank account.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute 37:1967** provides that “Record of scrap metal purchased required; exceptions; retention period; inspections by law enforcement; violations; penalty

A. Every operator shall either keep a register and file reports or electronically maintain data and be capable of readily providing reports, as specified in Subsection B of this Section, in the form prescribed by the Department of Public Safety and Corrections which shall contain the following information:

(1) The name and address of the residence or place of business of the person required to either keep the register and file reports or electronically maintain the data and generate the requested reports.

(2) The date and place of each such purchase.

(3) The name and address of the person or persons from whom the material was purchased, including the distinctive number of each person's Louisiana driver's license, driver's license from another state, passport, military identification, or identification issued by a governmental agency or the United States Postal Service. If the person cannot produce any of the above forms of identification at the time of purchase, the purchaser shall not complete the transaction.

(4) The motor vehicle license number of the vehicle or conveyance on which such material was delivered.

(5) A full description of all such material purchased, including the weight of the material and whether it consists of bars, kegs, cable, ingots, rods, tubing wire, wire scraps, clamps, connectors, or other appurtenances or some combination thereof.

(6) A full description of railroad track materials purchased, including the weight and whether it consists of rail, switch components, spikes, angle bars, tie plates, or bolts of the type used to construct railroads or other appurtenances or some combination thereof.

B. Each operator shall keep either one copy of such completed form in a separate register or book or maintain the information in electronic format as provided in Subsection A of this Section which shall be kept for a period of three years at his place of business and shall be made available for inspection by any peace officer or law enforcement official at any time during the three-year period.

C. Failure to maintain the information or the register or to produce a report requested by any peace officer or law enforcement official as required by this Section shall be prima facie evidence that the person receiving such material described in this Section that is not registered or reported, received it knowing it to be stolen, in violation of R.S. 14:69. Acts 2012, No. 827, §1, eff. June 14, 2012.”

APPENDIX A

Management's Response



St. Bernard Parish Government

8201 West Judge Perez Drive
Phone (504) 278-4200

Chalmette, Louisiana 70043
Fax (504) 278-4330

David E. Peralta
Parish President

December 30, 2015

Daryl Purpera
Office of the Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397
Via U.S. Mail, via fax 225 339-3987 and email cjlejeune@lla.la.gov

RE: Investigative Audit re: St. Bernard Parish – Scrap Metal

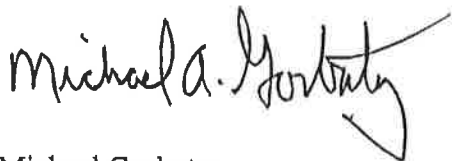
Dear Mr. Purpera:

On behalf of my employees and the citizens of St. Bernard Parish, I would like to thank you for the time and effort your office has spent in preparing your report regarding Scrap Metal. In response, I would like to make you aware of the following actions we have taken, or are in the process of taking, to address the concerns outlined in your report:

- All scrap metal is now taken exclusively to WB Scrap, which is located within St. Bernard Parish. Prior to our trucks leaving the SBPG yard with scrap, our truck driver stops at the guard shack and fills out a driver's control sheet (See Attachment 1) estimating the load ($\frac{1}{4}$, $\frac{1}{2}$, $\frac{3}{4}$ or full load). The truck driver signs the driver's control sheet.
- The driver then drives the truck to WB Scrap. WB Scrap issues a tare sheet (See Attachment 1) to the driver which lists the weight of each load. Our driver is required to bring the tare sheet back to the St. Bernard Parish Road Yard.
- The Road Yard forwards the driver's control sheet and the tare sheet to the Finance Department.
- WB then mails a check with a Payment Receipt (See Attachment 2) that contains itemization and weight of each load to the Finance Department.
- The Finance Department then verifies that the weight on the tare ticket matches the weight on the payment receipt.
- The Finance Department makes a separate timely bank deposit (See Attachment 3) of the scrap metal proceeds into the Parish's General Fund Account. The Finance Department will send a copy of the deposit to the Road Department.
- Periodically, the Road Department does a price comparison by contacting other scrap metal yards to ensure that we are getting a fair price for our scrap metal.
- We are in the process of identifying a feasible camera security system to provide additional security at the St. Bernard Parish dump sites.

St. Bernard Parish Government treats the findings of your audit with the utmost seriousness and is dedicated to continually improving its policies and procedures. Please be advised that we concur with the findings of the Investigative Audit and do not suggest any additional modifications.

If you have any further questions, please do not hesitate to call me.



Michael Gorbaty
Chief Administrative Officer

Sincerely,



Guy McInnis
St. Bernard Parish Councilman at Large East

~~EXHIBIT 7~~
ATTACHMENT 1

St. Bernard Parish Government

Waste transfer site (Circle one) Paris Rd.

E.J. Gore-Area 4

"DRIVER'S CONTROL SHEET"

Date	Truck #	Driver's Name	Truck fill capacity (Estimate & Check one)				Driver's Signature
			1/4 full	1/2 full	3/4 full	Full load	
12-17-15	474	Carlos Howard			✓		Carlos Howard

Customer Name: ST Bernard Gov

TARE TICKET

GROSS 22140 lb

GROSS 18920 lb

NET 3220 lb

DATE 12/17/2015

DRIVER ON OR OFF: ON OFF

CUSTOMER SIGNATURE: Sheet Iron

RICE LAKE WEIGHING SYSTEMS
"the best by every measure"
www.ricelake.com

PN105182

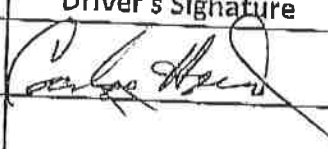
A.3

ATTACHMENT 1

St. Bernard Parish Government

Waste transfer site (Circle one) Paris Rd.

E.J. Gore-Area 4

Date	Truck #	Driver's Name	Truck fill capacity (Estimate & Check one)				Driver's Signature
			1/4 full	1/2 full	3/4 full	Full load	
12-17-15	474	CARLOS HOWARD				<input checked="" type="checkbox"/>	

Customer Name: St Bernard Gov

Customer Name: Carlos

Customer Name: Paris Rd

Customer Signature: Sheet Iron

Driver On

Driver Off

NET GROSS 23060 LB

IN 09:13AM 12/17/2015

GROSS 18200 LB

09:18AM 12/17/2015

RICE LAKE
WEIGHING SYSTEMS
To be filled by meter operator
www.ricelake.com

PN105762

ATTACHMENT 1

St. Bernard Parish Government

Waste transfer site (Circle one) Paris Rd. E.J. Gore-Area 4

Truck fill capacity (Estimate & Check one)

Date	Truck #	Driver's Name	Truck fill capacity (Estimate & Check one)				Driver's Signature
			1/4 full	1/2 full	3/4 full	Full load	
12-17-15	473	NORMAN CRAWFORD				✓	<i>Norman Crawford</i>

PARIS RD NORMAN 473

Customer Name St Bernard Gov

SCALE 20050 LB
1 M 09:51 AM 12/17/2015

SCALE 15000 LB
09:57 AM 12/17/2015

Driver On
Driver Off

Customer Signature: Sheet Iron



ATTACHMENT 1

St. Bernard Parish Government

Waste transfer site (Circle one) Paris Rd.

E.J. Gore-Area 4

Truck fill capacity (Estimate & Check one)

Date	Truck #	Driver's Name	Truck fill capacity (Estimate & Check one)				Driver's Signature
			1/4 full	1/2 full	3/4 full	Full load	
12-17-15	473	NORMAN CRANFORD				✓	<i>Norman Cranford</i>

AREA 4 NORMAN 473

Customer Name: ST BERNARD GOV

1
GROSS 20220 lb
DATE 12/17/2015

GROSS 15520 lb
DATE 12/17/2015

A.6

Driver Or Driver Or
Customer Signature: Sheet Iron



ATTACHMENT 1

St. Bernard Parish Government

Waste transfer site (Circle one) **Paris Rd.** E.J. Gore-Area 4

Truck fill capacity (Estimate & Check one)

Date	Truck #	Driver's Name	Truck fill capacity (Estimate & Check one)				Driver's Signature
			1/4 full	1/2 full	3/4 full	Full load	
12-17-15	473	NORMAN CRAWFORD				✓	<i>Norman Crawford</i>

Customer Name St Bernard Gov	
White Int	
PARIS RD NORMAN 473	
Customer Signature: <i>Sheet Iron</i>	
Driver On <input checked="" type="checkbox"/>	
Driver Off <input type="checkbox"/>	
Customer Signature: <i>Sheet Iron</i>	
GROSS 19440 lb	
1 A 08:57AM 12/17/2015	
GROSS 16500 lb	
NORMAN 12/17/2015	
www.ricelake.com	
A.7	
PM105182	

ATTACHMENT 2

* PAYMENT RECEIPT *

WB Scrap
5000 Paris Road
Chalmette, LA 70043
504-279-5000

Receipt: 0369257 Date: 12/21/2015
Customer: 25962 Time: 09:37

ST BERNARD PARISH GOVERNMENT
8201 WEST JUDGE PEREZ DR
CHALMETTE, LA 70043

Ticket: 399381 Weigh In: 12/21/2015 09:32
Operator: AW Weigh Out 12/21/2015 09:37
Description: ST BERNARD GOVT

All weights in pounds. M indicates manual weight

Commodity	Gross	Tare	Net	Price	TOTAL \$
Sheet Iron	20060 M	16500M	3560	80.000/GT	\$127.14
Sheet Iron 12/17	23060 M	18900M	4160	80.000/GT	\$148.57
Sheet Iron	19140 M	16500M	2640	80.000/GT	\$94.29
Sheet Iron	22140 M	18920M	3220	80.000/GT	\$115.00
Sheet Iron	20220 M	16520M	3700	80.000/GT	\$132.14
Ticket Total					\$617.14

# of Tickets: 1	Total Paid
Paid by CHECK 94060	\$617.14

12/30/2015 10:53

(FAX)

P.009/009

DATE	12/30/15	DOLLARS	
CURRENCY			
COINS			
TOTAL CASH			
CHECKS			
1	WB	617.14	
2	Scrap		
3			
4			
5	Scrap		
6	Multi-Sale		
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
TOTAL FROM OTHER SIDE OR ATTACHED LIST			
PLEASE RE-ENTER TOTAL HERE			
TOTAL			617.14

TOTAL ITEMS

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

15-70

RE-ENTER GRAND TOTAL IN SCREENED BOXES

SAINT BERNARD PARISH GOVERNMENT
CONSOLIDATED CASH ACCOUNT
8201 W. JUDGE PEREZ DR.
CHALMETTE, LA 70043

 **GULF COAST BANK**
& Trust Company
8216 W. Judge Perez Dr., Chalmette, LA 70043

\$

617.14

USE ROUTING NUMBER FROM YOUR CHECKS FOR AUTOMATIC PAYMENTS. IF CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE AND ANY APPLICABLE COLLECTION AGREEMENT.

W B SCRAP
5000 PARIS RD S.
CHALMETTE, LA 70043
504-279-5000

Capital One
Capital One, N.A.

CHECK NUMBER
94060
14-9/650

Pay Exactly Six Hundred, Seventeen & 14/100 Dollars

Pay to ST BERNARD PARISH GOVERNMENT

Date
12/21/2015

NET AMOUNT
\$617.14

VOID AFTER 90 DAYS

ST BERNARD PARISH GOVERNMENT
8201 WEST JUDGE PEREZ DR
CHALMETTE, LA 70043

Amanda Walker

AUTHORIZED SIGNATURE

W B SCRAP

94060

Ticket Date Amount Paid
339381 12/21/2015 617.14

Total \$ 617.14

ATTACHMENT 3