



## Internal Memorandum

Lafayette Council Office (RTE 1100)

**TO:** Josh Guillory, Mayor-President                      **DATE:** May 17, 2023

**FROM:** Council Chairs and Finance/Budget Chairs

**SUBJECT:** AUDIT FINDINGS / COUNCIL QUESTIONS

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Josh, below is a list of questions following the Audit Exit Meeting with Kolder, Slaven & Company, LLC, the LCG Auditors. The Exit Meeting included the Council Chairs and Finance/Budget Chairs. Because the City Chair serves in both capacities, the Finance Vice Chair for the City was able to attend.

The questions are being presented in advance of the Special Joint Council meeting on May 23<sup>rd</sup> at 5:30 pm, so as to expedite the Special Joint Council meeting and provide a courtesy to the Administration so questions are not posed on the spot during the meeting. You are asked to respond to the questions prior to the 5:30 pm meeting on Tuesday, May 23<sup>rd</sup> with the answers and documentation. The earlier those responses are provided, the greater the likelihood that they could be reviewed timely for the meeting. The questions are as follows:

**1. Finding:**

**2022-001: Controls Over Fuel Cards** - The Government has active fuel cards assigned to assets that have been disposed, assets that do not appear in the government's records, unidentified assets labeled as miscellaneous, and assets that have not been used in excess of 120 days. Additionally, the Government has vehicles/equipment that require fuel usage that do not have an active fuel card assigned. The Government has active PINs for former employees, names that are not in the employee master file, and employees with minimal usage.

**Question:**

With reference to the repeat finding on the controls over Fuel Cards, moving forward, what is the Administration's procedural plan to prevent future potential for abuse and this being listed as a finding?

**2. Finding:**

**2022-005: Purchasing Documentation Requirements** - The contract files for various projects selected for testing did not contain complete information to support the purchase. Some of the missing documentation included, but not limited to, specifications for projects and appraisals utilized to determine the purchase of property.

**Question:**

- a. On the Spoil Bank project, shortly after the work was completed (within 48 hours), LCG wired approximately \$3.2 million to the contractor. Did this allow time for the work to be inspected to determine if all work was properly done and/or completed?
- b. Why was the normal procedure—not followed with reference to the contract, the payout and inspections?
- c. What is the new Purchasing policy/procedure the Administration references that would address such issues?

**3. Finding:**

**2022-006: Contracts for Public Works Projects** - The Government executed a Public Works project in the amount of \$1,044,000 with a contractor without obtaining a signed contract.

**Question:**

- a. If the reason a signed contract was not obtained was due to this project being approved through an Emergency ordinance, then why was a signed contract obtained from JC Construction under this same Emergency ordinance for Phase 1 of Lake Farm detention pond?
- b. If there was no signed contract in the second instance, then how is the contractor held accountable for the work to be performed?
- c. How did this project qualify as an emergency exception from the Public Bid Law, given it was after the hurricane/major event?

**4. Finding:**

**2022-007 & 2022-009: Consolidated Cash Management** - The Government had a grant related fund participating in its consolidated cash account that recognized an overdraft of approximately \$19,952,918 with approximately \$19,800,000 being related to the construction of detention ponds within the unincorporated parish limits. The overdraft from this fund was allocated to the City General fund and reduced its average balance when calculating the distribution of monthly investment earnings.

**Question:**

- a. What ordinance and/or person authorized the reduction of the City General Fund's average balance by \$19.9 million to cover the overdraft caused by the Homewood Detention Pond Project?

**5. Finding:**

**2022-011: Louisiana Public Bid Law Spoil Bank Removal** - The spoil bank/levee removal project did not appear to be within the original scope of the excavation and disposal service contract since the Government's two-thirds interest in the property was altered and/or improved by removing the spoil bank/levee system.

**Question:**

- a. There was an "as-needed" contract for work only in Lafayette Parish. Please provide the legislation that authorized work to be done outside of the Parish (in St. Martin Parish).
- b. With a significant increase in the amount of the contract/cost of work (from \$300,000 to \$3.7 million), why was the project not put out for bid? Would this have not ensured the lowest bid and the best use of taxpayer funds?

**6. Finding:**

**2022-012: Home Rule Charter Acquisition of Property** - The Government may have violated their Home Rule Charter by acquiring real property without proper approval by Ordinance. The Government purchased 41 acres in St. Martin Parish that referenced approval through Parish Ordinance PO-035-2021; however, the geographical project limits identified in Exhibit A of this ordinance does not appear to include St. Martin Parish.

**Question:**

- a. The ordinances listed in the response are for a budget revision and construction of detention ponds and not for the purchase of property in St. Martin Parish. Please provide a copy of the specific ordinance (Parish/Joint) that authorized the purchase of the property outside of the Parish of Lafayette, with the highlighted section showing the verbiage that authorized the purchase outside of Lafayette Parish and in St. Martin Parish.

**7. Finding:**

**2022-013: St. Martin Parish Property Purchase** - The Government may have violated Article VII, Section 14 of the Louisiana Constitution by purchasing real property for an amount higher than the appraised amount. The Government paid \$84,000 for a 2/3 undivided interest in 41 acres in St. Martin Parish where the appraisal report indicated a market value (fee simple) of \$42,000 and a revised appraisal issued the same date indicated a market value (minority discount) of \$31,500.

**Question:**

- a. Please provide a copy of the LCG appraisal that reflects each individual property owner's share was valued at \$42,000, the amount paid. If not available, then isn't this a violation of Art. VII section 14?

**8. Finding:**

**2022-014: Compliance with Sales Tax Dedications Spoil Bank Removal** - The Government expended approximately \$3,239,939 from their Sales Tax Capital Improvement fund, which is funded by the proceeds from the 1961 and 1985 City sales tax dedications, to make alternations to spoil banks located in St. Martin Parish. Additionally, the Government expended approximately \$84,000 from their City Combined Bond Construction, which is funded from the proceeds of bond issues used to finance capital improvement projects within the City of Lafayette, to purchase property in St. Martin Parish.

**Question:**

- a. The funds used were from the 1961 Sales Tax (which speaks to its use in the City of Lafayette) and from the 1985 Sales Tax (which speaks to use for said City). Please interpret the difference, given the project was not in the City of Lafayette, nor in Lafayette Parish. Provide the ordinance that shows that the City authorized the use of these "City" funds outside of the City of Lafayette?
- b. If the project is said to be of benefit to the City to justify the use of City funds for a project in another Parish, then why weren't Parish funds used, too, as a benefit to the Parish, given the Parish is located most adjacent to the project?

**9. Finding:**

**2022-016: Parishwide Drainage Millage** - The Government may have violated the dedicated ad valorem drainage millage by utilizing the proceeds to temporarily cover the cost of an environmental emergency response. The Government issued a check on February 18, 2022 in the amount of \$750,000 from their Parishwide Drainage Maintenance fund and was subsequently reimbursed on February 28, 2022. Additionally, invoices submitted by the contractor and internal memorandums did not accurately identify the project and/or work being performed. As a result, other departmental approvers were unaware that the work performed was not related to drainage improvements.

**Question:**

- a. Drainage Fund monies should not be used to pay for the landfill tire fire in Scott. There was no Declaration of Emergency prior to advancing these funds. Provide a copy of the ordinance to authorize the payment of \$750,000?
- b. The project location was turned into a detention pond to justify using the Drainage monies. Initially, \$750,000 in Drainage Funds was used with no authorization, but later the Council did authorize another \$1 million from the EQ Fund. What Council ordinance authorized the detention pond project near the Scott landfill location?
- c. Please provide a detailed breakdown of expenses, timeline, and authorizing legislation related to the Scott landfill tire fire.

**10. Finding:**

**2022-017: Louisiana Public Bid Law Homewood/Ile des Cannes Detention Ponds** - The Government did not have documentation within the contract file to indicate that an opinion of probable cost of the project was obtained from both the CMAR contractor and design professional for the sixty percent and ninety percent design benchmarks. The contract file did not contain documentation to indicate the final GMP upon completion of the final design. Additionally, the Government contracted with the CMAR contractor to undertake items of construction prior to the final design and agreement of a final GMP that may not fall within the category of benefiting the project. The Government executed a contract with a GMP on February 3, 2022 in the amount of \$4,000,000 that consisted of approximately \$1.7 million for mobilization of equipment and \$2.3 million for excavation and erosion control. The Government issued the following subsequent contract and GMP amendments: contract amendment with a total GMP of \$30,600,000 on March 23, 2022; contract amendment with a total GMP of \$38,000,004 on April 12, 2022; and a contract amendment with a total GMP of \$37,999,998 on July 1, 2022. Based on the documentation provided, it appears that significant costs were incurred by the CMAR contractor prior to the detention pond design completion.

**Question:**

- a. Legal indicated there is an eight (8) page opinion from a New Orleans attorney on this matter. Please provide a copy of the opinion.
- b. At 60% of the design, approximately \$20 million had already been spent. The project was moving to completion before the design was actually completed. How does this comply with state statute since a majority of the work was done before the final design?
- c. What was the benefit of *Construction Manager at Risk (CMAR)* for this type of project? Should the CMAR process have been used for digging a pond?
- d. Please provide:
  - 1) the date of the final design and the gross maximum price agreed upon;
  - 2) invoices submitted through that date; and
  - 3) how the cost incurred prior to the final design correlates to the CMAR statute (items benefiting the project).

**11. Finding:**

**2022-019: Suspension of Utility Late Fees** - Lafayette Utilities System suspended late fee payment charges for the period of August 2022 through October 2022 due to customers experiencing higher than normal utility bills caused by higher temperatures, minimal rainfall, and natural gas supply and pricing volatility.

**Question:**

- a. What City ordinance authorized this change of rates/fees for LUS?