

DEPARTMENT OF CULTURE,
RECREATION AND TOURISM
STATE OF LOUISIANA



COMPLIANCE AUDIT
ISSUED FEBRUARY 22, 2012

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

February 22, 2012

THE HONORABLE JAY DARDENNE
LIEUTENANT GOVERNOR AND COMMISSIONER
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
Baton Rouge, Louisiana

Dear Mr. Dardenne:

At the request of the Department of Culture, Recreation and Tourism management, we have audited certain transactions of the Department of Culture, Recreation and Tourism's Office of State Parks. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions with the Office of State Parks.

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 Nineteenth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

CRT 2012

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EXECUTIVE SUMMARY

Excessive Amount Paid to Contractor

From July 16, 2010, to February 4, 2011, Francise Horticultural Services, Inc., was paid \$81,250 to renovate the interior of the Port Hudson State Park (Port Hudson) manager's residence. Based on estimates and quotes we obtained, the Department of Culture, Recreation and Tourism (CRT) paid between \$44,699 and \$54,639 in excess of market value for the renovations. Furthermore, Mr. Cliff Melius, then CRT head of resource development, managed this project on behalf of CRT while personally doing business with Mr. George Francise, owner of Francise Horticultural Services, Inc., and the project's subcontractor, Mr. Stuart Moses, owner of Gulf Coast Building Contractors.

Conflict of Interest

From May 2009 to September 2010, the Office of State Parks (OSP) entered into two contracts with Mr. Garry Jones dba Mission Lumber (Mission Lumber) for the removal of trees at two state parks. Each contract listed Mr. Cliff Melius as the contract monitor/inspector. During this period, Mr. Garry Jones sold wooden flooring, milled from park trees to Mr. Melius and his father, and installed the flooring in their personal residences. Mr. Jones also gave Mr. Melius "scrap wood" at no charge.

BACKGROUND AND METHODOLOGY

The Department of Culture, Recreation and Tourism (CRT) was created under Louisiana Revised Statute 36:201 and is in the Office of the Lieutenant Governor, who may be referred to as the Commissioner of Culture, Recreation and Tourism. CRT is responsible for planning, developing, and implementing improved opportunities for the enjoyment of cultural and recreational activities by the people of Louisiana and for greater development of their cultural and physical potential. CRT also oversees the Office of State Parks (OSP) which according to Revised Statute 36:208 (D) shall plan, design, construct, operate, and maintain a system of parks, natural areas, and recreational facilities and shall perform the functions of the state relating to outdoor recreation development and trails, all in accordance with applicable laws.

Officials from CRT met with the Louisiana Legislative Auditor (LLA) to provide information and concerns relating to the head of resource development for CRT, Mr. Cliff Melius, to request assistance from the LLA's Office. As a result, the LLA reviewed available CRT records to determine the credibility of the information. The procedures performed during this audit included:

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

FINDINGS AND RECOMMENDATIONS

Excessive Amount Paid to Contractor

From July 16, 2010, to February 4, 2011, Francise Horticultural Services, Inc., was paid \$81,250 to renovate the interior of the Port Hudson State Park (Port Hudson) manager's residence. Based on estimates and quotes we obtained, the Department of Culture, Recreation and Tourism (CRT) paid between \$44,699 and \$54,639 in excess of market value for the renovations. Furthermore, Mr. Cliff Melius, then CRT head of resource development, managed this project on behalf of CRT while personally doing business with Mr. George Francise, owner of Francise Horticultural Services, Inc., and the project's subcontractor, Mr. Stuart Moses, owner of Gulf Coast Building Contractors.

According to practice, CRT uses a "finger pointing" process to procure public works projects, which are not required to be advertised under the Public Bid Law (less than \$150,000). On most projects, CRT staff generate project specifications, project budgets, and select prospective vendors. After vendors are chosen to bid, CRT staff will conduct a pre-bid meeting with vendors to discuss the scope of work. Bids are solicited from the contractors after the pre-bid meeting and the contract is awarded to the lowest responsible bidder. Depending on the source of funds to be used for each project, either CRT or the Louisiana Division of Administration, Office of Facility Planning and Control processes the contract.

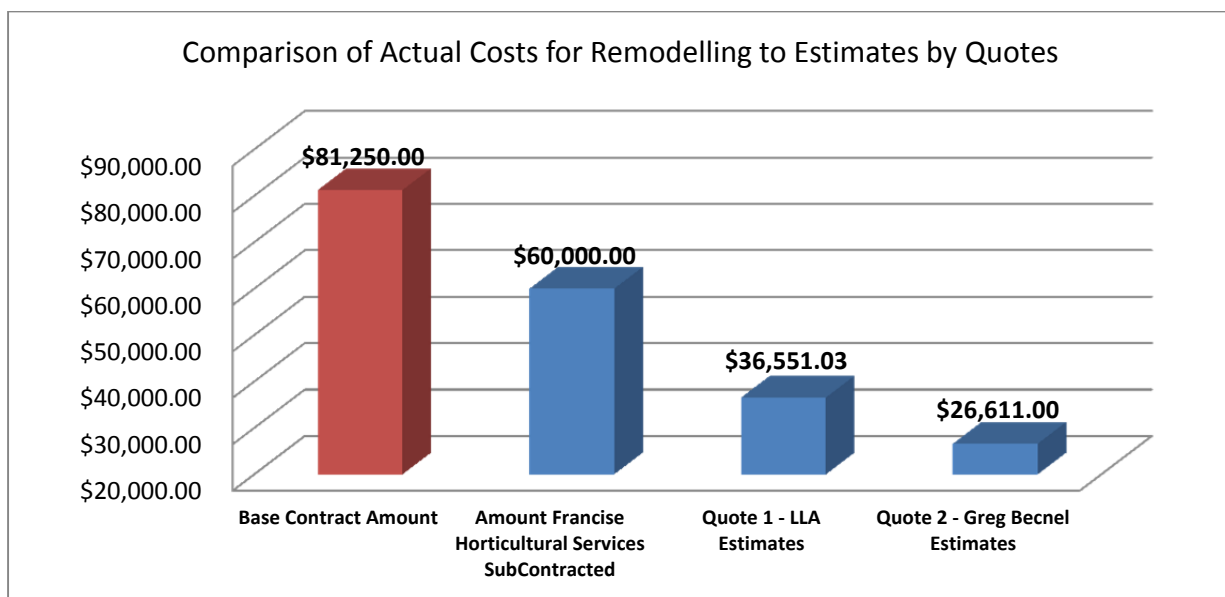
According to CRT pre-bid meeting minutes dated January 11, 2010, Mr. Melius met with Mr. Francise and Mr. Moses at the Port Hudson manager's residence to inspect the work site. Mr. Francise and Mr. Moses both stated that before bidding on the project they were not only provided with the scope of work, but also the project's budgeted amount (\$80,000). According to Mr. Francise, CRT solicited contractors through its finger pointing process and that he was given the project budget and specifications before he placed his bid. He added that this process probably increases the amount the State pays for projects, but it is common with the jobs he has bid on. Mr. Moses stated that "it is very important that CRT provide budgets to vendors because without that knowledge a lot of profit margin can be left on the table."

The scope of work included the material and labor to install carpet in the bedrooms and tile throughout the rest of the house and to provide labor and material to replace the kitchen cabinets, interior and exterior doors, attic insulation, light switches, electrical outlets and cover plates, light fixtures, ceiling fans, and air vents. All toilets, faucets, and sinks in the bathroom and kitchen were to be replaced including a garbage disposal in the kitchen sink. The scope of work further indicated that the park would provide the following: ceiling fans, light fixtures, faucets (kitchen and bathroom), bathroom sinks, toilets, slide in range, and refrigerator. In addition to these items, CRT added new bathroom cabinets, a shower, and granite countertops. These additional items were not listed in the project specifications.

According to CRT records, bids were received by Francise Horticultural Services, Inc., and Gulf Coast Building Contractors, LLC (owned by Mr. Moses) in the amounts of \$81,250 and \$86,500 respectively. On April 29, 2010, the Louisiana Office of Facility Planning and Control awarded an \$81,250 contract to Francise Horticultural Services, Inc. CRT records indicate that the project ran from May 2010 through August 2010, and Francise Horticultural Services, Inc. was paid \$81,250. According to Mr. Francise, he was busy at the time, so he subcontracted the project to Mr. Moses for \$60,000 (\$26,500 less than Mr. Moses's bid to CRT).

Mr. Charlie Gauthier, CRT facility project manager, and Mr. Greg Becnel, CRT facility planner, both expressed concern about the cost of the project. They stated that Mr. Melius handled everything for the project. According to Mr. Gauthier, there was no budget before the pre-bid meeting and that Mr. Melius must have chosen the prospective vendors. He also stated that the budget was not finalized until after Mr. Francise was selected as the contractor.

According to Louisiana Facility Management, the replacement cost of the house as of June 2007 was \$124,541. As a result, the interior renovation (\$81,250) was 65% of the total replacement cost of the house. We provided Mr. Becnel with the scope of work for the project and he estimated that the renovation should have cost approximately \$26,611. We obtained cost estimates and quotes which indicate that the project should have cost \$36,551. These estimates indicate that CRT may have paid between \$44,699 and \$54,639 in excess of market value for the project. These amounts are compared to the project's costs in the chart below.



Mr. Gregory Thomas, Port Hudson park manager, stated that the work was performed poorly and estimated that he and the district maintenance supervisor had to repair about 70% of the work completed by the contractor. According to Mr. Thomas, there were problems with the flooring, carpentry work, plumbing, and electrical. There was even an electrical fire because an outlet was installed incorrectly and the oven caught fire. Mr. Thomas stated that Mr. Melius did the final walkthrough of the house but did not test any functionality of the appliances, and added that Mr. Melius missed many glaring problems with the work product. Mr. Thomas stated that he and two other park staff spent approximately 240 hours to repair the house during their normal work days. The park also purchased a new oven, piping for the kitchen plumbing, and cabinet and door fixtures for the repair of the work completed. Based on Mr. Thomas's estimates, the total cost of repairs incurred by CRT staff was \$5,679, which includes material and labor. When considering the estimates produced by Mr. Becnel and LLA, and removing the actual cost to correct the substandard work, the actual value received, in exchange for the \$81,250 was between \$20,932 and \$30,872. Mr. Thomas also stated that he spent an additional 70 hours of his own time completing repairs after his family moved into the house.

While negotiating the Port Hudson project on behalf of CRT (January 11, 2010), it appears that Mr. Melius was personally doing business with Mr. Moses and Mr. Francise for the construction of his and his father's personal residences. According to Mr. Melius, the construction of his residence (and his father's residence) began in August 2008 and was completed in April 2010. According to Mr. Melius, he spent months finding deals on materials and supplies, collecting bids, and finding contractors to work on his residence, which indicates he is familiar with residential construction and costs. Mr. Melius also stated that he performed a lot of the work on his residence.

Mr. Melius initially stated that he did not pay Mr. Moses (subcontractor for Port Hudson project) for work at his house; however, he later stated that Mr. Moses helped him with some ceramic tile cuts for which he paid Mr. Moses a few hundred dollars. Mr. Melius also stated that Mr. Moses installed the tile on his father's back porch. Mr. Moses stated that he showed Mr. Melius how to do several things at his house, but he never worked on his house and he was never paid. Mr. Moses confirmed that he performed tile work on Mr. Melius's father's house. Phone records from Mr. Melius's CRT issued cell phone indicate that from August 2009 through April 2010, Mr. Melius called Mr. Moses 839 times, ranging from 6:00 a.m. to 9:00 p.m. during the week and on weekends. Mr. Melius stated that he called Mr. Moses so many times because he was asking for contractor recommendations and to learn how to cut crown molding.

We spoke with Mr. Becnel and a contractor who worked on the construction of Mr. Melius's personal residence. Both stated that Mr. Moses was performing work at Mr. Melius's house during this period. Mr. Becnel stated that Mr. Moses was tiling a bathroom at Mr. Melius's house when he visited the site. Mr. Charles Toussaint, the cabinet maker for Mr. Melius's residence, stated that he met Mr. Moses while installing the cabinets at Mr. Melius's house. He referred to Mr. Moses as the "Trim Guy" who was installing crown molding in Mr. Melius's house.

In addition, Mr. Melius and his father appear to have had a personal and business relationship with Mr. Francise. According to Mr. Melius, Mr. Francise has been a family friend for many years. Mr. Melius stated that Mr. Francise never performed any work at his personal residence; however, Mr. Francise did perform some work at his father's residence. According to Mr. Francise, he poured Mr. Melius's father's concrete driveway and accepted a boat as payment for the work.

Based on the information gathered during our review, it appears that CRT paid Francise Horticultural Services, Inc., between \$44,699 and \$54,639 in excess of market value, and because the work was poorly performed, CRT received between \$20,932 and \$30,872 in value in exchange for the \$81,250 contract. In addition, Mr. Melius, who was personally doing business with Mr. Francise and Mr. Moses, managed the project on behalf of CRT. By securing excessive payments to contractors with whom he was personally doing business, Mr. Melius may have violated state law.¹

Conflict of Interest

From May 2009 to September 2010, the Office of State Parks (OSP) entered into two contracts with Mr. Garry Jones dba Mission Lumber (Mission Lumber) for the removal of trees at two state parks. Each contract listed Mr. Cliff Melius as the contract monitor/inspector. During this period, Mr. Jones sold wooden flooring, milled from park trees to Mr. Melius and his father and installed the flooring in their personal residences. Mr. Jones also gave Mr. Melius "scrap wood" at no charge.

Chicot State Park Contract

On May 1, 2009, OSP entered into a "\$0 contract" with Mission Lumber for the removal of storm-damaged trees at Chicot State Park in Rapides Parish.² The duration of the contract was from May 1, 2009, to April 30, 2010, and required Mission Lumber to "...only remove storm damaged timber that is already on the ground..." The contract indicated that multiple contractors were called to bid but due to the length of time the timber has been down (September 1, 2008), all but one had declined the job. The contract further indicated that Mission Lumber was willing to take some of the better trees to use in its charity to construct housing for storm victims. The contract listed Mr. Clifford Melius, then chief of resource development, as the contract monitor for the state.

¹ **R.S. 14:67** provides, in part, 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.

R.S. 42:1112 provides, in part, that no public servant shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity.

R.S. 42:1115 provides, in part, that no public servant shall solicit or accept, directly or indirectly, anything of economic value as a gift or gratuity from any person or employee of any person who has or is seeking to obtain contractual or other business or financial relationships with the public servant's agency.

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 political subdivision thereof is a party.

R.S. 42:1461(A), provides, in part, that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.

² **Exhibit B** (payment schedule) of the contract states that "The contractor agrees to remove the salvage trees and forest products at no cost to the State and in return the State will receive the benefit of fuel load and biomass reduction in the tornado damaged area. The public benefit and value of the removal of these forest products is at least equivalent to if not much greater than the value of the forest products removed."

Personnel at Chicot State Park stated that they were concerned about Mr. Melius's involvement in this contract because they were not consulted during the issuance or the monitoring of the contract. Although the contract stated that only downed trees were to be removed, Mr. Rick LeGrange, Chicot State Park project planner, stated that he witnessed Mr. Melius authorize the contractor to cut down trees with minimal damage. Mr. LeGrange added that the trees had been flagged to indicate they were not to be cut down. Mr. Jim Robinson, park arboretum manager, and Mr. Bill Roberts, park district manager, both stated that the contractor cut down and removed hundreds of trees including trees that were not damaged.

When asked about doing business with Mr. Jones personally, Mr. Melius stated he purchased wood for his residence from Mission Lumber before the clearing project at Chicot State Park. However, CRT e-mails between Mr. Melius and Mr. Jones indicate that they discussed the floors for Mr. Melius's residence in April 2009 (The contract for tree removal began May 1, 2009). Additional e-mails and other documentation supplied by Mr. Melius and his father indicate that flooring was installed in their personal residences by Mission Lumber during the period in which Mission Lumber was removing trees from Chicot State Park. In addition, on March 16, 2010, Mr. Melius used a CRT vehicle to pick up some of the wood purchased from Mr. Jones at Mr. Jones's residence in Pineville, Louisiana. According to Mr. Melius, he did not realize that he was doing anything wrong when he picked up the supplies and he has done things like this for other people.

Mr. Jones stated that he looked at the project with an engineer and Mr. Melius and that he told Mr. Melius he would need to cut down some of the damaged standing trees to make it worth his while. He added that he pointed out standing trees he would like to cut and Mr. Melius agreed, and that most of the lumber removed from Chicot State Park was from standing trees. Mr. Jones confirmed that the wood he sold to Mr. Melius and his father was from trees that were milled from Chicot State Park. Mr. Jones also sold wood milled from Chicot State Park back to CRT as part of a flooring project at Fort Buhlow State Historic Site. Mission Lumber had been selected as the subcontractor for the flooring portion of this job.

Poverty Point State Park Contract

On September 17, 2010, CRT entered into a contract with Mission Lumber for the removal of trees at Poverty Point State Park (Poverty Point) in Epps, Louisiana, for \$49,500. According to the contract, Mr. Melius was listed as the project inspector on behalf of CRT. According to Mr. Jones, Mr. Melius made a trip to Poverty Point during the project and that he provided Mr. Melius with a trailer full of scrap wood (30 to 50 boards - 9 ft. long, 8 to 10 in. wide). Mr. Jones stated that he had no other purpose for the wood and it was his understanding that Mr. Melius used it to build a fence at his personal residence. Mr. Melius stated that he thought he could have the wood because it was going to be discarded. He stated that he used the wood to hide a chain link fence in the back of his guest house.

By receiving the scrap wood and personally doing business with Mission Lumber while monitoring Mission Lumber's contract with CRT, Mr. Melius may have violated state law.³

We recommend that CRT design and implement procedures to ensure it receives fair market prices through competitive bidding. These procedures should ensure that CRT personnel with possible conflicts of interest are identified and removed from the process of soliciting contractors to bid on projects and then overseeing these projects once they are awarded. CRT should implement training to ensure employees understand the Louisiana Code of Ethics and are aware of the prohibition against public servants participating in transactions in which they have a personal substantial economic interest. In addition, CRT should implement written policies and procedures to ensure that public assets are not used for personal purposes.

³ **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 political subdivision thereof is a party.

R.S. 42:1112 provides, in part, that no public servant shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity.

R.S. 42:1115 provides, in part, that no public servant shall solicit or accept, directly or indirectly, anything of economic value as a gift or gratuity from any person or employee of any person who has or is seeking to obtain contractual or other business or financial relationships with the public servant's agency.

APPENDIX A

Management's Response

Office of the Lieutenant Governor
State of Louisiana

JAY DARDENNE
LIEUTENANT GOVERNOR



P. O. Box 44243
BATON ROUGE, LOUISIANA 70804-4243
(225) 342-7009

January 18, 2012

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

RE: Response to Compliance Audit Report

Dear Mr. Purpera:

Thank you for providing me the opportunity to review and respond to your findings and recommendations prior to dissemination of your final report. I also wish to commend your staff for their courtesy and professionalism throughout the audit process. You will recall my decision to request the services of your office upon initially being apprised of improprieties within the Office of State Parks' Resource Development Section. Shortly after initiating our own internal investigation, I recognized the need for a more comprehensive review of the allegations of wrongdoing by your Compliance Audit Division. Your draft report evidences the thoroughness customarily expected of your staff.

I do not dispute your findings regarding the interior renovations to the manager's residence at Port Hudson State Park. The sum paid to the contractor, given the scope of services within the project specifications, is excessive. The questionable quality of the renovation services has been confirmed, as have the remedial effort and expenses required to rectify the contractor's substandard workmanship. I also do not dispute your findings regarding the inappropriateness of Mr. Melius' personal interactions with Mission Lumber. As contract monitor, he should not have contracted for personal services nor personally received anything of value from Mission Lumber.

Corrective measures have been implemented by DCRT over the past several months to address the weaknesses in the procurement and contract monitoring processes identified in your report. The funds available for projects no longer will be disclosed at the outset of the procurement process. The bidding and project management processes have been segregated such that different employees are assigned to each task. I have approved and promulgated a policy prohibiting employees from personally engaging the services of vendors and contractors who actually provide or seek to provide services to DCRT. Every DCRT employee throughout the

Mr. Daryl G. Purpera

January 18, 2012

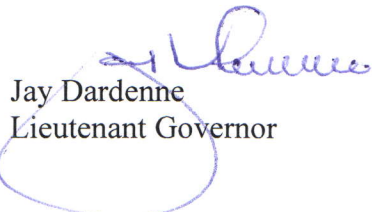
Page 2

state has participated in mandatory training on the Code of Governmental Ethics. Organizational changes have been made within the Resource Development Section. Additional policies and revisions to existing policies detailing procedures and responsibilities for the management and oversight of projects are under consideration. I anticipate these measures being beneficial in protecting against a recurrence of the issues set forth in your report.

You will recall that I assumed responsibility for the personnel and operations of DCRT upon taking office as Lieutenant Governor on November 23, 2011. Although the events in question occurred prior to my tenure, DCRT's internal investigation indicates that my predecessors and the Office of State Parks' executive management team were unaware of Mr. Melius' activities. This investigation also indicates that the improprieties identified do not reflect practices acceptable to this department. Be assured that all procedures related to public works projects remain under review such that any additional weaknesses will be identified and rectified.

My understanding is that your final report shortly will be publicly disseminated and, as required by law, referred for review to the Louisiana Board of Ethics and the East Baton Rouge Parish District Attorney's Office. Please be assured that the personnel and file documentation related to these issues remain available for these authorities' evaluation and action in accordance with their respective statutory grants of authority.

Very truly yours,


Jay Dardenne
Lieutenant Governor

JD/dnn

MAILED
JAN 19 2012
10:00 AM
STATE OF LOUISIANA
OFFICE OF THE ATTORNEY GENERAL

Clifford Melius
8658 Pin Oak Drive
Zachary, Louisiana 70791

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January 27, 2012

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

BY HAND

Dear Mr. Purpera:

I am responding to your letter of January 13, 2012, and its enclosed draft of a compliance audit report on the Department of Culture, Recreation and Tourism. My comments concerning it are provided below.

Inaccurate and incomplete information included in the report has resulted in numerous findings that are incorrect. An example in point is the responsibility which it states that I had on a residence project at Port Hudson State Historic Site for which the CRT Facility Project Manager, rather than me, created the scope of work, received the bids, forwarded them to another agency to approve or reject, managed the project, prepared the punch list, conducted the final walk through and approved completion of the work.

Hard lessons are nonetheless said to be the best teachers. This difficult experience has made me acutely aware of the importance of avoiding any conflict of interest, or even the appearance of impropriety, in connection with my employment and personal life. I have accepted responsibility for my actions, and the resulting disciplinary measures, and will make every effort to regain the confidence of others.

Sincerely,



Clifford Melius

Cc: Jonathan Hodson (by email)