

# KENNER CONVENTION AND VISITORS BUREAU



COMPLIANCE AUDIT  
ISSUED APRIL 25, 2012

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

April 25, 2012

**THE HONORABLE MICHAEL S. YENNI, MAYOR,  
AND MEMBERS OF THE CITY COUNCIL  
CITY OF KENNER**  
Kenner, Louisiana

Dear Mayor Yenni:

We have audited certain transactions of the Kenner Convention and Visitors Bureau (Bureau). Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the credibility of certain allegations received by this office.

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 Twenty-Fourth 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/ch

KENNERCVB12

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## EXECUTIVE SUMMARY

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### **Unauthorized Use of Public Funds by Executive Director**

Mr. Tim Rada, former executive director of the Kenner Convention and Visitors Bureau (Bureau), did not have written authorization from the City of Kenner (City) in 2011 to spend \$10,406 of proceeds from the Laketown Festival (festival). Such written authorization is required by a cooperative endeavor agreement (agreement) between the City and the Bureau. Also contrary to the agreement, Mr. Rada used the festival proceeds to pay expenses of the Bureau. Since Mr. Rada did not have authorization to spend these festival funds and because he improperly used them, he may have violated state law.

### **Improper Payments to Board Member and Daughter**

From January 4, 2007, to July 31, 2011, the Bureau issued payments totaling \$185,000 to Bureau board member Forrest “Bucky” Lanning. There is no documentation on file to support these payments. In addition, from January 26, 2007, to September 1, 2009, the Bureau issued payments totaling \$29,320 to Mr. Lanning’s daughter (Tresa Snow). Because Mr. Lanning served as a board member for the Bureau, a public body which was entrusted with the control and expenditure of public funds, state law prohibits him and his immediate family members from contracting with and receiving payments from the Bureau. As a result, the payments issued to Mr. Lanning and his daughter may have violated state law.

### **Improper Bonuses Paid to Executive Director**

During the period from December 22, 2008, to December 13, 2010, Mr. Rada paid himself three Christmas bonuses totaling \$1,500, which may violate the Louisiana Constitution.

### **Improper Advances to Marketing Director and Executive Director**

During the period from January 14, 2008, to May 3, 2011, Ms. Sharon Solomon, former marketing director, and Mr. Rada received a total of 83 advances/loans on payroll totaling \$21,293. Although these monies advanced to them were subsequently repaid through payroll deductions, advances violate the Louisiana Constitution, which prohibits the loaning of public funds.

## **Improper Use of Credit Cards**

During the period from June 26, 2009, to June 26, 2011, the marketing director, executive director, and the board president used the American Express cards issued to them by the Bureau and incurred charges totaling \$36,939. Of this amount, we question the public purpose and/or necessity of charges totaling \$20,326 as follows:

- Personal Purchases - 31 charges totaling \$5,077
- Meal Purchases - 233 charges totaling \$8,885, which included 205 (88%) charges totaling \$7,575, that lacked proper documentation
- Vehicle Expenses - 220 charges totaling \$7,317, which included 202 (92%) charges totaling \$6,539 that lacked proper documentation
- Gift Card Purchases - 2 charges totaling \$1,135 that lacked documentation

## BACKGROUND AND METHODOLOGY

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The Kenner Convention and Visitors Bureau (Bureau) is a private, non-profit 501 (c)(6) organization dedicated to promoting the City of Kenner (City) area as a destination for trade shows, conventions, and tour groups. The Bureau is primarily funded by a hotel/motel tax and grants received from the City.

In July 2011, the City's internal auditor had substantially completed an audit of the Bureau's use of funds received from the City and determined that public funds may have been spent improperly. The City stopped providing funding to the Bureau and the Bureau subsequently ceased operations.

Officials from the City met with the Louisiana Legislative Auditor (LLA) to discuss concerns regarding the Bureau's use of public funds. The LLA also received additional allegations regarding the Bureau's use of public funds from the Metropolitan Crime Commission. As a result, LLA reviewed available Bureau records to determine the credibility of the allegations. The procedures performed during this audit included:

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

## FINDINGS AND RECOMMENDATIONS

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### Unauthorized Use of Public Funds by Executive Director

**Mr. Tim Rada, former executive director of the Kenner Convention and Visitors Bureau (Bureau), did not have written authorization from the City of Kenner (City) in 2011 to spend \$10,406 of proceeds from the Laketown Festival (festival). Such written authorization is required by a cooperative endeavor agreement (agreement) between the City and the Bureau. Also contrary to the agreement, Mr. Rada used the festival proceeds to pay expenses of the Bureau. Since Mr. Rada did not have authorization to spend these festival funds and because he improperly used them, he may have violated state law.<sup>1</sup>**

#### Cooperative Endeavor Agreement

On August 13, 2009, the Bureau and the City originally entered into an agreement for the Bureau to host, plan, and organize the festival on November 7, 2009. The agreement provided the following:

- The City would contribute \$19,000 to help cover production costs.
- The Bureau would act as the fiscal agent for the festival.
- All profits and proceeds from the festival would be remitted to the City and dedicated to the City's Parks and Recreation Department.

As a result of this agreement, the Bureau's board authorized Mr. Rada to open a special events bank account to separately account for the revenues and expenditures of the festival. Mr. Rada was the only signatory on the bank account.

Although the agreement required the Bureau to remit all profits and proceeds of the festival to the City, no funds were remitted to the City. The City was aware of this and in March 2010, the City began to submit invoices for the repair of City recreational facilities to the Bureau for payment using the proceeds from the festival. Then, on April 15, 2010, the Bureau and the City extended and amended the original agreement. According to this new agreement which Mr. Rada signed, the Bureau would retain the festival proceeds and disperse the funds for City recreation projects with written authorization from the City's Parks and Recreation director. From March 16, 2010, to June 27, 2011, the City submitted invoices to the Bureau and Mr. Rada issued checks totaling \$80,199 to pay these City expenses. Because the Bureau, a private organization, retained and spent the City's monies, those expenditures circumvented the internal controls and processes of the City.

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<sup>1</sup> **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. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.



### City's Internal Audit

In March 2011, the City's internal auditor began conducting an audit of the Bureau's use of funds received from the City. Then, on June 27, 2011, members of the City's audit committee met with Mr. Rada to discuss preliminary audit findings and to request additional documentation on Bureau expenditures. We were informed that a follow-up meeting was scheduled for July 1, 2011, but that Mr. Rada indicated he would only communicate in writing with the City.

On July 1, 2011, Mr. Rada issued a check from the Bureau's special events account payable to the City in the amount of \$8,274 and represented that this was the remaining balance of festival proceeds held by the Bureau. Bank records indicate that a stop payment was issued for this check on July 13, 2011. Subsequent to that date, the City attempted to deposit the check but it was returned by the bank because of the stop payment order. Our analysis of the Bureau's special events bank account, as of July 1, 2011, revealed that festival proceeds actually comprised \$10,406 of the \$14,421<sup>2</sup> maintained in the account.

On July 22, 2011, Kenner Mayor Michael Yenni sent a letter to Mr. Rada requesting documentation to support Bureau expenditures and informed him that, based on the preliminary internal audit findings, no further payments would be made by the City to the Bureau until completion of the audit.

### Unauthorized Use of Festival Proceeds

On August 1, 2011, without authorization from the City, Mr. Rada issued a \$14,000 check from the Bureau's special events bank account, which included the \$10,406 of festival proceeds, to the Bureau operating bank account. The operating bank account had a balance of \$1,316 prior to this deposit.

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<sup>2</sup> According to Bureau bank records, a separate savings account was closed in February 2011. The proceeds from this account (\$4,015), which were from sources other than the festival, were deposited into the special events account.

Mr. Rada then issued payments from the now comingled funds in the operating account to pay the following Bureau expenses:

<b>Bureau Operating Account Disbursements August 2011 through December 2011</b>				
Date	Check #	Payee	Nature of Expense	Amount
8/2/2011	3218	1st Communications	No description	\$135.94
8/2/2011	3220	Sharon Solomon	Payroll	1,489.35
8/3/2011	3217	Kinney, Ellinghausen, Richard & DeSheze	Legal fees	1,000.00
8/4/2011	3221	Tim Rada	Payroll	2,272.33
8/5/2011	3222	La Workforce Commission	No description	3.94
8/8/2011	3223	Sharon Solomon	Payroll	1,489.35
8/9/2011	Electronic Draft	American Express	Credit card payment	985.40
8/19/2011	3225	Sprint	No description	222.12
8/22/2011	3226	Office Depot	No description	44.58
8/23/2011	3224	Denise Hulsey	Payroll	556.25
9/7/2011	Electronic Draft	American Express	Credit card payment	39.00
10/6/2011	3227	Tim Rada	No description	400.00
12/9/2011	3228	Ralph S. Whalen Jr.	No description	8,000.00
			<b>Total<sup>3</sup></b>	<b>\$16,638.26</b>

On December 12, 2011, we requested certain Bureau banking records from Mr. Rada. He refused to provide the records and referred us to his attorney, Mr. Ralph Whalen, Jr., who was paid \$8,000 from the operating account (see chart above). Although several attempts have been made to contact Mr. Whalen, he has only returned one of our phone calls in which he indicated that he represented both Mr. Rada and the Bureau. Mr. Whalen has not responded to our subsequent requests to meet with him and Mr. Rada to review, among other things, Mr. Rada's use of these festival proceeds. Because the City did not authorize Mr. Rada to spend the \$10,406 in festival proceeds, Mr. Rada may have violated state law.<sup>1</sup>

### Recommendation

The City should consider seeking restitution from Mr. Rada for City funds spent without the City's authorization. The City should also collect any other remaining City funds held by the Bureau. We further recommend that the City develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City's public funds are used for public purposes

<sup>3</sup> From August 4, 2011, to December 9, 2011, additional Bureau funds totaling \$1,606 were deposited to the operating account. As such, total amounts available for expenditure from the operating account equaled \$16,922 (\$1,316 + \$14,000 + \$1,606).

and are handled within the guidelines of the City's policies and procedures and state laws and regulations.

### **Improper Payments to Board Member and Daughter**

**From January 4, 2007, to July 31, 2011, the Bureau issued payments totaling \$185,000 to Bureau board member Forrest "Bucky" Lanning. There is no documentation on file to support these payments. In addition, from January 26, 2007, to September 1, 2009, the Bureau issued payments totaling \$29,320 to Mr. Lanning's daughter (Tresa Snow). Because Mr. Lanning served as a board member for the Bureau, a public body<sup>4</sup> which was entrusted with the control and expenditure of public funds, state law prohibits him and his immediate family members from contracting with and receiving payments from the Bureau. As a result, the payments issued to Mr. Lanning<sup>5</sup> and his daughter<sup>6</sup> may have violated state law.**

#### Forrest "Bucky" Lanning

Mr. Lanning served as the Bureau board vice-president from 2005 through 2007, and as the board president from January 1, 2008, until he resigned from the position of board president on July 14, 2011. As a member of the Bureau board, which was entrusted with the control and expenditure of public funds, Mr. Lanning appears to have been a public employee engaged in the performance of a governmental function.<sup>7</sup>

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<sup>4</sup> **R.S. 44§1 A (1)** provides, in part, that the phrase "public body" means any branch, department, office, agency, board, commission, district, governing authority, political subdivision, or any committee, subcommittee, advisory board, or task force thereof, any other instrumentality of state, parish, or municipal government, including a public or quasi-public nonprofit corporation designated as an entity to perform a governmental or proprietary function, or an affiliate of a housing authority.

<sup>5</sup> **R.S. 14§140 A (2)** states, in part, that public contract fraud is committed "when any member of any public board, body, or commission charged with the custody, control, or expenditure of any public funds votes for or uses his influence to secure any expenditure of such funds to himself, or to any partnership of which he is a member, or to any corporation of which he is an officer, director, or stockholder." Section (B) of this statute states, "The fact that an expenditure has been made to any party named in Paragraphs (1) and (2) of Subsection A of this Section, or to any partnership of which he is a member, or to any corporation of which he is an officer, stockholder, or director, shall be presumptive evidence that such person has used his power, position, or influence to secure such expenditure."

**R.S. 42§1113A(1)** states, in part, that "No public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant."

<sup>6</sup> **R.S. 42§1113A(1)** states, in part, that "No public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant."

<sup>7</sup> **R.S. 42§1102 (18) (a) (iii)** provides, in part, that "Public employee" means anyone, whether compensated or not, who is engaged in the performance of a governmental function.

From January 2007, to July 31, 2011, the Bureau issued payments totaling \$185,000 to Mr. Lanning for which there was no documentation (contracts, invoices, or time sheets) to support any of the payments. A total of \$156,000 (\$2,500 per month) was recorded in the general ledger as “Sports Marketing Expense.” The remaining payments, which were also unsupported, totaled \$29,000 and appear to have been recorded/expensed to particular events that were organized and/or hosted by the Bureau. Because Mr. Lanning served as a public employee for a public body which was entrusted with the control and expenditure of public funds, the payments made by the Bureau to Mr. Lanning may have violated state law.<sup>5</sup>

According to Mr. Lanning, he previously had a contract with a company that operated the Ponchartrain Center that ended sometime around Hurricane Katrina (2005) at which time he became a consultant for the Bureau in order to bring Amateur Athletic Union (AAU) basketball tournaments to Kenner. Mr. Lanning added that there was never a written agreement between himself and the Bureau, but it was understood that he would be operating under the same terms as his contract with the Pontchartrain Center, which provided him a consulting payment of \$2,500 per month. In addition, Mr. Lanning stated that there were instances in which he served as the tournament director for the basketball tournaments that he brought to Kenner and was paid extra by the Bureau.

We were not provided any documentation evidencing board approval or authorization of the payments issued to Mr. Lanning during the period from January 2007 through July 2011. The Bureau could only provide minutes of five board meetings held during the period in which Mr. Lanning received these payments. These records indicate that meetings were held on September 28, 2007, December 12, 2007 (minutes indicate Mr. Lanning was elected president of the board), July 15, 2009 (no quorum - only discussions ensued), June 11, 2011, and July 14, 2011. During the June and July 2011 meetings, it was recommended that the Bureau authorize a professional service contract for Mr. Lanning in the amount of \$30,000 annually; however, no action was taken and Mr. Lanning resigned as board president during the July 2011 meeting.

#### Tresa Snow

From January 26, 2007, to September 1, 2009, the Bureau issued payments totaling \$29,320 to Tresa Snow, Mr. Lanning’s daughter, for which there was no documentation (contracts, invoices, or time sheets) to support any of the payments. Because Ms. Snow is an immediate family member of Mr. Lanning, who was a member of the Bureau’s board, the payments issued to her may have violated state law.<sup>6</sup>

A majority of these payments were recorded in the general ledger as “Sponsored Events Expense.” Mr. Lanning stated that his daughter assisted in planning the AAU tournaments by preparing brackets, arranging hotel accommodations, and making phone calls for the tournaments.

#### Recommendation

The City should develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City’s public funds are used for public purposes; are handled within the

guidelines of the City's policies and procedures; and comply with state laws, including the Code of Governmental Ethics.

### **Improper Bonuses Paid to Executive Director**

**During the period from December 22, 2008, to December 13, 2010, Mr. Rada paid himself three Christmas bonuses totaling \$1,500, which may violate the Louisiana Constitution.<sup>8</sup>** The bonus checks were signed by Mr. Rada and there was no documentation to indicate that the payments were approved by the Bureau board.

#### Recommendation

Because bonus payments issued to Mr. Rada may have violated the Louisiana Constitution, we advise the City obtain legal advice to determine if seeking restitution is appropriate. In addition, the City should develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City's public funds are used for public purposes; are handled within the guidelines of the City's policies and procedures; and comply with state laws and the constitution.

### **Improper Advances to Marketing Director and Executive Director**

**During the period from January 14, 2008, to May 3, 2011, Ms. Sharon Solomon, former marketing director, and Mr. Rada received a total of 83 advances/loans on payroll totaling \$21,293. Although these monies advanced to them were subsequently repaid through payroll deductions, advances violate the Louisiana Constitution, which prohibits the loaning of public funds.<sup>8</sup>**

#### Sharon Solomon

From January 14, 2008, to May 3, 2011, the Bureau recorded and paid 77 separate salary advances totaling \$16,843 to Ms. Solomon. This amount included 59 advance checks totaling \$15,650 and 18 personal charges on the Bureau credit card totaling \$1,193.

According to Bureau records, advances received by Ms. Solomon were generally deducted from subsequent payroll checks. Ms. Solomon stated that the advances were approved by Mr. Rada and were necessary because she sometimes had to pay bills prior to receiving her payroll checks.

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<sup>8</sup> **Article 7, Section 14 of the Louisiana Constitution** provides, in part, that 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.

Tim Rada

From August 1, 2008, to December 13, 2010, the Bureau recorded and paid six separate salary advances totaling \$4,450 to Mr. Rada. According to Bureau records, advances received by Mr. Rada were deducted from his subsequent payroll checks.

Recommendation

The City should develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City's public funds are used for public purposes; are handled within the guidelines of the City's policies and procedures; and comply with state laws and the constitution.

**Improper Use of Credit Cards**

**During the period from June 26, 2009, to June 26, 2011, the marketing director, executive director, and the board president used the American Express cards issued to them by the Bureau and incurred charges totaling \$36,939. Of this amount, we question the public purpose and/or necessity of charges totaling \$20,326 as follows:**

- **Personal Purchases - 31 charges totaling \$5,077**
- **Meal Purchases - 233 charges totaling \$8,885, which included 205 (88%) charges totaling \$7,575 that lacked proper documentation**
- **Vehicle Expenses - 220 charges totaling \$7,317, which included 202 (92%) charges totaling \$6,539 that lacked proper documentation**
- **Gift Card Purchases - 2 charges totaling \$1,135 that lacked documentation**

**Since the Bureau did not maintain documentation to support all credit card purchases, we could not always determine the business purpose, necessity, or reasonableness of the purchases or if all the purchases benefited the Bureau. Purchases with no business purpose that are not necessary to the operations of the Bureau or that are made at an unreasonable price may be a violation of the Louisiana Constitution, which prohibits the donation of public funds. In addition, because the Bureau failed to maintain documentation supporting the expenditure of public funds, it may have violated state law.<sup>9</sup>**

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<sup>9</sup> **R.S. 44§36(A)** states, in part that "All persons and public bodies having custody or control of any public record, other than conveyance, probate mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made."

### Personal Purchases

Our audit revealed personal purchases made by the former Marketing Director Sharon Solomon and former Board President Forrest Lanning.

The Louisiana Attorney General has opined (Opinion 92-597) that the use of a public credit card for personal expenses is only permissible if the official or employee is in extraordinary circumstances, is given authority by the public entity, and reimburses the public entity as soon as possible after the charges are made and before the receipt of the bill. Routine use of a public entity's credit card for personal purposes is not permissible.

#### Sharon Solomon:

From August 13, 2009, to May 3, 2011, Ms. Solomon incurred 22 personal charges totaling \$1,498, which included repairs and maintenance for her personal vehicle totaling \$819 and other miscellaneous charges totaling \$679.

We noted that charges totaling \$1,193 were recorded as advances and later repaid by Ms. Solomon through payroll deduction (see previous finding: Improper Advances to Marketing Director and Executive Director). As a result, the amount of personal charges not reimbursed by Ms. Solomon is \$305. Ms. Solomon stated that she used her car solely for business and if she had car trouble and did not have any money, she used her Bureau American Express card.

#### Forrest Lanning:

From July 2, 2009, to October 20, 2010, Mr. Lanning incurred nine personal charges on his Bureau credit card totaling \$3,579.

The majority of the purchases, which were recorded as advances to Mr. Lanning, were for vehicle rental charges. Bureau records indicate that Mr. Lanning paid back \$3,561 of these charges, leaving an unpaid balance of \$18. These records further indicate that Mr. Lanning made these reimbursements to the Bureau between 59 and 89 days from the day each charge was incurred. Mr. Lanning stated that he was pretty sure that he had fully reimbursed the Bureau for his non-business related (personal) charges.

### Meal Purchases

The Bureau lacked proper documentation for meal charges; therefore, we were not able to determine the public purpose or necessity for a majority of the meal charges examined. The credit card statement alone is not adequate documentation as it does not provide enough detail to support the business purpose for the charges. For example, credit card charge tickets for meals do not allow for verification of the number of meals purchased and the business purpose for the charges. Therefore, the detailed meal receipt, along with the names of who participated and the business purpose for the meal, should be submitted as supporting documentation.



From June 26, 2009, to June 26, 2011, Bureau officials incurred 233 meal charges totaling \$8,885. Of this amount, Ms. Solomon incurred 200 charges totaling \$6,910; Mr. Rada incurred 30 charges totaling \$1,467; and Mr. Lanning incurred three charges totaling \$508. Our examination of these meal charges revealed the following:

1. The Bureau had no documentation for 38 of these transactions, which totaled \$1,452.
2. There were illegible receipts for 22 transactions, which totaled \$709.
3. There were 145 transactions totaling \$5,414 for which there were no detailed receipts.

#### Other Purchases Recorded as Vehicle Expenses

The Bureau lacked proper documentation for charges recorded in the general ledger as “Vehicle Expense.”

From June 29, 2009, to June 17, 2011, Bureau officials incurred 220 credit card transactions totaling \$7,317 that were recorded as “Vehicle Expense.” Of this amount, Ms. Solomon incurred 171 charges totaling \$4,684; Mr. Rada incurred 43 charges totaling \$2,245; and Mr. Lanning incurred six charges totaling \$388. Due to a lack of adequate documentation, we could not determine what was purchased or the business purpose for 202 (92%) of these transactions totaling \$6,539.

#### Gift Card Purchases

From December 15, 2009, to December 3, 2010, Bureau records indicate that Ms. Solomon incurred two charges totaling \$1,135 to purchase American Express gift cards. This amount included gift cards totaling \$500 in 2009 and gift cards totaling \$600 in 2010. Although these purchases were recorded as “Office Expenses,” there was no documentation to support the business purpose for the gift cards or who received the cards. Ms. Solomon’s attorney indicated that Ms. Solomon received \$500 worth of gift cards in 2009 and 2010 (\$1,000 in total). Denise Hulsey, former Bureau employee, indicated that she received a \$100 gift card in 2010.

#### Recommendation

The City should develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City’s public funds are used for public purposes; are handled within the guidelines of the City’s policies and procedures; and comply with state laws and the Constitution.



## APPENDIX A

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### Management's Response



# CITY OF KENNER

## OFFICE OF THE MAYOR

**MICHAEL S. YENNI**  
MAYOR

*(via email & U.S. Postal Certified Mail)*

April 12, 2012

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

Dear Mr. Purpera:

On behalf of my Administration and The City of Kenner, I would like to thank the representatives from your office for their professionalism and thorough investigation while conducting this four (4) months audit. As you know, all members of my Administration in attendance at the exit interview conducted on March 30, 2012 were receptive and responsive to your auditors and their findings. During the exit conference, my Administration was advised that all wrongdoings and illegal activity mentioned in the preliminary report presented were performed by members of the KCVB; no wrongdoings were attributed to any employee of the City of Kenner. We were told the KCVB was uncooperative during the investigation and would not respond to members of your office; and due to your policy that a report be issued and reviewed by someone prior to its release, you addressed your report to Kenner since it was the only cooperative party involved.

As you are aware, the inappropriate financial issues associated with the KCVB were uncovered by the internal audit undertaken by my Administration. Upon taking office in 2011, my primary focus was, and remains, transparency in Government. With this goal in mind, I decided to designate one of my Assistant positions the role of Internal Auditor. The Internal Auditor was tasked with reviewing the risk exposures of the City, including the use of public funds and the evaluation of current policies in place. The KCVB audit was performed at my request. Very quickly she determined that there were significant issues related to that contract. At the first meeting to discuss her preliminary findings, the Executive Director of KCVB acknowledged some failings and committed to working with the City to resolve them. Unfortunately, at the next scheduled meeting the Executive Director had a completely different attitude and informed my staff he would not cooperate with any investigation. We were presented with a check for

funds remaining in the KCVB account; however, subsequently KCVB put a stop payment on that check. Based on the KCVB's lack of cooperation and the preliminary findings of my staff, I took immediate steps to sever all ties with the KCVB.

Upon review of your audit report, it is my belief that your findings are correct; however, I must emphasize that some of your recommendations for improvements to City policies had already been addressed and meet or exceed your recommendations for improvement. Those corrections were not noted in this audit.

Prior to your audit, my Administration met and agreed with the recommendations of the City's Internal Auditor, and began taking the following corrective action to further protect public funds:

1. The Administration reviewed the standard Cooperative Endeavor Agreement and began drafting a revised version that included additional safeguards. These safeguards allow consistent review of how public funds or venues are being utilized by approved entities.
2. The City ceased additional payments to the KCVB and filed a report with the City of Kenner Police Department to investigate criminal activity. In addition, the City Attorney's Office is filing to freeze all KCVB accounts in an attempt to recover all misused funds.
3. Contract risks were prioritized and the informal Audit Plan was amended.

The City's response to the findings and recommendations of your office's Audit of the Kenner Convention and Visitors Bureau are as follows:

**FINDING 1: Unauthorized Use of Festival Proceeds (by KCVB Executive Director Tim Rada)**

RECOMMENDATION: The City should consider seeking restitution from Mr. Rada for City funds spent without the City's authorization. The City should also collect any other remaining City funds held by the Bureau. We further recommend that the City develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City's public funds are used for public purposes and are handled within the guidelines of the City's policies and procedures and state laws and regulations.

**FINDING 2: Improper Payments to Board Member and Daughter**

RECOMMENDATION: The City should develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City's public funds are used for public purposes; are

handled within the guidelines of the City's policies and procedures; and comply with state laws including the Code of Governmental Ethics.

**FINDING 3: Improper Advances to Marketing Director and Executive Director**

RECOMMENDATION: The City should develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City's public funds are used for public purposes; are handled within the guidelines of the City's policies and procedures; and comply with state laws and the constitution.

**FINDING 4: Improper Use of Credit Cards**

RECOMMENDATION: The City should develop and implement written policies and procedures for the periodic monitoring of City funds granted to agencies. These policies and procedures should be designed to ensure that the City's public funds are used for public purposes; are handled within the guidelines of the City's policies and procedures; and comply with state laws and the constitution.

**RESPONSE:**

The City of Kenner agrees with these recommendations, and as stated previously, once the City auditor was aware of potential issues, she immediately made the following recommendations in her preliminary report to the Audit Committee in June 2011, and my administration implemented the recommended changes, all of which occurred prior to the start of your audit:

- *Cease any additional payments to the KCVB and seek restitution for any funds that were spent inappropriately.*
- *The City of Kenner should require all organizations receiving public funds, or with whom they are engaged in any Cooperative Endeavor Agreement, to:*
  - *provide a budget and goals of the organization for the fiscal year.*
  - *hold, at least, an annual meeting to discuss its operations/goals*
  - *specifically dedicate in writing the use of funds/services/goods received from the City.*
  - *produce a report, at least bi-annually, to account for and formally advise the City on the events/operating activities that are specific to the goals and funds of the CEA.*

- *As the KCVB has shown questionable business practice and non-compliance with the current CEA, which is illustrated in this report, the City Attorney's Office should evaluate this current CEA for possible breach of contract.*
- *The City of Kenner should consider additional eligible CVB's or other "mayor-designated body whose sole purpose is to promote and fund programs that enhance visitation and tourism" to which they shall dedicate the funds referenced per State Law LA RS 33:2740.18.2.*
- *The City of Kenner should turn the findings of this audit over to authorities for criminal investigation on charges related to the misuse of public funds by a non-profit/quasi government agency.*

To conclude:

As previously stated, the KCVB financial misconduct was discovered by my administration and was addressed at once. I took immediate steps to cease all funding to the KCVB and I notified the proper law enforcement agencies to investigate any criminal activity. The members of my administration gave the Legislative auditors their full cooperation in investigating this important matter. My office of Internal Audit provided its report to the legislative auditors to aid in your investigation. The findings of the Legislative Auditor support and reinforce my August 2, 2011 action terminating all KCVB agreements and all financial support. We appreciate the effort of the Legislative Auditor in this matter. My Administration is committed to the continued evaluation of City spending; monitoring both internal and external components with the resources available.

If there are questions regarding this response, please do not hesitate to contact me.

Sincerely,



**MICHAEL S. YENNI**

Mayor