

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

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City of Natchitoches  
Natchitoches, Louisiana

November 25, 1998



**Investigative Audit**

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**Daniel G. Kyle, Ph.D., CPA, CFE**  
**Legislative Auditor**

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**Daniel G. Kyle, Ph.D., CPA, CFE**

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# City of Natchitoches

November 25, 1998



**Investigative Audit  
Office of the Legislative Auditor  
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor**

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DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

November 25, 1998

**THE HONORABLE JOE SAMPITE, MAYOR,  
AND MEMBERS OF THE CITY COUNCIL  
CITY OF NATCHITOCHES**  
Natchitoches, Louisiana

Transmitted herewith is our investigative report on the City of Natchitoches. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendation as well as the response of management for the City of Natchitoches. Copies of this report have been delivered to authorities as required by state law.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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# Executive Summary

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## Investigative Audit Report City of Natchitoches

The following summarizes the finding and recommendation as well as management's response that resulted from this investigation. Detailed information relating to the finding and recommendation may be found at the page number indicated. Management's response may be found at Attachment I.

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### **City Attorney Contracts With His Own Law Firm in Possible Violation of Law**

**(Page 1)**

**Finding:**

From May 31, 1995, to August 31, 1998, partners of the law firm Watson, Murchison, Crews, Arthur, and Corkern were paid \$128,861 in salary and related benefits while serving as employees of the City of Natchitoches (City). During the same period of time, these employees, Mr. Tom Murchison, Sr., Mr. William Crews, Mr. Steven Crews, Mr. Raymond Arthur, and Mr. Ronald Corkern, Jr., were also paid \$144,579 for contract legal services. Thus, these employees may be in violation of Louisiana law, which prohibits employees from contracting with their employer.

**Recommendation:**

We recommend that the City of Natchitoches seek an opinion from the Louisiana Board of Ethics as to whether or not these actions are in violation of state law.

**Management's Response:**

The City of Natchitoches plans to seek an opinion from the Louisiana Board of Ethics.

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# Background and Methodology

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The City of Natchitoches is located within the parish of Natchitoches. In 1975, the City Council adopted a home rule charter form of government. The municipal government consists of five elected council members serving as the legislative branch and an elected mayor serving as the chief executive officer and head of the executive branch.

The Office of the Legislative Auditor received information indicating that the City's attorneys were listed as employees of the City while also contracting with the City to provide legal services. This investigation was conducted to determine the accuracy of this information and other matters that came to our attention.

Our procedures consisted of (1) interviewing employees and officials of the City; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the City; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable state and federal laws.

The result of our investigation is the finding and recommendation presented herein.

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# Finding and Recommendation

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## **CITY ATTORNEY CONTRACTS WITH HIS OWN LAW FIRM IN POSSIBLE VIOLATION OF LAW**

**From May 31, 1995, to August 31, 1998, partners of the law firm Watson, Murchison, Crews, Arthur, and Corkern were paid \$128,861 in salary and related benefits as employees of the City of Natchitoches (City). During the same period of time, these employees, Mr. Tom Murchison, Sr., Mr. William Crews, Mr. Steven Crews, Mr. Raymond Arthur, and Mr. Ronald Corkern, Jr., were also paid \$144,579 for contract legal services. Thus, these employees may be in violation of Louisiana law, which prohibits employees from contracting with their employer.**

According to Mr. Tom Murchison, Sr., the law firm that became Watson, Murchison, Crews, Arthur, and Corkern has represented the City since 1946. Mr. Murchison stated that he has served as the official city attorney since 1971. Mr. William Crews, Mr. Steven Crews, Mr. Ronald Corkern, and Mr. Raymond Arthur have all served under Mr. Murchison as assistant city attorneys.

From May 31, 1995, to August 31, 1998, the City paid a total of \$128,861 to the attorneys in salaries and related benefits. These benefits include the City's contributions for health insurance, life insurance, worker's compensation, taxes, and in Mr. Murchison's case, retirement contributions.

According to Mayor Joe Sampite, the monthly salaries paid to the attorneys are a retainer. He explained that Mr. Murchison's salary should cover Mr. Murchison's attendance at City Council meetings and any contact that he (Sampite) has with Mr. Murchison between council meetings. Mayor Sampite further explained that he asks Mr. Murchison to sit inside his office during the council meetings so that City employees can consult with him when he is on the payroll.

Mr. Murchison stated numerous times that he believes that the city attorney is a full-time position as one of the City's department heads. He explained that the salaries are consideration for him and the assistant attorneys being available to the City 24 hours per day and for the attorneys not taking cases against the City. He stated that his payroll checks have the word "employee" printed on them and if that did not make him an employee, then he did not know what one is. Mr. Murchison further stated that the City takes deductions from the attorneys' payroll checks just like any other City employee.

City payroll records indicate that the assistant city attorneys' (Mr. William Crews, Mr. Steven Crews, Mr. Ronald Corkern, and Mr. Raymond Arthur) salaries are enough to cover their portion of the health insurance premiums and other miscellaneous deductions. The results are net payroll checks amounting to approximately \$2 to \$19. During each of the past three years, the assistant attorneys have received three separate pay raises (Mr. Murchison received two pay raises), which coincide with increases in the employee's health insurance premiums. Each of the assistant city attorneys confirmed that they received pay raises to cover the increases in their health insurance premiums.

In addition to receiving a monthly salary, the attorneys bill the City from their private law firm at least once each month for legal services. From June 7, 1995, to August 13, 1998, the City paid Watson, Murchison, Crews, Arthur, and Corkern \$144,579 for legal services.

The monthly bill sent to the City by the law firm for general services such as correspondence, telephone conversations, and attendance at the City Council meetings is reduced by a discount. According to Mr. Murchison, the discount is a credit to the City for the attorneys' salaries, which are paid separately by the City's payroll department. Mr. Murchison stated that in prior years the monthly credit was \$600 and was equal to the sum of all of the attorneys' net salaries. The monthly credit is currently \$1,000 even though the salaries and related benefits paid by the City amount to at least \$4,694 per month.

Mr. Murchison further stated that the attorneys are responsible for all legal work for the City and they cannot perform all the City's legal work for the small salary they receive; therefore, they bill the City for the additional work. Each of the attorneys, including Mr. Murchison, further stated that they all provide work to the City that they do not include in their billings.

Louisiana Revised Statute (R.S.) 42:1113 provides that no public servant or member of his immediate family shall enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant. Because Mr. Murchison, Mr. William Crews, Mr. Steven Crews, Mr. Arthur, and Mr. Corkern are considered employees of the City, it appears that R.S. 42:1113 would prohibit them from also contracting with the City.

We recommend that the City of Natchitoches seek an opinion from the Louisiana Board of Ethics as to whether or not these actions are in violation of state law.

# Attachment I

## Management's Response



**Office of the Mayor  
Joe Sampité  
City of Natchitoches**

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(318) 352-2772  
(318) 357-3829 Fax

Post Office Box 37  
Natchitoches, Louisiana 71458-0037

**November 3, 1998**

**Mr. Daniel G. Kyle  
Legislative Auditor  
Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397**

**RE: Management's Response  
to Report of October 26, 1998**

**Dear Mr. Kyle:**

**Thank you for giving us an opportunity to respond to your audit report of October 23, 1998, in connection with fees and salaries paid by the City of Natchitoches to its City Attorney and Assistant City Attorneys. We will certainly abide by your recommendation that we seek an opinion from the Louisiana Board of Ethics to explore the "possibility" that our long-time arrangements with the City Attorneys for legal representation might be in any way improper.**

**We will seek this opinion immediately. However, in furtherance of the opportunity so generously given by you, we would make the following short response.**

**Your report indicated that these gentlemen had been paid a total of \$128,861.00 over a forty (40) month period during the years 1995 through 1998. This is an average of \$3,221.52 per month for the exclusive service of five (5) attorneys. This amount is of course, a gross figure, and includes all ordinary benefits paid to any other City employee. As a matter of fact, as you pointed out in your report the amount of net salary received by these gentlemen is very low, averaging only \$8.00 per month to each assistant and \$1,000.00 per month to the City Attorney. During a portion of your audit period and for the previous twenty some years, the total amount of salaries paid to all five of the City's attorneys averaged only \$300.00 per month!**

**Moreover, the total amounts that you show paid to the attorneys were not all legal fees. These amounts included litigation expenses, court costs, recording cost, costs of depositions, expert witnesses, and other out-of-pocket reimbursement expenses incurred by the attorneys on behalf of the City.**

*Home of Northwestern State University  
and Louisiana School for Math, Science, and the Arts*

**Mr. Daniel G. Kyle  
Legislative Auditor  
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**We are not sure how you calculated your total figures, but in any event you did not indicate that these salaries were excessive or unreasonable and in fact, you made no adverse comments concerning these fees or benefits.**

**Your criticism appears to be directed to the sums paid to the City Attorney's firm for additional legal services performed by individual members of the firm. We would call your attention to the fact that most if not all of these fees were actually paid for defending the city in over forty (40) lawsuits either filed, or in progress, or concluded during the period covered by your audit. These fees were paid under an insurance contract with Risk Management, which has a contractual deductible of \$25,000.00 per occurrence. Under the contract between the City and Risk Management, the latter has the obligation of defending the City in all lawsuits, and under the contract, Risk Management has the exclusive control over the handling of the litigation, including the exclusive right to designate its own attorney or attorneys to represent the City. When a suit is filed against the City, the pleadings are immediately forwarded to Risk Management and they contract with an attorney or attorneys for the defense of the suit. Many times, but not always, the defense file is assigned to an attorney who is also one of our Assistant Attorneys. However, it should be clearly noted that Risk Management makes this assignment, not the City or the City Attorney! The fees in these cases are billed to Risk Management and under the deductible clause in the contract the City is obligated to reimburse these legal fees, sometimes, directly to the attorney handling the case.**

**Your report did not mention this contract with Risk Management and we must assume that your auditors overlooked this.**

**All of the partners in the City Attorney's firm are Assistant City Attorneys, duly appointed under the Home Rule Charter of the City of Natchitoches. This has been the case since the adoption of the City Charter in 1975. The City Attorney, in our opinion, did not "contract" with his own law office for any legal services. When ordinary work is required by the City it is sent to the office of the City Attorney, sometimes to a particular Assistant. Such an assignment, we would think is legal and correct since all of the Assistants work for the City.**

**The Home Rule Charter provides that "the city attorney shall serve as chief legal advisor to the mayor, council, and all departments, offices, agencies . . . and shall perform any other duties prescribed by this Charter or by ordinance." (Home Rule Charter, Section 4.02B)**

**In addition, the Charter specifically provides that the City Attorney "SHALL REPRESENT THE CITY IN ALL LEGAL PROCEEDINGS." (HRC Section 4.02B)**

**Mr. Daniel G. Kyle  
Legislative Auditor  
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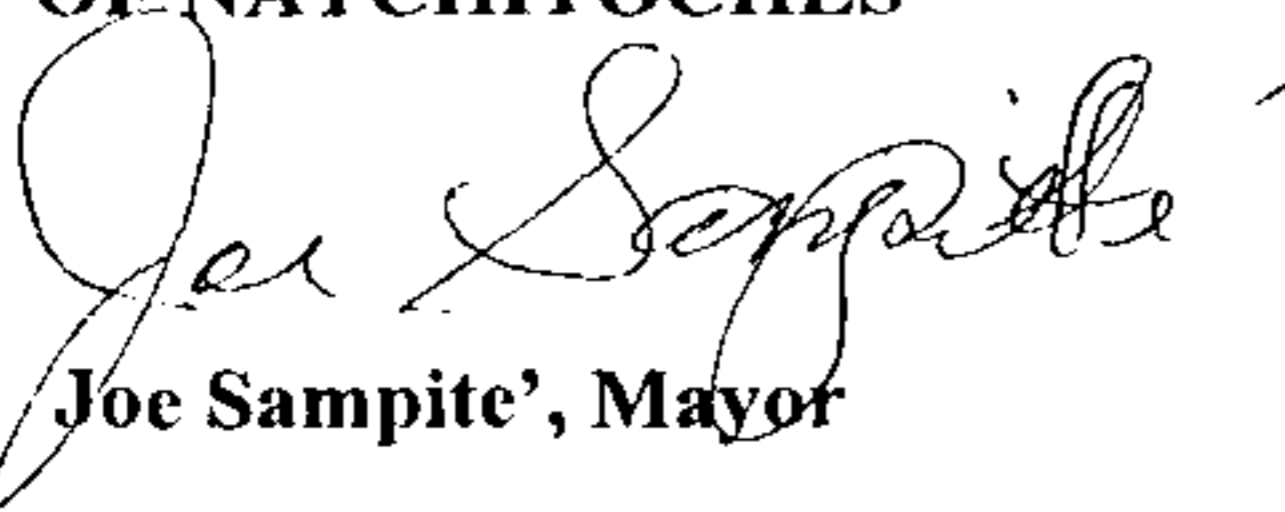
**You have suggested that we consult with the Ethics Board and seek an opinion from that body. We feel that the Ethics Board will understand our position. In any event, we will certainly adhere to the recommendation of the Board of Ethics.**

**Again, we thank you for your courtesy in this matter, and for the opportunity to respond to your report.**

**Respectfully submitted,**

**CITY OF NATCHITOCHEs**

**By:**

  
**Joe Sampite', Mayor**

**cc Members of the Natchitoches City Council  
Mr. Tom Murchison, City Attorney  
Mr. Scott L. Carlton, Senior Investigative Auditor**

**Attachment II**  
**Legal Provisions**

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# Legal Provisions

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The following legal citation is referred to in the Finding and Recommendation section of this report:

**R.S. 42:1113** provides 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.