

LOUISIANA STATE BOARD OF INTERIOR DESIGNERS  
AND  
LOUISIANA AUCTIONEERS LICENSING BOARD



COMPLIANCE AUDIT  
ISSUED FEBRUARY 29, 2012

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

February 29, 2012

**MS. DEBORAH STEINMETZ, CHAIRMAN,  
AND BOARD MEMBERS OF LOUISIANA  
STATE BOARD OF INTERIOR DESIGNERS**

AND

**MS. TESSA STEINKAMP, CHAIRMAN,  
AND BOARD MEMBERS OF LOUISIANA  
AUCTIONEERS LICENSING BOARD**

Baton Rouge, Louisiana

Dear Ms. Steinmetz and Ms. Steinkamp:

We have audited certain transactions of the Louisiana State Board of Interior Designers (LSBID) and the Louisiana Auctioneers Licensing Board (LALB) for the period February 8, 2007, to December 2, 2011. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain allegations.

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 of an audit by *Government Auditing Standards*; therefore, we are not offering an opinion on either board's financial statements or system of internal control, nor assurance as to compliance with laws and regulations.

The following are the findings and recommendations resulting from our audit and management's responses are attached.

### **Improper Leave Accruals and Payments to Part-time Employees**

The LSBID and LALB improperly allowed part-time employees to earn and use annual, sick, and compensatory leave. By allowing part-time employees to earn leave, both boards appear to have violated Executive Order BJ 2008-64, which prohibits part-time employees from earning leave. Furthermore, the LSBID's and LALB's practice of allowing part-time employees to earn leave may violate the Louisiana Constitution because neither board had the legal authority to incur expenditures for accrued leave and did not receive anything of equivalent value in exchange for the expenditures.<sup>1</sup>

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<sup>1</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."

Our audit revealed:

- From February 8, 2007, through July 18, 2011, Ms. Sandy Edmonds, current unclassified part-time executive assistant for both boards, recorded a total of 830 hours of leave earned and received payments totaling \$5,996 for 279 hours of leave used.
- From March 7, 2007, through August 14, 2009, one previous part-time employee of the LSBID was paid \$1,877 and two previous part-time employees of the LALB were paid \$6,831 for accrued leave upon separation from the boards.

Both the LSBID and the LALB were created by law under the Office of the Governor and are composed of members appointed by the governor. Leave policies and rules for unclassified employees under the Office of the Governor are established by Executive Order BJ 2008-64 (previously KBB 2006-30), Rules and Policies on Leave for Unclassified Service. According to these rules, a part-time employee is an employee with a work week of less than 40 hours per week. These rules establish that part-time employees of the executive department, Office of the Governor shall not earn annual, sick, and compensatory leave. However, both boards have allowed part-time employees to earn leave.

#### Ms. Sandy Edmonds

Ms. Edmonds works part-time for two separate state boards. On February 8, 2007, Ms. Edmonds began working 20 hours per week (increased to 25 hours on June 1, 2008) as the executive assistant for the LSBID. On August 10, 2009, Ms. Edmonds also began working approximately 15 hours per week as the executive assistant for the LALB. Although her combined work hours are 40 hours per week, you cannot take part-time positions with two separate state boards and combine them to make one full-time position.

According to her written agreements, with both boards, Ms. Edmonds works flexible hours from home, as well as the office (both boards share the same office), and does not maintain office hours or keep time and attendance records. As a part-time, unclassified employee of these boards, Ms. Edmonds' employment is governed by executive orders, not State Civil Service rules.

According to the executive order, Ms. Edmonds, as a part-time, unclassified employee, is not eligible to earn annual, sick, or compensatory leave. However, Ms. Edmonds has recorded leave earned, based on state government rates, and used leave from both boards. The following table summarizes the leave accrued by Ms. Edmonds for each board.

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**Attorney General Opinion 10-0171** states, in part, "It has been the consistent opinion of this office that in order for an expenditure of public funds to be permissible under the Louisiana Constitution 14(A), the public entity must have the legal authority to make the expenditures and must show: (i) a public purpose for the expenditure or transfer that comports with the governmental purpose for which the public entity has legal authority to pursue; (ii) that the expenditure or transfer, taken as whole, does not appear to be gratuitous; and (iii) that the entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of public funds."

<b>Leave Recorded and Used by Sandy Edmonds As of July 18, 2011 (in hours)</b>			
	<b>LSBID</b>	<b>LALB</b>	<b>TOTAL</b>
Annual Leave Balance	199	52	251
Annual Leave Used	65	27	92
<b>Total Annual Leave</b>	<b>264</b>	<b>79</b>	<b>343</b>
Sick Leave Balance	203	80	283
Sick Leave Used	61	0	61
<b>Total Sick Leave</b>	<b>264</b>	<b>80</b>	<b>344</b>
Compensatory Leave Balance	17	0	17
Compensatory Leave Used	126	0	126
<b>Total Compensatory Leave</b>	<b>143</b>	<b>0</b>	<b>143</b>
<b>Total All Leave</b>	<b>671</b>	<b>159</b>	<b>830</b>
<b>Total Leave Hours Paid</b>	<b>252</b>	<b>27</b>	<b>279</b>
<b>Overpayment - Use of Leave</b>	<b>\$5,265</b>	<b>\$731</b>	<b>\$5,996</b>

It should be noted that Ms. Edmonds provided e-mails between herself and a representative of the Department of State Civil Service (DSCS) during which Ms. Edmonds questioned whether Executive Order BJ 2008-64 applied to her. On February 22, 2011, DSCS informed Ms. Edmonds via e-mail that the executive order did not apply to her position. However, during our audit, DSCS representatives informed us that Ms. Edmonds was misinformed and that the LSBID and LALB are subject to the executive order and do not fall under civil service rules. According to DSCS representatives, both boards are under the Office of the Governor and need to follow the rules set forth in Executive Order BJ 2008-64.

#### Other Part-Time Employees

According to Ms. Edmonds and the boards' attorney, Ms. Anna E. Dow, it has always been the practice of both boards to allow part-time employees to earn leave. Ms. Edmonds and Ms. Dow informed auditors that previous part-time employees were paid for accumulated leave upon separation from the boards. From March 7, 2007, through August 14, 2009, one previous part-time employee of the LSBID was paid \$1,877 and two previous part-time employees of the LALB were paid \$6,831 for accrued leave upon separation from the boards.

#### **Improper Merit Pay Increases**

Contrary to Executive Orders BJ 2010-05 and BJ 2011-09, Merit Increase Freezes, the LSBID and LALB gave pay increases totaling \$11,059 to Ms. Edmonds during the period from July 1, 2010, through December 2, 2011. These executive orders, effective from March 19, 2010, through June 30, 2012, froze the boards' authority to award merit increases to all unclassified employees. Also, both boards may have violated the Louisiana Constitution because neither board had the legal authority to provide merit increases.<sup>1</sup>

The following table summarizes the pay increases received by Ms. Edmonds during the pay freeze.


<b>Sandy Edmonds' Pay Increases (As of December 2, 2011)</b>				
<b>Board</b>	<b>Effective Date</b>	<b>Pay Rate/Hour</b>	<b>New Pay Rate/Hour</b>	<b>Total Increase in Pay</b>
LSBID	7/1/10	\$20.00	\$25.00	\$9,267.86
LALB	1/10/11	\$25.64	\$28.21	\$1,791.21
LALB	11/15/11	\$28.21	\$31.41	\$0.00**
<b>Total</b>				<b>\$11,059.07</b>
<i>**Has not been implemented.</i>				

Recommendation

The boards should adopt policies and procedures to ensure that employee payments and leave accruals are in strict accordance with state law and applicable executive orders. These policies should require the following:

1. Executive orders are reviewed prior to any employment actions taken by either board.
2. Only eligible employees are allowed to accrue and use leave time.
3. Employees maintain records of time and attendance.
4. Supervisors review and approve employee attendance and leave records.
5. The boards seek repayment for amounts paid which may have violated state law and/or executive orders.

This correspondence is intended primarily for the information and use of management of the boards. I trust this information will assist you in your efforts to comply with Louisiana laws, including the Louisiana Constitution and executive orders. Should you have any questions, please contact me at (225) 339-3839 or Mr. Eric Sloan, Director of Compliance Audit and Advisory Services, at (225) 339-3850.

Sincerely,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

DGP:ES:GC:dl

## ADDITIONAL INFORMATION BASED ON MANAGEMENT'S RESPONSE

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As mentioned in our report, Ms. Edmonds appears to have been misinformed by the Department of State Civil Service (DSCS); however, as a part-time, unclassified employee of the boards, Ms. Edmonds' employment is governed by executive orders. Although the boards are required by law<sup>2</sup> to file documentation with DSCS for all unclassified employees, this does not constitute authorization to engage in transactions contrary to existing executive orders. Finally, the executive orders issued to freeze merit increases applied to unclassified employees regardless of the source of public funds to be used for such increases.

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<sup>2</sup> **R.S. 42:290 (A)** provides in part that the appointing authority of each agency, board, commission, department, or other entity in the executive branch of state government shall file with the Department of State Civil Service the name, address, position, date of employment, place of employment, hours of work, and salary or per diem of each unclassified employee under its jurisdiction.