OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS

ED QUATREVAUX
INSPECTOR GENERAL

VIA U.S. MAIL AND ELECTRONIC MAIL

July 26, 2013

Ms. Kathleen Allen, Ethics Administrator
Louisiana Ethics Administration
P.O. Box 4368
Baton Rouge, LA 70821

Re: Auditor Conflict of Interest

Dear Ms. Allen:

It has come to my attention that the Campaign Treasurer for Sheriff Marlin Gusman, Albert J. "Joey" Richard, III, has a conflict in appearance and fact due to his direct involvement in both Sheriff Gusman's election campaigns and in auditing the Orleans Parish Sheriff's Office on approval of the Legislative Auditor, as provided in La. R.S. 24:513(A)(5).

Mr. Richard has served as the Lead Partner from Postlethwaite & Netterville for the Orleans Parish Sheriff's Office and filed audit reports with the Legislative Auditor. As required by La. R.S. 24:513(A)(5)(a)(i), the audit attests that it was performed "in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States." Postlethwaite & Netterville has been the firm selected by Sheriff Gusman to file annual reports with the Legislative Auditor since he was elected in 2005. Simultaneously, Mr. Richard has filed campaign reports for Marlin Gusman as a candidate for elected office since 2000; specifically, Mr. Richard has been named as Sheriff Gusman's Campaign Treasurer since July 26, 2000.

This presents the appearance of conflict to the general public, but I assert that it is also a conflict in fact because Mr. Richard cannot attest to his Independence as required by the Government Auditing Standards. Mr. Richard has a financial incentive to provide positive audit reports for Sheriff Gusman so that Sheriff Gusman will continue being re-elected. Government Auditing Standard 3.04 discusses independence, and requires that "if one or more of these impairments affects or can be perceived to affect independence, the audit organization (or auditor) should decline to perform the work." Government Auditing Standard 3.07 states that "Personal impairments of auditors result from relationships or beliefs that might cause auditors to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way." (see attached).

Since Postlethwaite & Netterville was selected to perform these annual audits after a relationship between Sheriff Gusman and Mr. Richard was developed, the firm should have taken measures to keep Mr. Richard isolated from Sheriff Gusman's audits. To the contrary, Mr. Richard has attended meetings with my office and represented himself as the "lead partner" for the Sheriff's Office. He has also testified in the Eastern District for Louisiana Federal Court in his capacity as the lead partner for the Orleans Parish Sheriff's Office in hearings on the consent decree.

I hope you can review this matter and take appropriate action. Please feel free to contact me to discuss this matter further.

E.R. Quatrevaux

cc: Mr. Daryl G. Purpera, Legislative Auditor

Enclosures:

- GAGAS – Standards 3.01-3.08.
- 2013 Candidate's Report – Marlin Gusman
- 2000 Statement of Organization – Marlin Gusman

STATEMENT OF ORGANIZATION

OFFICE USE ONLY

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S/O 8/6

Rec. # 312323

307 202502

1. Name and Address of Committee

Marlin Gusman Campaign Committee
P.O. Box 19023
New Orleans, LA 70179-0023

2. Date of this Statement: 7/26/00

3. Estimated Membership: 2

4. Amended Statement? ___ Yes X No

5. All Committee Officers and Directors (including Chairperson, Treasurer, if any, and any other committee officers and directors)

a. Name	b. Position	c. Address
Anthony Mumphrey	Chairperson	1201 Chartres St., #7 New Orleans, LA 70116
Albert Richard	Treasurer	2324 Severn Ave. Suite A Metairie LA 70001

6. Affiliated Organizations
(Any organization, other than a political committee, which directly or indirectly established, administers, or financially supports this committee.)

a. Name	b. Address	c. Relationship to Committee
None		

7. All Depositories for Committee Funds (committee funds must be deposited in one or more banks or savings and loan institutions or money market mutual funds.)

a. Name	b. Address
Dryades Savings Bank	231 Carondolet St. New Orleans, LA 70130

8. IF THIS COMMITTEE SUPPORTS A SINGLE CANDIDATE: a. Check one: ✓ Principal Campaign Committee ___ Subsidiary Committee

b. Name of Candidate: Marlin Gusman

c. Office Sought by the Candidate: Council District D New Orleans

9. a. Name of Person Preparing Report: Staci A. Rosenberg

b. Daytime Telephone: 504-525-0134

10. WE HEREBY CERTIFY that the information contained in this STATEMENT OF ORGANIZATION is true and correct to the best of our knowledge, information and belief.

This 26th day of July, 2000

x [signature]
Signature of Committee Chairperson

504-288-6313
Daytime Telephone Number

x [signature]
Signature of Committee Treasurer, if any

504-837-5990
Daytime Telephone Number

Form 200, Rev. 3/98, Page Rev. 3/98

DESIGNATION OF PRINCIPAL/SUBSIDIARY CAMPAIGN COMMITTEES

A candidate may designate one political committee as his principal campaign committee. A candidate may also designate one or more political committees as his subsidiary committees. Further, a principal campaign committee may designate subsidiary committees. Any designated committee must file a Statement of Organization and submit a $100 filing fee. The use of principal or subsidiary committees is entirely optional. If committees are used, this report must be filed no later than 10 days after the designation is made. If a committee is organized to support a single candidate and that candidate refuses to designate that committee as his principal or subsidiary committee, he must file a statement, in writing, disavowing the committee. Once such a disavowal is filed, no funds may be exchanged between the candidate and the committee.

Hand deliver or mail to: **CAMPAIGN FINANCE,** 8401 United Plaza Blvd, Ste 200, Baton Rouge, LA 70809

1. Full Name and Address of Candidate or Principal Campaign Committee making Designation	2. Office Sought by Candidate (Include title of office as well as parish, city, town and/or election district)	OFFICE USE ONLY
Manlin Gusman 4478 Venus New Orleans, LA 70122	Council District D New Orleans	

3. a. Name and Address of Designated Principal Campaign Committee

Manlin Gusman Campaign Committee
P.O. Box 19023
New Orleans, LA 70179-0023

b. Chairperson of Designated Committee Anthony Mumphrey

4. Subsidiary Committee(s) Designated

a. Name(s) and mailing address(es) N/A

b. Chairperson

5. I DO HEREBY DESIGNATE the above named principal/subsidiary committee(s) and CERTIFY that the information contained in this designation is true and correct to the best of my knowledge, information and belief.

This 26th day of July, 2000

Manlin Gusman

Signature of Candidate/Chairperson
(To be signed by Chairperson only if designation of subsidiary committee(s) by the principal campaign committee)

504-288-2494
Daytime Telephone Number

Form 100, Rev. 3/91.

Chapter 3: General Standards

Introduction

3.01 This chapter establishes general standards and provides guidance for performing financial audits, attestation engagements, and performance audits under generally accepted government auditing standards (GAGAS). (See chapter 6 for an additional general standard applicable only to attestation engagements.) These general standards, along with the overarching ethical principles presented in chapter 2, establish a foundation for credibility of auditors' work. These general standards emphasize the independence of the audit organization and its individual auditors; the exercise of professional judgment in the performance of work and the preparation of related reports; the competence of audit staff; audit quality control and assurance; and external peer reviews.

Independence

3.02 In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments of independence.

3.03 Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information. Auditors should avoid situations that could lead objective third parties with knowledge of the relevant information to conclude that the auditors are not able to maintain independence and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.

3.04 When evaluating whether independence impairments exist either in fact or appearance with respect to the entities for which audit organizations perform audits or attestation engagements, auditors and audit organizations must take into account the three general classes of impairments to independence--personal, external, and organizational.**20** If one or more of these impairments affects or can be perceived to affect independence, the audit organization (or auditor) should decline to perform the work--except in those situations in which an audit organization in a government entity, because of a legislative requirement or for other reasons, cannot decline to perform the work, in which case the government audit organization must disclose the impairment(s) and modify the GAGAS compliance statement. (See paragraphs 1.12 and 1.13.)

3.05 When auditors use the work of a specialist,**21** auditors should assess the specialist's ability to perform the work and report results impartially as it relates to their relationship with the program or entity under audit. If the specialist's independence is impaired, auditors should not use the work of that specialist.

3.06 If an impairment to independence is identified after the audit report is issued, the audit organization should assess the impact on the audit. If the audit organization concludes that it did not comply with GAGAS, it should determine the impact on the auditors' report and notify entity management, those charged with governance, the requesters, or regulatory agencies that have jurisdiction over the audited entity and persons known to be using the audit report about the independence impairment and the impact on the audit. The audit organization should make such notifications in writing.

Personal Impairments

3.07 Auditors participating on an audit assignment must be free from personal impairments to independence.[22] Personal impairments of auditors result from relationships or beliefs that might cause auditors to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way. Individual auditors should notify the appropriate officials within their audit organizations if they have any personal impairment to independence. Examples of personal impairments of individual auditors include, but are not limited to, the following:

a. immediate family or close family member[23] who is a director or officer of the audited entity, or, as an employee of the audited entity, is in a position to exert direct and significant influence over the entity or the program under audit;

b. financial interest that is direct, or is significant/material though indirect, in the audited entity or program;[24]

c. responsibility for managing an entity or making decisions that could affect operations of the entity or program being audited; for example, serving as a director, officer, or other senior position of the entity, activity, or program being audited, or as a member of management in any decision making, supervisory, or ongoing monitoring function for the entity, activity, or program under audit;

d. concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records when such services involved preparing source documents or originating data, in electronic or other form; posting transactions (whether coded by management or not coded); authorizing, executing, or consummating transactions (for example, approving invoices, payrolls, claims, or other payments of the entity or program being audited); maintaining an entity's bank account or otherwise having custody of the audited entity's funds; or otherwise exercising authority on behalf of the entity, or having authority to do so;

e. preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit;

f. biases, including those resulting from political, ideological, or social convictions that result from membership or employment in, or loyalty to, a particular type of policy, group, organization, or level of government; and

g. seeking employment during the conduct of the audit with an audited organization.

3.08 Audit organizations and auditors may encounter many different circumstances or combinations of circumstances that could create a personal impairment. Therefore, it is impossible to identify every situation that could result in a personal impairment. Accordingly, audit organizations should include as part of their quality control system procedures to identify personal impairments and help ensure compliance with GAGAS independence requirements. At a minimum, audit organizations should

a. establish policies and procedures to identify, report, and resolve personal impairments to independence,

b. communicate the audit organization's policies and procedures to all auditors in the organization

and promote understanding of the policies and procedures,

c. establish internal policies and procedures to monitor compliance with the audit organization's policies and procedures,

d. establish a disciplinary mechanism to promote compliance with the audit organization's policies and procedures,

e. stress the importance of independence and the expectation that auditors will always act in the public interest, and

f . maintain documentation of the steps taken to identify potential personal independence impairments.

3.09 When the audit organization identifies a personal impairment to independence prior to or during an audit, the audit organization should take action to resolve the impairment in a timely manner. In situations in which the personal impairment is applicable only to an individual auditor or a specialist on a particular audit, the audit organization may be able to eliminate the personal impairment. For example, the audit organization could remove that auditor or specialist from any work on that audit or require the auditor or specialist to eliminate the cause of the personal impairment. If the personal impairment cannot be eliminated, the audit organization should withdraw from the audit. In situations in which auditors employed by government entities cannot withdraw from the audit, they should follow paragraph 3.04.

CANDIDATE'S REPORT

(to be filed by a candidate or his principal campaign committee)

1. Qualifying Name and Address of Candidate

MARLIN GUSMAN
P.O. Box 19023
New Orleans, LA 70179

2. Office Sought (Include title of office as well as parish, city, town and/or election district.)

Criminal Sheriff
Orleans Parish
Orleans Parish

OFFICE USE ONLY

Report Number: 35644

Date Filed: 2/15/2013

Report Includes Schedules:
Schedule A-1
Schedule A-3
Schedule E-1
Schedule E-2

13002199

3. Date of Election _____

This report covers from 1/1/2012 through 12/31/2012

Ann

4. Type of Report:

- ____ 180th day prior to primary
- ____ 90th day prior to primary
- ____ 30th day prior to primary
- ____ 10th day prior to primary
- ____ 10th day prior to general
- ____ 40th day after general
- X Annual (future election)
- ____ Supplemental (past election)
- ____ Amendment to prior

5. FINAL REPORT if:

- ____ Withdrawn
- ____ Unopposed
- ____ Filed after the election AND all loans and debts paid

6. Name and Address of Financial Institution (You are required by law to use one or more banks, savings and loan associations, or money market mutual fund as the depository of all campaign funds.)

LIBERTY BANK
P.O. Box 60131

New Orleans, LA 70160-0131

7. Full Name and Address of Treasurer

ALBERT J RICHARD
One Galleria Blvd
Suite 2100
Metairie, LA 70001

This report was electronically filed. Go to electronically filed reports to view.

8. Name of Person Preparing Report

Daytime Telephone

The following schedules have been suppressed from this printed copy:
attach, A, A-1, A-2, A-3, B, C, D, E-1, E-2, E-3, E-4, F

10. WE HEREBY CERTIFY that the information contained in this report and the attached schedules is true and correct to the best of our knowledge, information and belief, and that no expenditures have been made nor contributions received that have not been reported herein, and that no information required to be reported by the Louisiana Campaign Finance Disclosure Act has been deliberately omitted.

This 15th day of February, 2013.

Marlin Gusman
Signature of Candidate/Chairperson
(To be signed by Chairperson only if report by principal campaign committee)

504-282-2222
Daytime Telephone

Albert J Richard
Signature of Treasurer

504-837-5990
Daytime Telephone

9. FOR PRINCIPAL CAMPAIGN COMMITTEES ONLY
a. Name and address of principal campaign committee, committee's chairperson, and subsidiary committees, if any (use additional sheets if necessary).

Form 102, Rev. 1/98, Page Rev. 5/00

SUMMARY PAGE

RECEIPTS	This Period
1. Contributions (Schedule A-1)	$ 127,725.00
2. In-kind Contributions (Schedule A-2)	$ 0.00
3. Campaign paraphernalia sales of $25 *or less*	$ 0.00
4. **TOTAL CONTRIBUTIONS** (Lines 1 + 2 +3)	$ 127,725.00
5. Other Receipts (Schedule A-3)	$ 11.48
6. Loans Received (Schedule B)	$ 0.00
7. Loan Repayments Received (Schedule D)	$ 0.00
8. **TOTAL RECEIPTS** (Lines 4 + 5 + 6 + 7)	$ 127,736.48

DISBURSEMENTS	This Period
9. Expenditures (Schedule E-1)	$ 76,849.87
10. Other Disbursements (Schedule E-2)	$ 210.00
11. Loan Repayments Made (Schedule B)	$ 0.00
12. Funds Loaned (Schedule D)	$ 0.00
13. **TOTAL DISBURSEMENTS** (Lines 9 + 10 + 11 + 12)	$ 77,059.87

FINANCIAL SUMMARY	Amount
14. Funds on hand at beginning of reporting period (Must equal funds on hand at close from last report or -0- if first report for this election)	$ 539,302.71
15. *Plus* total receipts this period (Line 8 above)	$ 127,736.48
16. *Less* total disbursements this period (Line 13 above)	$ 77,059.87
17. *Less* in-kind contributions (Line 2 above)	$ 0.00
18. Funds on hand at close of reporting period	$ 589,979.32

Form 102, Rev. 3/99, Page Rev. 5/99

SUMMARY PAGE (continued)

INVESTMENTS	Amount
19. Of funds on hand at beginning of reporting period (Line 14, above), amount held in investments (i.e., savings accounts, CD's, money market funds, etc.)	$ 0.00
20. Of funds on hand at close of reporting period (Line 18, above), amount held in investments	$ 0.00

FINANCIAL SUMMARY	Amount
21. Candidate's personal funds (Use of personal funds as either a contribution or loan to the campaign should be reported on Schedules A-1 or B.)	$ 0.00
22. Contributions received from political committees (From Schedules A-1 and A-2)	$ 6,500.00
23. All proceeds from the sale of tickets to fundraising events (Receipts from the sale of tickets are contributions and must also be reported on Schedule A-1.)	$ 0.00
24. Proceeds from the sale of campaign paraphernalia (Receipts from the sale of campaign paraphernalia are contributions and must also be reported on Schedule A-1 or Line 3, above.)	$ 0.00
25. Expenditures from petty cash fund (Must also be reported on Schedule E-1.)	$ 0.00

NOTICE

The personal use of campaign funds is prohibited.* The use of campaign funds must be related to a political campaign or the holding of a public office or party position. However, campaign funds may be used to reimburse a candidate for expenses related to his campaign or office, to pay taxes on the interest earned on campaign funds or to replace articles lost, stolen, or damaged in connection with a campaign.

Excess campaign funds may be returned to contributors on a pro rata basis, given as a charitable contribution as provided in 26 USC 170(c), given to a charitable organization as defined in 26 USC 501(c)(3), expended in support of or opposition to a proposition, political party, or candidacy of any person, or maintained in a segregated fund for use in future political campaigns or activity related to preparing for future candidacy to elective office.

*The prohibition on the personal use of campaign funds does not apply to campaign funds received prior to July 15, 1988.

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