

# **Denham Springs Audit: Equipment Loans, Ethics, and Oversight**

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### **1. What were the primary findings of the Louisiana Legislative Auditor's (LLA) investigation into the Denham Springs Wastewater Department in 2016?**

The LLA's 2016 investigation, prompted by complaints, uncovered two main issues:

- **Uncompensated Loaning of City Equipment and Personnel:** The Denham Springs Wastewater Department regularly loaned its vacuum truck and operator to other governmental entities (such as Livingston Parish Sewer District No. 1 & 2, the Town of Livingston, and the City of Walker) without written agreements or reimbursement. This practice, occurring about once a month, was deemed a potential "donation of public funds," which is explicitly forbidden by Article VII, Section 14(A) of the Louisiana Constitution. Auditors noted a significant lack of documentation, including log books for equipment use and intergovernmental or cooperative endeavor agreements.
- **Potential Ethics Violations by the Wastewater Superintendent:** James Clark, the Wastewater Superintendent, owned a company called GRC Construction, which had contracts to perform grass-cutting services for Livingston Parish Sewer District No. 1 and No. 2 between January 2014 and March 2016. During this same period, Clark was implicated in authorizing the loan of the City's vacuum truck and operator to these same sewer districts. This created a potential conflict of interest and a violation of state ethics laws (La. R.S. 42:1113(A)(1)(a) and 42:1112(A)), which prohibit public servants from engaging in transactions where they have a substantial personal economic interest or contracts under the supervision of their agency.

### **2. Why was the uncompensated loaning of equipment and personnel considered a "donation of public funds," and what legal provisions did it violate?**

The uncompensated loaning of the Denham Springs Wastewater Department's vacuum truck and operator to other jurisdictions was considered a "donation of public funds" because the City did not receive reimbursement for the use of the equipment or the wages of the operator, nor could it demonstrate the receipt of equivalent value in return. This directly violates Article VII, Section 14(A) of the Louisiana Constitution, which broadly prohibits the loaning, pledging, or donating of state or political subdivision funds, credit, property, or things of value to or for any person, association, or corporation, public or private. Attorney General Opinion 09-0018 clarifies that for such transfers to be permissible, there must be legal authority, the transfer must not appear gratuitous, and the public entity must have a demonstrable, objective, and reasonable expectation of receiving at least equivalent value. None of these conditions were met in practice, leading to the finding of a potential constitutional violation.

### **3. What were the ethics concerns surrounding Wastewater Superintendent James Clark and his company, GRC Construction?**

The ethics concerns centered on a conflict of interest involving James Clark, the Wastewater Superintendent, and his private company, GRC Construction. Between January 2014 and March 2016, GRC Construction had contracts to provide grass-cutting services to Livingston Parish Sewer District

No. 1 and No. 2. During this identical period, Clark, as the Wastewater Superintendent, was implicated in authorizing the loan of Denham Springs' vacuum truck and operator to these same sewer districts without compensation. This raised flags under state ethics laws (La. R.S. 42:1113(A)(1)(a) and 42:1112(A)), which prohibit public servants from entering into contracts under their agency's supervision or jurisdiction where they hold a controlling interest, or participating in transactions with a substantial personal economic interest involving the governmental entity. The LLA recommended that the Louisiana Board of Ethics review this situation for potential violations.

#### **4. How did the City of Denham Springs and Mayor Gerard Landry initially respond to the 2016 audit findings regarding the loaning of equipment and personnel?**

Mayor Gerard Landry acknowledged the audit findings in June 2016, noting the "long-standing tradition" of inter-municipal cooperation. However, he recognized the difficulty in ensuring "equal value" for the services provided. In response, the City committed to several corrective actions:

- Working with legal counsel to develop an Ordinance for charging FEMA rates and hours spent when other governmental agencies utilize City equipment and employees.
- Implementing new policies to ensure the City is reimbursed for each use and that the use of City equipment is properly documented and monitored.
- Superintendent James Clark also confirmed that log books would be maintained to document equipment use and that City supervisors would ensure loaned vehicles were refueled by the borrowing agency. The City's management response in the 2016 annual LLA report further indicated that the Wastewater Department had begun logging all work for outside agencies, tracking reimbursements/reciprocal help, and was working to establish Cooperative Endeavor Agreements with each agency.

#### **5. What was James Clark's defense regarding the authorization of equipment loans and the alleged ethics violations?**

In his formal response to the LLA, James Clark denied authorizing any equipment loans to other agencies. He stated that this responsibility fell to Tom Walton, the former Public Works Director, and that specific requests, such as those from Chevis Ball of Livingston Parish, would go to Walton. Clark also claimed that any other requests for loaning the vacuum truck that he received were approved by either former Mayor Durbin or Mayor Landry. Regarding the ethics violations, Clark maintained that since he "did not authorize the use of equipment by any other agency," he did not believe he violated any ethical rules. Despite this denial, he pledged to fully cooperate with any investigation by the Board of Ethics and implement any recommended changes.

#### **6. What recurring procedural deficiency related to ethics policy documentation has been identified in subsequent LLA reports (2022-2024)?**

From the June 30, 2022, annual LLA report through the June 30, 2024, report, a consistent procedural deficiency has been noted regarding the City's written ethics policies. Specifically, the City's written policies and procedures do not include a requirement for documenting how employees and officials are notified of any changes to the entity's ethics policy. While auditors consistently found "No exceptions" in practice, meaning employees did complete their annual ethics training and documentation of notification for policy changes was maintained, the formal written policy itself lacked this specific requirement.

## **7. How has the City of Denham Springs responded to the recurring ethics policy documentation deficiency?**

Each year, from 2022 to 2024, the City's management has provided the same response to the recurring ethics policy documentation deficiency: "The City will update its written policies to include how employees are notified of any changes to the entity's ethics policy." This indicates a consistent acknowledgment of the formal gap in their written procedures and a repeated commitment to address it by updating their official documentation. Despite this written policy gap, the audits consistently found that employees were completing their required annual ethics training and that documentation of notification of policy changes was maintained in practice.

## **8. What are the key takeaways from the Denham Springs Wastewater Department audits regarding compliance and oversight?**

The audits reveal significant compliance failures in 2016, highlighting two major areas: the unauthorized "donation of public funds" through uncompensated equipment loans and potential conflicts of interest involving a public official's private business. These issues pointed to a lack of formal agreements, proper documentation, and adherence to state constitutional and ethics laws. While the City and its leadership acknowledged the findings and committed to implementing corrective actions such as new ordinances for charging rates, requiring reimbursement, maintaining log books, and establishing Cooperative Endeavor Agreements, an ongoing issue with the completeness of their written ethics policies persists. This recurring finding, despite practical compliance with ethics training and notification, underscores the importance of meticulous review and formal updates to ensure that written procedures fully align with actual practices and legal requirements for robust compliance and oversight.