

TOWN OF TULLOS



COMPLIANCE AUDIT
ISSUED MAY 25, 2011

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 25, 2011

**HONORABLE CHARLES NEWSOM, MAYOR,
AND BOARD OF ALDERMEN
TOWN OF TULLOS**
Tullos, Louisiana

We have audited certain transactions of the Town of Tullos. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

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-Eighth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP:DD:dl

TULLOS 2011

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Customer Payments Not Deposited

From September 1, 2010 through November 30, 2010, Town of Tullos (Town) records indicate that receipts totaling \$6,413 were posted to the Town utility and traffic ticket accounts but not deposited. Neither the utility payments from customers nor ticket payments from offenders that were posted to the computer system equaled the amounts deposited at the bank. In order to understand the differences, we obtained the bank deposit detail for both accounts and compared the detail to entries in the computer system. While reconciling the accounts, we discovered several checks deposited into the accounts from other revenue sources, checks deposited that were not properly entered into the computer system, and deposits that were short on cash. In addition, the Town lacked policies and procedures to ensure that water and sewer receipts were deposited intact daily and that adjustments to the billing system were supported by documentation and approved by management. Because of these deficiencies, the Town lost revenues needed to support its operations and lacked documentation necessary to support its financial position.

Poor Management of Traffic Citations

During our review, we noted that adequate records were not maintained to account for the individual traffic citations issued and their ultimate disposition. Neither the ticket books nor the ticket numbers are tracked or inventoried. In addition, we noted that the Town did not maintain a docket of any cases tried in Mayor's court and that the mayor also exercised his judicial authority "outside" of court when he dismissed or reduced fines on days other than the court date in violation of state law [Louisiana Revised Statute (R.S.) 32.398.2B].

Lack of Controls Over Revenues/Receipts

During our review, we noted several deficiencies in the collections process, including no segregation of duties for the receipt and subsequent deposit and recording of Town funds; failure to issue and maintain support of Town receipts; weak computer system controls related to both the utility system and ticket processing systems; failure to deposit cash on a timely basis and in accordance with state law; lack of control over cash drawers; lack of controls over incoming mail; and failure to reconcile accounts receivable in the utility system to the general ledger.

Lack of Controls Over Disbursements

Controls over purchasing and disbursements need to be strengthened. Good business practices dictate that purchases are supported by appropriate documentation and are approved prior to payments being made. Without documentation and approval, there is greater risk of paying for unauthorized purchases. During our review of purchases made by the Town, we noted that all accounting duties related to purchasing and disbursements were performed by the Town clerk, Tonya Pittman, including (1) initiating purchase; (2) receiving invoices from vendors; (3) processing checks using the computer system; (4) signing checks; and (5) mailing and/or distributing the checks. In addition, the Town failed to maintain adequate documentation to support purchases.

Payroll

Controls over payroll appear insufficient. Payroll duties were not adequately segregated for a proper system of checks and balances. Good business practices and proper controls dictate that duties should be segregated to the extent possible, so that no one individual performs/controls all duties related to an accounting function. Without segregation of duties and adequate oversight, errors or fraud could occur and not be detected, increasing the risk of loss or theft of assets. In addition, the Town does not have policies and procedures regarding payroll and failed to maintain adequate documentation to support payroll and attendance and leave records.

Customer Payments Not Deposited

Because of poor controls and management of utility and traffic collections, we sampled three months of collections to determine if all revenues collected were deposited and accounted for. From September 1, 2010 through November 30, 2010, Town of Tullos (Town) records indicate that receipts totaling \$6,413 were posted to the Town's utility and traffic ticket accounts but not deposited. Neither the utility payments nor ticket payments posted to the computer system equaled the amounts deposited at the bank. In order to understand the differences, we obtained the bank deposit detail for both accounts and compared the detail to entries in the computer system. While reconciling the accounts, we discovered several checks deposited into the accounts from other revenue sources, checks deposited that were not properly entered into the computer system and, most concerning, deposits that were short on cash. In addition, the Town lacked policies and procedures to ensure that all water and sewer receipts were deposited daily and that adjustments to the billing system were supported by documentation and approved by management. Because of these deficiencies, the Town lost revenues needed to support its operations and lacked documentation necessary to support its financial position.

Utility Payments

The Town accepts personal checks, money orders, and cash as forms of utility payment. Payments are received both over-the-counter and through the mail and are collected by either the Town clerk or receptionist. The former Town clerk, Ms. Tonya Pittman, managed the payments using a computer billing system which tracks utility consumption, billing, and payment information. According to practice, once payments were collected they were entered into the computer system and then placed in a single cash drawer shared by the clerk and receptionist. Payments were reconciled by Ms. Pittman to batch reports from the utility system and deposited by Ms. Pittman at her discretion, usually about two times a month.

A sample review from September 1, 2010 through November 30, 2010, of Town records indicate that utility payments totaling \$52,330 were posted to customer accounts in the utility system. However, bank records indicate that utility payments totaling \$48,687 were deposited into the Town's accounts, leaving a shortage of \$4,603. Since the system tracks cash and check collections, in some instances it appears that checks from other revenue sources were substituted into the deposit to compensate for cash that was removed. A review of Ms. Pittman's reconciliations indicates that she did not use all of the batch reports for her payment reconciliations; therefore, the reconciliation reports matched the bank deposits. However, the system batch reports indicate the entire payments collected were not deposited. Because she did not maintain receipts or any other documentation for these payments, Ms. Pittman could not demonstrate the amount of utility payments she received were all deposited into the Town's bank account.

For example, the Town's utility system indicates that collections totaling \$17,720 were posted to customer utility accounts for the period of October 21, 2010 to November 17, 2010. The November 17, 2010 deposit and reconciliation documentation provided by Ms. Pittman both totaled \$16,156, leaving a shortage of \$1,564. We reviewed entries in the system and noted that multiple batches that were posted during the period were not included in the reconciliation

reports. We presented the missing batch entries to Ms. Pittman, but she could not provide an explanation.

In addition to the shortage, a review of the November 17, 2010 deposit detail indicated that the amounts deposited included 11 checks totaling \$959 from other revenue sources. The amounts included one check in the amount of \$259 from the LaSalle Parish Police Jury for the fire department and 10 checks totaling \$700 that were received by the Town from local businesses for the annual Senior Citizen's Christmas party. Because these checks were included in the utility fund deposit, these revenues appear (according to the system) to be substituted for cash collected but not deposited.

According to Ms. Pittman, the Christmas party donation checks were included in the deposit because she cashed them out of the utility cash drawer. She stated that the cash was then put into four envelopes containing \$25 each and given as bingo prizes at the Christmas party. Ms. Pittman later revised her statement when asked about the remaining \$600 in Christmas checks. She then stated that every guest of the Christmas party was given an envelope of cash when they arrived at the party to play Bingo. Ms. Pittman was unable to provide any documentation related to the cash payments for the Christmas party.

During the same period, Town records indicate that customer utility billings totaling \$507 were reversed by processing adjustments. Ms. Pittman stated that she or the receptionist could make adjustments to customer accounts in the billing system. However, the Town receptionist stated that she has never made an adjusting entry in the system and she did not know how to perform the process. Ms. Pittman stated that most adjustments were processed when customers claimed their bill showed an unpaid balance after making the payment. However, she was unable to provide any documentation for the adjustments. Ms. Pittman also stated that she got approval from former Mayor Fred Book for all adjustments she made. We made several attempts to contact Mayor Book and confirm Ms. Pittman's statement but could not locate him for comment.

Based on our review of utility collections, it appears the Town is losing revenues needed to support its operations. In addition, because adjustments were made without written approval and justification, the Town cannot accurately determine amounts paid and/or payable. As a result, the Town may not be able to produce financial statements that accurately reflect its financial position.

Traffic Citation Fines

Ms. Pittman managed traffic citations (tickets) using a computerized system which tracks all information, including offense, court date, and payment information. The Town accepts money orders and cash as forms of ticket payment. The clerk and receptionist receive payments both over-the-counter and through the mail and enter tickets into the computer system. Payments are placed in a single cash drawer and deposited at the clerk's discretion, usually about every two weeks. During our audit, we found no documentary evidence that traffic tickets were ever reconciled to bank deposits.

A sample review from September 1, 2010 through November 30, 2010, of the Town's ticket tracking system indicates that ticket payments totaling \$28,185 were collected and deposited into the Town's bank account. However, bank records indicate that ticket payments totaling \$26,375 were deposited, leaving a shortage of \$1,810. The entire amount of ticket fines received by the Town could not be determined because Ms. Pittman did not maintain receipt books, inventory ticket books, make entries for all payments, or reconcile ticket entries.

In addition, it also appears that checks from other revenue sources were incorrectly added to ticket revenue in the Town's accounting system. For example, on November 17, 2010, Ms. Pittman deposited \$7,633 into the general fund bank account and credited the entire deposit to the ticket fine revenue (see table below).

| Journal Entry (General Account) November 17, 2010 | | |
|--|--------------|---------------|
| Account | Debit | Credit |
| Cash | \$7,632.77 | |
| Traffic fines | | \$7,632.77 |

An examination of the deposit detail for the November 17, 2010, deposit indicated that the deposit included checks totaling \$4,161 that should not have been credited to ticket revenue (see table below).

| Schedule of Checks From Other Revenue Sources - Town of Tullos November 17, 2010 Deposit (General - Traffic Citation) | |
|--|-------------------|
| Type of Transaction | Amount |
| Cash | \$64.00 |
| Reconciled traffic ticket payments | 3,155.00 |
| Total cash and traffic tickets | \$3,219.00 |
| Beer permits (1 check) | 50.00 |
| Liquor licenses (1 check) | 550.00 |
| Christmas party donations (1 check) | 100.00 |
| Trash bag sales (1 check) | 8.00 |
| Payment from state of Louisiana (1 check) | 100.00 |
| Franchise fees (3 checks) | 3,339.44 |
| Insurance fees (1 check) | 13.33 |
| Total revenue from other sources | \$4,160.77 |
| Traffic tickets not in system (4 checks) | \$253.00 |
| Total deposit | \$7,632.77 |

All nine checks should have been credited to accounts other than traffic ticket revenue in the accounting system because they were revenues from other sources. Since all nine checks were inappropriately added to traffic ticket revenue, the account was overstated by \$4,161. In addition, we discovered four ticket payment checks totaling \$253 included in the deposit that were never entered into the traffic ticket tracking system. According to Ms. Pittman, because she was in a hurry, she must have incorrectly entered the items into the wrong accounts in the accounting system. In addition, she stated that she has corrected previous accounting entries before the auditor performs his yearly audit. Because citation (ticket) documentation was not accurately maintained, and revenues were incorrectly added to citation revenues, Ms. Pittman cannot accurately determine amounts paid and/or payable. As a result, the Town may not be able to produce financial statements that accurately reflect its traffic ticket collections or financial position and we could not confirm that all ticket collections were deposited and accounted for.

We recommend the Town:

- (1) require that all funds collected are adequately recorded;
- (2) reconcile the daily total deposits to the total receipts on a regular basis;
- (3) approve all accounting adjustments to customer accounts;
- (4) implement written policies and procedures relating to the collection, deposit, and recordation of utility receipts and traffic citation receipts;
- (5) implement written policies and procedures relating to utility billing adjustments requiring documentation and support; and
- (6) maintain adequate public records, particularly as it relates to cash collections.

Poor Management of Traffic Citations

During our review, we noted that adequate records were not maintained to account for the individual traffic citations issued and their ultimate disposition. Neither the ticket books nor the ticket numbers are tracked or inventoried. In addition, we noted that the Town did not maintain a docket of any cases tried in Mayor's court and that the mayor also exercised his judicial authority "outside" of court when he dismissed or reduced fines on days other than the court date in violation of state law (R.S. 32.398.2B).

Tracking of Citations

Traffic ticket books are purchased, maintained, and issued to police officers by either the clerk or receptionist. As a best practice, traffic tickets should be individually accounted for and controls should be in place to document destroyed, lost, or voided tickets. Neither the ticket books nor the ticket numbers are tracked or inventoried. According to Ms. Pittman, the ticket books are maintained in a metal box at Town Hall and the officers get additional ticket books when they run out. They are not required to sign for ticket books when they take them from the box. Based on office documentation, it appears officers are writing tickets out of several different

ticket books. In several instances there were significant timing differences between ticket numbers issued from the same ticket book. In addition, there were gaps in ticket numbers with no documentation to support the missing tickets. Because the Town administration did not track or inventory the tickets, the administration was unable to determine the exact amount of tickets issued. Without proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the Town cannot be assured that all issued tickets are paid or adjudicated in court as required by law.

Mayor's Court

According to state law (R.S. 33:442), the Town should maintain a regular docket of all cases tried in Mayor's court. This docket should keep a perfect record of all cases tried, including cases under the ordinances of the Town. During our review, we noted that the Town did not maintain a docket of any cases tried in Mayor's court.

Improper Disposition of Citations

Contrary to state law (R.S. 32:398.2.B), not all citations at the Town were disposed of by trial or acceptance of a plea in open court. Although the mayor conducted Mayor's court once a month, he also exercised his judicial authority "outside" of court when he dismissed or reduced fines on days other than the court date. In addition, contrary to Attorney General Opinion 06-0075, the mayor reduced moving violations to nonmoving violations. We noted several instances where Ms. Pittman reduced or dismissed fines outside of Mayor's court. According to Ms. Pittman, she did reduce or dismiss fines but only when authorized by the former mayor.

We recommend the Town:

- (1) keep an inventory of all ticket books and ticket numbers;
- (2) comply with state law and maintain a regular docket for Mayor's court; and
- (3) comply with state law and the mayor should only exercise his judicial powers and authority in open court and not reduce traffic violations from moving to nonmoving. In addition, should management wish to give the mayor authority to reduce moving violations, we recommend that the aldermen provide written authority through an ordinance.

Lack of Controls Over Revenues/Receipts

During our review, we noted several deficiencies in the collections process, including a lack of segregation of duties for the receipt and subsequent deposit and recording of Town funds; failure to issue and maintain support of Town receipts; weak computer system controls related to both the utility system and ticket processing systems; failure to deposit cash on a timely basis and in accordance with state law; lack of control over cash drawers; lack of controls over incoming mail; and failure to reconcile accounts receivable in the utility system to the general ledger.

Segregation of Duties

The current system lacks proper segregation of duties. The clerk is responsible for handling cash, preparing deposits, and recording revenue. Supervisory review of end-of-day balances and deposits is not required, thus making one individual responsible for transactions from beginning to end. Custody of receipts and recordkeeping of cash receipts should be segregated whenever possible. No single person should be capable of processing any transaction from beginning to end. If possible, different persons should be responsible for the authorization, recordkeeping, custodial, and review procedures.

Receipt Books

During our review, we were able to locate receipts for some ticket payments, but found no receipts to support utility or other payments made to the Town. We found several variations of non-numbered ticket receipts in Town documentation which often lacked payment type and were either issued from a receipt book or printed from another computer program. We were unable to locate a complete set of receipts for both utility and ticket payments as required by R.S. 44:36.¹ According to Ms. Pittman, the Town does not maintain receipt books. Receipts for ticket payments are maintained with a copy of the ticket and they do not issue receipts for utility payments. When residents pay their utility bill, they are given part of the stub as proof of payment. Because the Town does not maintain or track proper receipts, the total amount of ticket revenues could not be determined.

Weak Computer System Controls

Significant weaknesses were identified in control procedures related to both the utility system and ticket processing computer systems. As a result of these weaknesses, there is less assurance monies were accounted for properly and utility charges are set at the appropriate level. The Town clerk and receptionist both receive payments and are able to unilaterally void or reverse payments in both systems. Both systems allow customized security settings based on user ID, but the Town chose to give both users full access in both systems. In addition, Ms. Pittman stated that her user IDs and passwords were common knowledge to other Town employees. During our review, we also noted that other Town employees had access to the traffic ticket system. Initially, Ms. Pittman stated that the Town police officers entered their citations into the system. Later, she revised her statement to say that the officers only viewed information in the system.

System security should be of utmost concern in any organization. Good internal control requires that individuals receiving cash not have the ability to unilaterally change the receipt amount or reverse entries. This internal control weakness provides an opportunity for someone to receive cash and then void the receipt or change the amount of the receipt and withhold the difference. In addition, independent approval of adjustments posted to the utility system and the justification and reasons for the adjustments were not documented.

¹ R.S. 44§36 states that "All persons and public bodies having custody or control of any public record...shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public record in formal records retention schedules...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."

Cash Not Deposited Timely

Ms. Pittman did not deposit public funds daily (when practicable) as required by R.S. 39:1212. The Town collected customer utility payments and police citation fines on a daily basis but failed to deposit these collections in a timely manner. Deposits usually were made once every two weeks. From September 1, 2010 through November 30, 2010, Ms. Pittman deposited 525 utility payment checks, 485 of which were deposited from two to 58 days after the payment was collected.

Internal Control Weaknesses Surrounding the Use of Cash Drawers

Both the clerk and the receptionist operate out of the same two cash drawers. These cash drawers are placed in the safe at the end of the day. They are only reconciled when the funds are deposited, which is usually about twice a month. Each cashier should be assigned a separate cash drawer that is accessible only to that cashier. When multiple individuals operate out of the same cash drawer there is mixed accountability for the transactions that take place out of that drawer.

Internal Control Weakness Over Mail Receipts

Mail is received, opened, and processed by either the clerk or receptionist. To maintain proper internal controls, two employees should open the mail, count the receipts, log the receipts, and sign off on the summary. If the receipts are passed to another employee, that employee should show written acknowledgement of the receipt and the amount received. This weakness leaves checks and cash susceptible to loss or fraud.

Lack of Reconciliation

The total balance owed by all customers (for water, fire, and sewer services) recorded in the utility system (subsidiary ledger) was not reconciled/agreed monthly to the total accounts receivable balance recorded in the accounting system (general ledger). The monthly reconciliation of these two independent systems is important and essential for a good system of controls over customer transactions (e.g., billings, payments, and adjustments).

Town management does not require monthly reconciliations of total amounts billed, payments received, and amounts unpaid for utility services including water, sewer, and fire. We noted several instances during our audit period where utility service was not disconnected when payments were delinquent and not paid within 60 days, including the account of Ms. Pittman. The Town allows some delinquent customers to make payment arrangements with no written agreements in violation of Town ordinance. In addition, utility deposits posted to customer accounts in the utility system are not reconciled to the deposit payable balance in the general ledger.

We recommend the Town:

- (1) improve revenue collection internal controls by implementing a policy to ensure, whenever possible, incompatible duties are properly segregated;
- (2) implement written policies and procedures relating to the collection, deposit, and recordation of utility consumption receipts;
- (3) ensure that individuals handling cash do not have the ability to void or reverse a receipt or change the original billing amount without some separate authorization or review process in place;
- (4) implement proper computer system user group privileges and ensure passwords are not shared in both the ticket and utility system;
- (5) make daily deposits of public funds whether cash or check in compliance with state law;
- (6) provide accountability and controls over cash by requiring both clerks to maintain their own separate cash drawers/trays and prohibit them from working out of each other's cash tray. Each cash tray should be maintained under lock at all times and balanced on a daily basis; and
- (7) implement a system for receiving, opening, logging, and processing payments received through the mail.

Lack of Controls Over Disbursements

Controls over purchasing and disbursements need to be strengthened. Good business practices dictate that purchases are supported by appropriate documentation and approved prior to payments being made. Without documentation and approval, there is greater risk of paying for unauthorized purchases. During our review of purchases made by the Town, we noted that all accounting duties related to purchasing and disbursements were performed by Ms. Pittman, including (1) initiating purchases; (2) receiving invoices from vendors; (3) processing checks using the computer system; (4) signing checks; and (5) mailing and/or distributing the checks. In addition, the Town failed to maintain adequate documentation to support purchases.

The Town had no written policies or procedures relating to disbursements. According to Ms. Pittman, it was common practice for her to make in-store purchases without the former mayor's approval. She stated that she usually called the mayor before purchasing an item, but sometimes the mayor would call her after the purchase for verification. Although Town checks require two signatures, Ms. Pittman indicated that she signed her name and used the mayor's signature stamp for his approval. She stated that this was common practice most of the time because the mayor was often out of the office. Ms. Pittman further stated that invoices received through the mail should have been approved by the mayor and council before a check was mailed; however, the council usually didn't review the individual expenditures. However, she still waited until after the meetings to cut the checks for ordinary expenses. She added that the

mayor was aware of all typical expenses, but never reviewed the documents supporting these expenses.

During our review of Town disbursements, we noted numerous disbursements without supporting documentation, including three checks issued to Ms. Pittman totaling \$4,780. None of the checks were supported with proper receipts or invoices; therefore, we could not determine the business purpose, necessity, or reasonableness of the disbursements. According to Ms. Pittman, one check, issued on May 21, 2010, in the amount of \$3,897, was a reimbursement for her personal health insurance. According to Town ordinance, full-time Town employees are provided healthcare with a \$500 cap per month. Ms. Pittman stated that she issued the check to herself, deposited the check into her personal bank account, and then used the funds to pay her health insurance premium.

Ms. Pittman provided auditors with a payment notice from BlueCross/Blue Shield of Louisiana indicating that payment in the amount of \$3,897 was due on March 1, 2010. However, records obtained from the LaSalle Parish Sheriff's Office (LPSO) indicate that Ms. Pittman and her daughter were added to her husband's (sheriff's deputy) insurance plan through the LPSO. These records further indicate that Ms. Pittman and her daughter are currently listed as dependents on the LPSO policy. On several occasions we requested that Ms. Pittman provide her cancelled check made payable to the insurance company, but the check was never provided.

According to Ms. Pittman, the additional two checks totaling \$883 were reimbursements for office supplies. She could not remember exactly what office supplies she purchased, but stated that she would provide the receipts at a later date. The receipts were never provided.

In addition to the disbursements listed above, we also noted a questionable cash withdrawal that occurred in the Town's Senior Citizen's Christmas party account. On December 1, 2010, Ms. Pittman withdrew \$1,100 in cash from the account without any documentation to support the withdrawal in Town records. We examined all expenditures for the party but did not find any expenditure to support the \$1,100. Ms. Pittman did not respond to several attempts to question her about the withdrawal.

We recommend the Town:

- (1) develop and implement policies and procedures to ensure that all payments are appropriate and serve a public purpose;
- (2) implement policies and procedures to ensure, when possible, that the duties of purchasing, paying vendors, recording the transactions in the accounting system, mailing payments to vendors, and reconciling the bank statements are segregated;
- (3) implement controls for paying vendors that require all supporting documentation to be included before payment is approved;
- (4) require that check signers review the supporting documentation for completeness before signing Town checks; and

- (5) either discontinue the use of the signature stamp or implement policies and procedures for proper use of the signature stamp.

Payroll

Controls over payroll appear insufficient. Payroll duties were not adequately segregated for a proper system of checks and balances. Good business practices and proper controls dictate that duties should be segregated to the extent possible, so that no one individual performs/controls all duties related to an accounting function. Without segregation of duties and adequate oversight, errors or fraud could occur and not be detected, increasing the risk of loss or theft of assets. In addition, the Town does not have policies and procedures regarding payroll and failed to maintain adequate documentation to support payroll and attendance and leave records.

Segregation of Payroll Functions

Ms. Pittman performs a variety of duties relating to payroll disbursements that are incompatible for a proper system of checks and balances. She records the payroll data in the system, prepares and prints the checks, and performs the reconciliation of the bank statement for the payroll account without verification by someone independent of the payroll function. In addition, we noted that Ms. Pittman issued payroll checks to herself and her husband without proper oversight. As a control, all Town checks require two signatures from individuals with signature authority on the account. These checks were signed by Ms. Pittman and then she used a signature stamp to indicate the mayor's approval. According to Ms. Pittman, this was standard operating procedure as the mayor was often out of the office.

No Personnel Policies or Records

The Town did not have policies and procedures for regulating the employment of its employees, including the hiring and firing of such employees as required by law [R.S. 33:362.A (3)]. In addition, the Town did not maintain personnel records for its employees. As a result, the Town may have violated the records retention law (R.S. 44:36).²

Attendance and Leave Records

Our review of payroll procedures revealed that the Town did not require any of its employees to document time worked or leave taken. For example, police officers in the Town are paid a flat rate of \$650 a month to work four shifts a month. In addition, they are paid \$150 for any additional shifts they work. Because there were no time and attendance records, we were unable to determine which days or hours the police officers worked. According to Ms. Pittman, she knows they work their shifts because they are often in and out of Town Hall when they are working. She knows to pay them for additional days because they inform her that they worked additional shifts. Ms. Pittman stated that she does not verify these additional payments with the police chief.

² R.S. 44:36 states that "All persons and public bodies having custody or control of any public record...shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public record in formal records retention schedules...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."

In addition, we observed that no Town employees, including Ms. Pittman, were charged any sick or vacation leave time. However, during our audit period we noted several instances where the employees were out on vacation or sick leave. For example, we noted that one Town employee was on sick leave for at least three months, but the Town did not have any records to support the leave. In addition, we attempted to contact Ms. Pittman on several occasions, but were informed by the receptionist that she was on leave. We found no records to support the leave. According to Ms. Pittman, all leave is granted by the mayor and it is not tracked. Time sheets are not maintained because they just work until the “job” is completed. She considers herself a salaried employee, so she does not maintain a time sheet. Since these employees were in fact out on sick or vacation leave and no leave accrual records are maintained, Town employees may have been paid for time not worked. In addition, since no leave accrual records are maintained, upon termination of employment, the employee may not legally be entitled to receive payments for accrued leave.

We recommend the Town:

- (1) comply with state law and adopt, by ordinance, policies and procedures regulating the employment of town personnel and the retention of personnel records. We suggest that management use the Louisiana Municipal Association Handbook for guidance;
- (2) require employees to sign timecards/sign-in sheets and supervisors to document their review and approval;
- (3) require all timecards/sign-in sheets to be filed together in a central location and be kept at least three years;
- (4) require employees to complete leave slips for all leave taken (slips should be attached to the employee’s time card);
- (5) ensure that detailed records are maintained of the annual and sick leave earned and taken by all employees; and
- (6) segregate payroll duties over approval, recording, and payment to the extent possible to provide an adequate system of checks and balances.

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The Town of Tullos (Town) was incorporated under the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, utilities (water and sewer services), and general administrative functions, including coordination of related services with parish, state, and federal governing bodies.

The Louisiana Legislative Auditor (LLA) received information alleging improper expenditures of public funds. As a result, LLA reviewed available Town records to determine the credibility of the information.

The procedures performed during this audit included:

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

Management's Response

COUNCIL MEMBERS

Lance Coleman
Shelby Loe
Larry Powell
Fritz Sagdahl
Martha Smith

CLERK & TAX COLLECTOR:

Tonya Pittman

CHIEF OF POLICE:

Leland Guin

TOWN OF TULLOS

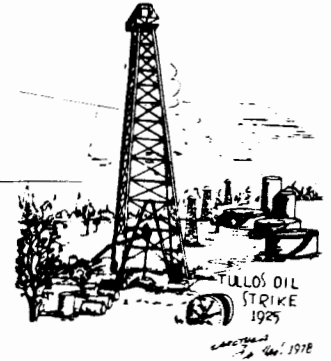
CHARLES NEWSOM, MAYOR

PHONE (318) 534-6499

FAX (318) 534-6500

P. O. BOX 749

TULLOS, LOUISIANA 71479



May 4, 2011

**Mr. Heath Williams
Senior Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397**

Dear Mr. Williams,

The council for the Town of Tullos met in special session on Tuesday, May 3, 2011. Members present were Mayor, Charles Newsom and council members Shelby Loe, II, Fritz Sagdahl and Martha H. Smith, which constituted a quorum.

The legislative audit report was accepted unanimously, as written.

All recommendations listed in the audit report were approved and are currently being implemented, other than the recommendation of discontinuation of the use of the rubber stamp, which has not been in effect since the beginning of the new administration.

We, as the governing body for the Town of Tullos, wish to extend to you and Jonathan our deepest appreciation.

Sincerely,

Charles E. Newsom
Mayor

Certified Mail No: 7007 1490 0003 1884 1973
mhs

Response from Mr. Fred Book

In a letter dated April 28, 2011, we asked Mr. Book to respond, in writing to this report; Mr. Book has chosen not to respond.

Response from Ms. Tonya Pittman

In a letter dated April 28, 2011, we asked Ms. Pittman to respond, in writing to this report; Ms. Pittman has chosen not to respond.