

MADISON PARISH SCHOOL BOARD



ADVISORY SERVICES REPORT
ISSUED NOVEMBER 12, 2008

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

November 12, 2008

**MR. SAMUEL DIXON, SUPERINTENDENT,
AND MEMBERS OF THE MADISON PARISH
SCHOOL BOARD**

Tallulah, Louisiana

My staff visited the Madison Parish School Board on September 11-12, 2008, to follow up on your resolution of a significant matter that was unresolved when our previous advisory services report was issued on September 26, 2007 (approximately one year ago). As you recall, in that report, we informed you there were missing invoices for \$22,163 in payments made to Sam's Club using school activity funds of Madison High School and that the superintendent and school principal were in the process of obtaining complete documentation for our review.

Attachment I contains our findings and recommendations resulting from our follow-up assessment of this matter and management's response is presented in Appendix A.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Steve J. Theriot".

Steve J. Theriot, CPA
Legislative Auditor

SGW:ESS:JSI:dl

MADSB08

Findings and Recommendations

Background

We reported approximately one year ago that there were missing invoices and documentation for \$22,163 in payments made to Sam's Club using school activity funds of Madison High School and that the superintendent and school principal were in the process of obtaining documentation for our review.

The school board's business department conducted an investigation into this matter and determined that the school's payments (paid during the 11-month period from July 1, 2006, to May 31, 2007) were applied to balances owed on two Sam's accounts (a Sam's Club account and a Sam's Discover Card account), both of which were in the personal name and social security number of the now former principal of Madison High School. In October 2007, the remaining debt owed on the principal's personal credit cards totaled \$28,967.08 (Sam's Discover Card account = \$21,530.24 and Sam's Club account = \$7,436.84).

During the investigation, the business manager informed us they were having difficulty in obtaining the invoices/receipts, but that their review of the monthly credit card statements revealed what appeared to be "questionable" charges, including cash advance transactions. We were told that the superintendent had discussions with the principal and a former bookkeeper of the high school and was consulting with the school board's legal counsel. We advised the business manager that the district attorney should be notified of this matter and we understand that this was done.

In addition, we called and advised the superintendent on February 15, 2008, and legal counsel on February 22, 2008, that the school board should:

1. Remove the responsibility for oversight of school activity funds from the principal
2. Require the principal to provide invoices and documentation supporting the \$22,163 in payments made on the credit cards
3. Ensure no additional school activity funds are used to pay the principal's credit card debts without invoices and adequate documentation of the public/school purposes

On September 11-12, 2008, we visited the Madison Parish School Board office to assess the resolution of this pending matter.

Student Activity Funds - Madison High School

Management of the Madison Parish School Board (school board) may be in violation of the Louisiana Constitution¹ and state law by allowing public funds (school activity funds) to be

¹ Article VII, Section 14(A) of the Louisiana Constitution of 1974 prohibits funds, credit, property, or things of value of the state or any political subdivision from being loaned, pledged, or donated to or for any person.

used to pay for purchases and cash advances made on personal credit cards for which there were no invoices or documentation of the public/school purposes. Management has a fiduciary responsibility to apply sound business practices in managing the funds of the school district.

The school board was unable to obtain invoices and documentation for \$22,163 in payments made to Sam's Club (paid during the 11-month period from July 1, 2006, to May 31, 2007) using school activity funds of Madison High School. As a result, we could not determine whether the payments were made for valid public purposes.

However, the school board's business department determined the payments were applied to balances owed on two Sam's accounts (a Sam's Club account and a Sam's Discover Card account), both of which were in the personal name and social security number of the now former principal of Madison High School. We were informed that the business department's review of the monthly credit card statements reflected "questionable" charges, including cash advance transactions. In October 2007, the remaining balances owed on the principal's personal credit cards totaled \$28,967.08 (Sam's Discover Card account = \$21,530.24 and Sam's Club account = \$7,436.84).

Contrary to our advice in February 2008, oversight of the school activity funds was not removed from the principal. Student activity account records of Madison High School include two checks issued to a collection agency on March 7, 2008, and April 16, 2008, for \$2,000 and \$2,660, respectively, both of which are signed by the former principal and the current school bookkeeper. There was no documentation supporting these two payments; however, the bookkeeper said that these two payments were made to "settle" the debt owed on the Sam's Club account.

Also, the superintendent recently informed us that he was planning to meet with the school board's Finance Committee to discuss the debt owed on the Sam's Discover Card account, none of which is supported by invoices/receipts or documentation. We caution management that the lack of supporting invoices and documentation prohibits the school board from determining whether these charges, on personal accounts, were in fact purchases for valid business/school purposes, whether the items were received by the school, and whether the credit card debts are a legal obligation of the school board.

Recommendation: Management of the school board should:

- Discontinue allowing public funds to be used to pay the former principal's personal credit card company without invoices and adequate documentation of the public purposes
- Obtain a legal opinion on the school board's rights, responsibilities, and obligations in this matter

Management's Response



Madison Parish School Board

Post Office Box 1620
Tallulah, Louisiana 71284-1620
(318) 574-3616

Board President:
Joe L. Walk
Superintendent:
Samuel Dixon

November 3, 2008

Mrs. Joy S. Irwin, CPA
Director of Advisory Services
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RECEIVED
LEGISLATIVE AUDITOR
2008 NOV -7 AM 10:34

Re: Student Activity Funds at Madison High School

Dear Mrs. Irwin:

This letter acknowledges that efforts were initiated by the Superintendent to secure invoices and documentation from Sam's Club in order to determine the purchaser/s of the items in question pursuant to the following: a letter was mailed from the Superintendent; a second letter endorsed by the former Principal and mailed from the Superintendent's office; a third letter was mailed by our Board's legal counsel requesting the aforementioned items.

On or about November 7, 2007 the school Board's business department received copies of a limited number of monthly statements on behalf of the two Sam's accounts (a Sam's Club account and a Sam's Discover Card account) for calendar years 2006 and 2007. These statements were immediately forwarded to the Office of the Louisiana Legislative Auditor, as well as, to the office of the Board's legal counsel for their review.

In addition to the above, the Superintendent had earlier appointed an internal investigative team to help establish the facts in this matter. As such, the investigative results revealed what appeared to be "questionable" charges made on both accounts, including cash advance transactions.

Due to the lack of invoices and other documentation, the school Board's business department was unable to identify the purchaser/s of items that were determined to be "questionable" charges, or items purchased that appeared to be for one's personal use and not for public use. However, the internal investigation did identify the individual who was responsible for the cash advance transactions. During a conference with the Superintendent, the individual in question acknowledged guilt.

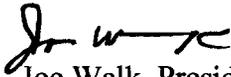
An employee within our business department communicated with the Accounts Receivable section of Sam's credit card regarding the outstanding balance of the credit card account at Madison High School. At that time, the Sam's representative stated that the account was a business account since the card holder (Madison High) had used the

Madison Parish School Board's Federal Employer Identification Number. Additionally, the former Principal also stated to the Superintendent that he requested the former bookkeeper to open both accounts for business purposes on behalf of Madison High School.

It is clear to the Superintendent and the Madison Parish School Board that the following had occurred: "questionable" charges were made on both accounts; there had been little or no financial oversight of such funds by the former school Principal; a lack of the Principal's oversight appeared to have resulted in the improper use of public funds.

To this end, as required by law, the school district addressed protocol in a timely and appropriate manner by properly reporting this matter to the Office of the Sixth Judicial District Attorney. This matter was earlier surrendered to our Board's attorney in an effort to determine the school Board's rights, responsibilities, and obligations. Public funds are not being expended.

Respectfully submitted,



Joe Walk, President
Madison Parish Schools



Samuel Dixon, Superintendent
Madison Parish Schools

Cc: Attorney Sills
Hammond & Sills