

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Haughton
Haughton, Louisiana

September 18, 2002



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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Town of Haughton

September 18, 2002



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**



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September 18, 2002

THE HONORABLE BILLY MAXEY, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
Haughton, Louisiana

Transmitted herewith is our investigative report of the Town of Haughton. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations, as well as your response. Copies of this report have been delivered to the Honorable James M. Bullers, District Attorney for the Twenty-Sixth Judicial District of Louisiana; the Honorable Donald W. Washington, United States Attorney for the Western District of Louisiana; and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

GKG:SLC:DGP:dl

[TOH02]

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Executive Summary

Investigative Audit Report Town of Haughton

Highlights . . .

Ms. Tonya Taylor used Town funds totaling at least \$32,381 for her personal use.

The Town's total loss is \$58,365.

The Town should implement policies and procedures to ensure cash received is deposited into the Town's bank accounts.

Finding (See page 5.)

From March 2001 through May 2002, Town of Haughton (Town) revenues totaling \$58,365 were not deposited into the Town's bank account. Of the \$58,365, Ms. Tonya Taylor, former Town employee, used at least \$32,381 for her personal use. Ms. Taylor obtained these funds from cash collections of traffic fines and customer payments for utility services. Ms. Taylor stated that she removed entire traffic fine deposits from the Town and discarded any checks or money orders that were included. As a result, checks and money orders payable to the Town totaling \$10,706 were never deposited. An additional \$15,278 in collections was recorded to customer accounts but was not deposited.

Recommendations (See page 9.)

We recommend that the Town implement policies and procedures to ensure proper controls over cash received and deposited by Town employees. We also recommend that an appropriate level of separation of duties be maintained among Town employees. The duties of receiving cash, recording cash receipts, and depositing cash should be separated. Also, all records of cash receipts and deposits prepared by employees should be reconciled to the Town's bank statements. Finally, we recommend that the District Attorney for the Twenty-Sixth Judicial District of Louisiana and the United States Attorney for the Western District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Management's Response (See Attachment I.)

Management implemented major procedures to ensure proper controls over all monetary transactions for the Town. New checks and balances were implemented and are still in place.

Background and Methodology

The Town of Haughton (Town) was incorporated on April 29, 1920, under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

During the audit of the Town's 2001 financial statements, Smith, Pugh & Co., LLC, noted two items of concern: (1) deposits prepared by the police department that were not deposited at the bank and (2) a material discrepancy found during the testing of the accounts receivable and collections of water, sewer, and sanitation funds. Smith, Pugh & Co. reported this matter to Town officials and to the Legislative Auditor. Mayor Billy Maxey and other Town employees provided full cooperation with the Legislative Auditor during this investigative audit.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the Town; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the Town; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable state laws.

The result of our investigative audit is the finding and recommendations herein.

Finding

From March 2001 through May 2002, Town of Haughton (Town) revenues totaling \$58,365 were not deposited into the Town's bank account. Of the \$58,365, Ms. Tonya Taylor, former Town employee, used at least \$32,381 for her personal use. Ms. Taylor obtained these funds from cash collections of traffic fines and customer payments for utility services. Ms. Taylor stated that she removed entire traffic fine deposits from the Town and discarded any checks or money orders that were included. As a result, checks and money orders payable to the Town totaling \$10,706 were never deposited. An additional \$15,278 in collections was recorded to customer accounts but was not deposited.

Ms. Taylor began working for the Town on March 15, 2001. Ms. Taylor's duties included receiving traffic fine deposits from the police department and preparing, collecting, and posting water bills. Ms. Taylor stated that she took cash from the Town and used the cash for personal purposes. During the period March 2001 through May 2002, Ms. Taylor took cash totaling at least \$32,381 from the Town. This cash was made up of collections from traffic fines and customer payments for utility services.

Missing Cash	
Traffic Fines	\$21,087
Utility Payments	<u>11,294</u>
Total	<u>\$32,381</u>

Traffic Fines	
Missing Deposits	\$20,787
Altered Deposit	<u>300</u>
Total	<u>\$21,087</u>

Traffic Fines

Employees at the police department collect traffic fines daily and prepared deposits that were given to Ms. Taylor. Ms. Taylor was responsible for verifying the deposit and recording the amounts into a logbook. Town records show that Ms. Taylor received 31 deposits totaling \$31,793 that were never deposited into the Town's bank account. These deposits were made up of \$20,787 in cash and \$10,706 in checks and money orders.

In addition, one traffic fine deposit was altered and \$300 in cash was removed from the deposit. Ms. Taylor admitted that she took entire deposits on several occasions. Ms. Taylor stated that she used the cash for personal purposes and threw the checks and money orders in the trash.

Utility Payments

Ms. Taylor's duties include preparing utility bills, receiving utility payments, posting payments to customer accounts, and preparing the utility deposits. The Town maintains a logbook to record daily utility deposits. Ms. Taylor was responsible for

Utility Payments	
Posted but not Deposited	\$9,074
Altered Deposits	<u>2,220</u>
Total	<u>\$11,294</u>

recording the deposits into the logbook. During the period March 2001 through May 2002, cash totaling at least \$11,294 was not deposited into the Town's bank account. This missing cash was concealed in two different manners. First, customer accounts were posted in the computer-billing program although the cash was never included in any deposits. Second, actual deposits were less than the amount actually collected and recorded in the logbook.

During the 2001 audit, an approximate \$21,334 discrepancy was discovered between the computer postings and actual deposits for the utility accounts. We determined that this discrepancy is due to cash that was collected but not deposited. We were able to document \$6,056 in cash collected and posted to the customer accounts but not deposited during 2001. We found an additional \$3,017 of cash collected and posted to the customer account but not deposited during 2002. The remaining \$15,278 discrepancy for the year 2001 was caused because Ms. Taylor posted customer accounts but did not make a corresponding deposit. Because of inadequate records and documentation, we were unable to determine exactly what accounts or dates were affected.

The Town's records indicate that on 19 occasions a total of \$2,220 in cash was collected and recorded in the logbook but was not deposited. Ms. Taylor admitted that she sometimes posted customer accounts and personally kept the cash that was collected. Ms. Taylor also stated that she took the cash on the occasions that the logbook reflected an amount greater than the amount actually deposited.

Cash totaling at least \$32,381 is missing from the Town. Ms. Taylor stated that she took cash from the Town for her personal use. In addition to the missing cash, Ms. Taylor threw away checks and money orders totaling \$10,706, thereby depriving the Town of this revenue. We also determined that a discrepancy

between the computer postings and actual deposits during 2001 totaling \$15,278 was due to customer accounts being recorded as collected but no cash being deposited. As a result, the Town has suffered a total loss of \$58,365. These actions indicate a possible violation of one or more of the following laws:

Total Loss of Revenue	
Missing Cash	\$32,381
Missing Checks/Money Orders	10,706
2001 Recorded but not Deposited	<u>15,278</u>
Total	<u>\$58,365</u>

Finding

- R.S. 14:67, "Theft"¹
- R.S. 14:134, "Malfeasance in Office"²
- 18 U.S.C. §1341, "Mail Fraud"³

The actual determination as to whether any individual is subject to formal charge is at the discretion of the district attorney.

¹ R.S. 14:67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

² R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

³ 18 U.S.C. §1341 provides, in part, that mail fraud is having devised or intended to devise any scheme to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises for the purpose of executing such scheme or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service, or takes or received therefrom, any such matter or thing, or knowingly causes to be delivered by mail according to the direction thereon.

Recommendations

We recommend that the Town of Haughton (Town) implement policies and procedures to ensure proper controls over cash received and deposited by Town employees. We also recommend that an appropriate level of separation of duties be maintained among Town employees. The duties of receiving cash, recording cash receipts, and depositing cash should be separated. Also, all records of cash receipts and deposits prepared by employees should be reconciled to the Town's bank statements. Finally, we recommend that the District Attorney for the Twenty-Sixth Judicial District of Louisiana and the United States Attorney for the Western District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Attachment I

Management's Response



TOWN OF HAUGHTON

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HAUGHTON, LOUISIANA 71037-0729
(318) 949-9401

RECEIVED

MAYOR
BILLY J. MAXEY

02 SEP -3 11:03

August 29, 2002

Daniel G. Kyle, Ph.D, C.P.A., C.F.E.
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

I received the draft of your Investigative Audit Report on the Town of Haughton, in Haughton, Louisiana, on August 28, 2002. Your staff did an excellent job in making this report and examining the records of the town finding the discrepancies in the town accounts. Mr. Scott L. Carlton, Samuel E. De Lee, and Ms. Kristen Green were very professional and courteous. They should be commended for their work.

I was notified on May 14, 2002 at approximately 9:00 a.m., by our town auditors, that there were apparent irregularities of certain funds during their audit. I met that afternoon with the clerk involved and she was placed on administrative leave. On May 15, 2002, I met with the office personnel and major procedures were implemented to insure proper controls over all momentary transactions for the town. New checks and balances were implemented and are still in place. My goal is to see that control of all monetary transactions are carried out according to accounting and audit requirements, eliminating, as best we can, the possibility of this happening again.

Yours truly,

Billy J. Maxey, Mayor

BJM/cs