

VILLAGE OF TURKEY CREEK



COMPLIANCE AUDIT
ISSUED MARCH 18, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 18, 2009

**HONORABLE BLAINE JANET, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
VILLAGE OF TURKEY CREEK**
Turkey Creek, Louisiana

We have audited certain transactions of the Village of Turkey Creek (Village). 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*; therefore, we are not offering an opinion on the Village's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. This correspondence is intended primarily for the information and use of management of the Village. Copies of this report have been delivered to the District Attorney for the Thirteenth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Steve J. Theriot", is written over a faint, circular blue stamp or watermark.

Steve J. Theriot, CPA
Legislative Auditor

KJ:GC:DD:dl

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The Village of Turkey Creek (Village) is located in Evangeline Parish and is incorporated under the provisions of the Lawrason Act. The Village operates under a Mayor/Board of Aldermen form of government.

On December 21, 2007, the Village's independent certified public accountant (ICPA) issued its audit report for the fiscal year ending June 30, 2007. According to the report, inadequacies in the Village's accounting records prevented the ICPA from determining the accuracy of amounts recorded as fines and forfeits revenue, net accounts receivable, and water and sewage revenue. As a result, the ICPA was unable to express an opinion on the fairness of the Village's financial statements. The ICPA noted five material weaknesses relating to internal controls including lack of segregation of duties; inadequate maintenance of accounting records; untimely cash deposits; and unsupported adjustments to the utility billing system, which led to the theft of cash receipts.

Because of the audit findings, the ICPA made several recommendations including:

- (1) total daily deposits be checked to total daily receipts on a regular basis by the mayor;
- (2) all source documents be properly safeguarded and recorded by the Village;
- (3) the Village make daily deposits for all collections, whether cash or check; and
- (4) all adjustments have supporting documentation and be approved by the mayor or board of aldermen.

In response to these findings, management drafted a corrective action plan indicating that the ICPA's recommendations would be implemented by January 31, 2008.

After the audit was concluded, the town clerk was terminated and replaced by the water clerk. During the next several months, the Village continued to have difficulties maintaining records and accounting for collections. Because of these difficulties, the Louisiana Legislative Auditor reviewed available Village utility consumption and police citation records to determine if the inadequacies found by ICPA were resolved.

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The Village of Turkey Creek management failed to safeguard public assets or maintain adequate records of financial transactions. In addition, management failed to comply with state law. Specifically, from July 1, 2007, through June 30, 2008, Village records indicate that:

- (1) utility consumption receipts totaling \$19,497 were posted to the accounting system but not deposited;
- (2) customer utility account billings totaling \$45,132 were reversed without payment or adequate documentation;
- (3) traffic citation receipts totaling \$5,603 were collected but not deposited;
- (4) collections were not deposited daily in accordance with state law;
- (5) traffic citation receipt collections, including payment receipts, were not maintained in accordance with state law;
- (6) the Village failed to maintain a court docket;
- (7) traffic citations were improperly disposed of; and
- (8) the Village failed to report the disposition of traffic citations to the Louisiana Department of Public Safety in accordance with state law.

Customer Utility Payments Not Deposited

From July 1, 2007, through June 30, 2008, receipts totaling \$19,497 were posted to the water and sewage (utility) billing system but not deposited. In addition, customer utility account billings totaling \$45,132 were reversed without adequate documentation to support the adjustments. The Village's independent certified public account (ICPA) reported similar deficiencies to management after the prior year's audit. Although management developed a plan to correct the deficiencies by January 31, 2008, management failed to implement the plan that included developing 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 Village lost revenues needed to support its operations and lacked documentation necessary to support its financial position.

The Village used a computer billing system to track utility consumption, calculate amounts due, generate customer bills, post amounts received against amounts billed, and track accounts receivable. Each month, after consumption data was entered, the computer system calculated the amount due from customers and generated two-part bills, which were sent to customers. Customers could mail their payment with one part of the bill as a remittance or pay their bill in person. If payment was made in person, one part of the bill was stamped paid and returned to the customer and the other part was retained by the Village to be posted to the computer system reducing the customer's account balance by the payment amount.

The Village had no written policies and procedures relating to collections. According to practice, utility payments were received by the town clerk and the water clerk. Each clerk's cash was kept in separate cash boxes and was deposited separately. Cash collections were deposited at the clerk's discretion, usually about once every week while checks were usually deposited the day after they were received. All payments and stubs were eventually given to the water clerk to prepare deposits to be made by the mayor. At some point after the deposits were made, the water clerk used the stubs to post the payments to the computer system.

From July 1, 2007, through June 30, 2008, Village records indicate that utility payments totaling \$398,910 were posted to customer accounts in the computer system. However, bank records indicate that utility payments totaling \$379,413 were deposited into the Village's bank accounts leaving a shortage of \$19,497. Because the Village did not issue receipts for these payments and remittance stubs were in disarray, the amount of utility payments received by the Village could not be determined in its entirety. The only documentation maintained of funds received were the bill stubs, which were haphazardly stored into boxes.

During our review, Ms. Kennie Blevins served as the town clerk while three different individuals held the position of water clerk. Ms. Blevins took a leave of absence during September 2008 and then resigned at the end of the month. Before taking a leave of absence, the average amount of utility receipts deposited each month was \$31,618 which included cash receipts averaging \$2,680. In September 2008, bank records indicated that total consumption payment deposits increased by \$6,567 (a 21% increase) and included cash payments totaling \$8,141 (a 204% increase). Ms. Blevins stated that she always counted and reconciled her cash to her receipts before turning the money over to the water clerk for deposit.

In addition, Village records indicate that customer utility billings totaling \$45,132 were reversed by processing adjustments. Ms. Blevins stated that she was the only person that made adjustments to customer accounts in the billing system but was not able to provide documentation for the adjustments. Ms. Blevins stated that most adjustments were processed when customers claimed that their bill showed an unpaid balance although they made the payment. Ms. Blevins stated that she got approval from Mayor Janet for all adjustments she made. Mayor Janet stated that he did not approve most of the adjustments. Ms. Blevins further stated she thought that there was a problem with the computer system but was unable to provide any support for this. Two of the individuals that served as the water clerk during the period reviewed stated that they were not aware of any problems with the computer system.

Based on our review of utility collections, it does not appear that the Village implemented any of the corrective actions suggested by the ICPA. Based on the prior year's findings, the ICPA recommended that the mayor reconcile amounts received to amounts deposited on a daily basis; cash is deposited daily; and adjustments be authorized in writing by the mayor or the board of aldermen. Mayor Janet stated that he did not reconcile receipts to deposits because he was never given a report indicating amounts collected and added that he has attempted to have the clerks make cash deposits daily for quite some time. Finally, the Village could not provide any documentation with justification and/or authorization for utility adjustments.

Because the Village did not implement any of the ICPA's recommendations, the Village continued to lose revenues needed to support its operations. In addition, because adjustments were made without written approval and justification, the Village cannot accurately determine amounts paid and/or payable. As a result, the Village may not be able to produce financial statements that accurately reflect its financial position.

We recommend that Village management:

- (1) require that all funds collected are adequately recorded;
- (2) check the daily total deposits to the total receipts on a regular basis;
- (3) approve all adjustments to customer accounts;
- (4) implement written policies and procedures relating to the collection, deposit, and recordation of utility consumption receipts;
- (5) implement written policies and procedures relating to utility billing adjustments; and
- (6) maintain adequate public records.

Traffic Citation Fines Not Deposited

From July 1, 2007, to June 30, 2008, Village records indicate that 44 citation fines totaling \$5,603 were collected but not deposited. In addition, the Village did not maintain records for all citation payment receipts. Although payment receipt deficiencies were reported to management after the prior year's audit, management failed to implement policies and procedures to ensure that payments collected were deposited intact daily and that adequate documentation was maintained. As a result, the Village has lost revenues needed to support the police department's operations and lacks documentation necessary to reflect its financial position accurately.

The Village has no written policies and procedures relating to the collection, deposit, and recordation of citation receipts. According to practice, the Village's police chief records all citations issued in a log used by the Village's clerks to record the disposition of each citation. When a citation is paid, the clerks issue a receipt from a sequentially numbered two-part receipt book and then make an entry in the logbook indicating that payment had been made. Cash collections are deposited at the clerk's discretion, usually about once every week, while checks were usually deposited the day after they were received. All payments were eventually given to the water clerk to prepare deposits to be made by the mayor.

During the period reviewed, entries in the logbook and receipts issued indicate that the Village collected citation receipts totaling \$28,100. However, bank records indicate that receipts totaling \$22,497 were deposited into the Village's bank account, leaving a shortage of \$5,603. These funds were collected from 44 citations, 20 of which had no documentation of who received the payments. Records indicated that 13 citation payments were collected by

Ms. Blevins and the remaining 11 were collected by one of the water clerks. However, one water clerk claimed that although one of the payment receipts appeared to be signed by her, it was not. She stated she did not write the receipt and has never given anyone permission to sign her name.

The entire amount of citation fines received by the Village could not be determined because the Village did not issue receipts and make log entries for all payments. During a review of the records maintained by the Village, we noted that from July 1, 2007, through June 30, 2008, 56 citation payments were missing receipts and 31 citation payments were not noted in the police logs. The police log and receipt books were the only records maintained by the Village of payments collected from citation fines. It should be noted that 11 citations were not evidenced in the log or in the receipt books. The only evidence for these payments was the bank deposit slips.

Because the Village did not implement any of the ICPA's recommendations, the Village continued to lose revenues needed to support its operations. In addition, because documentation of collections was not accurately maintained, the Village cannot accurately determine amounts paid and/or payable. As a result, the Village may not be able to produce financial statements that accurately reflect its financial position.

We recommend that the Village:

- (1) require that all funds collected are adequately recorded;
- (2) check the daily total deposits to the total receipts on a regular basis;
- (3) implement written policies and procedures relating to the collection, deposit, and recordation of citation receipts; and
- (4) maintain adequate public records.

Cash Not Deposited Timely

The Village did not deposit public funds daily (when practicable) as required by Louisiana Revised Statute (R.S.) 39:1212. The Village collected customer utility payments and police citation fines on a daily basis but failed to deposit these collections timely. Both clerks stated that cash was generally deposited once a week. From July 1, 2007, through June 30, 2008, the Village deposited 204 citation payments, 46 of which were deposited from two to 11 days after the payment was collected.

We recommend that the Village comply with state law and make daily deposits of public funds whether cash or check.

Public Records Not Maintained

The Village did not maintain public records as required by R.S. 44:36. During the period reviewed, the Village clerks used seven different sequentially numbered receipt books to record citation, utility consumption and hookup, and rental payments received. An examination of the number sequence of the books indicated that at least 128 receipts were removed from the books.

We recommend that the Village maintain public records in compliance with state law.

No Docket Kept by Mayor

The mayor did not keep a regular docket of all cases tried in mayor's court as required by law. R.S. 33:442 requires the mayor to keep a perfect record of all cases tried, including causes under the ordinances of the town.

We recommend that the Village comply with state law and maintain a regular docket for mayor's court.

Improper Disposition of Citations

Contrary to state law (R.S. 32:398.2.B), not all citations at the Village 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 recommend that the mayor comply with state law and 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 management provide express written authority through an ordinance.

Traffic Violations Not Reported

The Village did not report traffic violations to the Louisiana Department of Public Safety (DPS) as required by law. The Village only reported offenders to DPS when they did not pay the citation fines. R.S. 32:393.C (1) (b) requires the town to report all traffic violations, except parking violations, to DPS not later than 30 days after the date of such person's conviction and sentencing or the final disposition of the case.

We recommend that management comply with state law and ensure that traffic violations are properly reported to DPS.

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The Louisiana Legislative Auditor received allegations from the Village's independent auditor concerning the collection of monies at the Village. The procedures performed during this examination consisted of:

- (1) examining Village records, policies, and practices;
- (2) reviewing reports issued by the independent certified public accountant;
- (3) interviewing employees of the Village;
- (4) interviewing other persons as appropriate;
- (5) gathering documents from external parties; and
- (6) reviewing applicable state laws and regulations.

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Management's Response

VILLAGE OF TURKEY CREEK

BLAINE J. JANET, MAYOR
P.O. BOX 98
TURKEY CREEK, LOUISIANA 70585
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KURRY STEWART
JESSIE JOHNSON

CHIEF OF POLICE
LOUIS DALE MARCANTEL
TOWN CLERK
MELISSA SMITH

February 24, 2009

Mr. Steve J. Theriot, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Village of Turkey Creek

Mr. Theriot:

In response to your letter dated February 12, 2009 we offer the following responses to your commits.

- 1.) Customer Utility Payments Not Deposited-As of 12/1/2008 we feel that all funds collected are Being adequately recorded, we are checking the daily total deposits to the total receipts on a Regular basis, all adjustments to customer accounts are being approved at the council Meetings, we are in the process of writing policies and procedures relating to the collection, Deposit, and recordation of utility consumption receipts and policies and procedures relating to Utility billing adjustments. We feel that we are maintaining adequate public records.
- 2.) Traffic Citation Fines Not Deposited-As of 12/1/2008 we are recording all funds collected, we are checking the daily total deposits to the total receipts on a regular basis, we are in the Process of writing policies and procedures relating to the collection, deposit and recordation Of citation receipts, and we feel that we are maintaining adequate public records.
- 3.) Cash Not Deposited Timely-As of 12/1/2008 we are making daily deposits.
- 4.) Public Records Not Maintained-As of 12/1/2008 we are using properly sequentially numbered Receipts books to record citations, utility consumption and hookups and rental payments Received.
- 5.) No Docket Kept by Mayor-As of 12/1/2008 we are maintaining a regular docket for mayor's Court.
- 6.) Improper Disposition of Citations- As of 12/1/2008 the mayor is complying with state law and Only exercising his judicial powers and authority in open court and is not reducing traffic

VILLAGE OF TURKEY CREEK

BLAINE J. JANET, MAYOR

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TOWN CLERK
MELISSA SMITH

Violations from moving to non-moving. We are in the process of passing an ordinance giving
The mayor the authority to reduce moving violations.

7.) Traffic Violations Not Reported-As of 12/1/2008 we are reporting all traffic violations to the
Louisiana Department of Public Safety not later than 30 days after the date of such person's
Conviction and sentencing or the final disposition of the case.

I hope that our responses are sufficient for your report and if I can be of any further assistance, please
do not hesitate to call.

Sincerely,



Blaine Janet-Mayor