STATE OF LOUISIANA
LEGISLATIVE AUDITOR

Tangipahoa Communication District #1
Amite, Louisiana

November 28, 2001

Investigative Audit

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

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Tangipahoa Communication District #1

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November 28, 2001

MR. JAMES R. RIMES, CHAIRMAN,
AND MEMBERS OF THE BOARD OF DIRECTORS
TANGIPAHOA COMMUNICATION
DISTRICT #1
Amite, Louisiana

Transmitted herewith is our investigative audit report on the Tangipahoa Communication District #1. 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 recommendation, as well as your response. Copies of this report have been delivered to the board of directors of the Tangipahoa Communication District #1 and others as required by law.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGP:EKL:JLS:ss

TANCD1

Executive Summary

Investigative Audit Report
Tangipahoa Communication District #1

Highlights...

The Legislative Auditor received an allegation that the proceeds from the sale of map books of Tangipahoa Parish were not being deposited. This investigative audit was performed to determine the propriety of this allegation.

Internal control weaknesses resulted in loss of revenue.

Finding (See pages 5-6.)

Weaknesses in internal controls resulted in the loss of $1,719 by the Tangipahoa Communication District #1 (District). This loss from the sale of map books is made up of (1) $1,328 in missing currency; (2) $64 in missing checks; and (3) missing inventory costing $327.

Recommendation (See page 7.)

Management should improve internal controls.

We recommend that management for the District implement an adequate system of internal controls which:

1. Includes having different employees perform the duties of collecting money, preparing deposits, recording revenue, and reconciling collections to deposits to the extent possible
2. Includes the use of pre-numbered receipts
3. Provides for reconciliation of receipts to deposits
4. Provides for an adequate system for securing inventory
5. Provides management oversight to ensure compliance with established controls

Management's Response (See Attachment 1.)

Management stated that it agrees with the finding and has implemented policies and procedures to safeguard the District's receipts and inventory in accordance with the Legislative Auditor's recommendation.

Background and Methodology

The Tangipahoa Communication District #1 was created by an ordinance of the Tangipahoa Parish Council on June 10, 1986, pursuant to the provisions of Louisiana law (R.S.) 33:9101-9106. The District was organized to acquire and maintain the facilities and equipment necessary to provide emergency telephone service (911) to residents of Tangipahoa Parish. The Legislative Auditor received an allegation that the proceeds from map books sales were not being deposited. This investigative audit was performed to determine the propriety of this allegation.

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

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

Finding

Sales Revenue and Inventory Missing

Weaknesses in internal controls resulted in the loss of $1,719 by the Tangipahoa Communication District #1 (District). This loss from the sale of map books is made up of (1) $1,328 in missing currency; (2) $64 in missing checks; and (3) missing inventory costing $327.

In addition to providing emergency telephone service (911) to residents of Tangipahoa Parish, the District also publishes and sells map books to government agencies and the general public. The District began selling map books in March 2000. The retail price of a map book was $20 but was discounted to $10 for government agencies.

Missing Currency

A total of $1,328 in currency was not deposited.

From April 5, 2000, to June 23, 2001, receipts created by District employees for sales of 80 map books for cash (currency) indicated collections of $1,251 including sales tax. The District also had other unidentified cash sales resulting in the collection of $119 in currency. However, during the same period, bank records show cash deposits of only $42 into the District's bank account resulting in an undeposited amount of *$1,328* in currency.

Ms. Deidre Lyons, former director for the District, stated that the possibility of missing cash is evident. Furthermore, she stated that the cash could have been taken by a number of persons including employees, trustees who serve as custodians or visitors.

Ms. Sherri Oliver, CPA, and bookkeeper for the District, said that she (Ms. Oliver) makes all the deposits for the District. Furthermore, she explained that Ms. Lyons gave her checks received from the sales of map books but she did not remember ever receiving currency from Ms. Lyons. According to Ms. Oliver, Ms. Lyons stated that she would leave currency for deposit in a tray outside her office. However, Ms. Oliver said that Ms. Lyons would not even leave checks in the tray and expressed doubt that Ms. Lyons would leave currency unattended.

Missing Checks

A total of $64 in checks was not deposited.

During this same period of time, three payments by customers purchasing map books with checks totaling $64 were not deposited into the District's bank account. The total amount of cash and checks not deposited into the District's bank account totaled $1,392.

Missing Inventory

Fifty-three map books costing $327 were missing.

In March 2000, the District purchased 1,000 map books at a cost of $6,170 or $6.17 per book for resale. According to District records, the number of map books in inventory should have been 577 as of June 23, 2001. However, the reconciled number of map books in inventory was 524. Management for the District could not account for the 53 missing books.

The total cost to the District for the missing map books is $327. At retail value, the lost revenue to the District ranges from $530 to $1,060 depending on the makeup of the customers.

Inadequate Internal Controls

The district did not have a proper system of internal control over the sale of map books. Weaknesses noted were as follows:

1. The duties of receiving money, recording revenues, depositing, and reconciling collections to deposits were not performed by different employees to the extent possible.
2. Pre-numbered receipts were not prepared.
3. Map book inventory records were not properly maintained and the inventory was not properly secured.

Conclusion

We were unable to determine what happened to the missing revenue for the following reasons:

1. Several employees sold map books and collected the proceeds in cash.
2. The cash collections were left unsecured in an area accessible to others.
3. Incompatible accounting duties were not properly segregated.

Recommendation

The District should implement an adequate system of internal controls which:

1. Includes having different employees, to the extent possible, perform the duties of collecting money, preparing deposits, recording revenue, and reconciling collections to deposits
2. Includes the use of pre-numbered receipts
3. Provides for reconciliation of receipts to deposits
4. Provides for an adequate system for securing inventory
5. Provides management oversight to ensure compliance with established controls

Attachment 1

Management's Response

TANGIPAHOA
COMMUNICATION DISTRICT #1

Post Office Box 505 • Amite, Louisiana 70422 • (504) 748-8981

November 15, 2001

Mr. Daniel G Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Kyle,

In response to your investigative audit on the Tangipahoa Communication District Number 1, the following procedures were implemented immediately upon the problem being discovered:

1. Map books are to be kept in a locked closet. Access to the closet is to be limited to the operations supervisor and the assistant supervisor.

2. Map books are to be sold during normal office hours only (8:00-4:00).

3. Check or money orders will be accepted. No CASH.

4. Check or money order must be received before map book may be given. No credit or billing.

5. All sales/distributions must be logged in on "Sales Log". The date, purchaser, number of books, general public or government/emergency services, amount collected, check or money order, and receipt number must be entered on the log.

6. A consecutive numbered receipt must be issued for each sale.

7. The log sheet is to be totaled and reconciled with the list of checks and money orders periodically.

8. An inventory of unsold map books will be entered on the log sheet.

9. The log sheet and funds will be turned over to the clerk by the supervisor. or assistant supervisor. Clerk will verify that all receipt numbers are

accounted for and funds agree with amount collected. Both will sign off on the log sheet.

10. A copy of the signed log sheet will be given to the clerk for filing. The original will be retained in the office.

11. The clerk will deposit all funds in the District's bank account.

Respectfully submitted,

James R. Rimes

James R. Rimes
Chairman