

TOWN OF RIDGECREST



COMPLIANCE AUDIT
ISSUED MAY 30, 2012

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 30, 2012

**THE HONORABLE DWAYNE T. SIKES, MAYOR
AND BOARD OF ALDERMEN
TOWN OF RIDGECREST**
Ridgecrest, Louisiana

We have audited certain transactions of the Town of Ridgecrest. 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 Seventh Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

RIDGECREST 2012

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EXECUTIVE SUMMARY

Payments Not Deposited

Town of Ridgecrest (Town) records indicate that from January 1, 2010, through December 31, 2011, utility payments, including adjustments to customer accounts, and meter deposit payments totaling \$56,679 were not deposited into the Town's bank accounts. By failing to deposit all monies collected and/or by recording payments and adjustments (in the system) for which there were no funds collected, Town Clerk Dana Delaughter may have violated state law.

Misstated Financial Statements Provided to Board

From February 2011 through October 2011, Ms. Delaughter prepared and submitted financial statements to the board of aldermen which reflected what appears to be an intentional \$27,814 overstatement of the Town's utility collections.

Town Clerk Issued Herself Extra Payroll Checks

From June 10, 2010, to February 4, 2011, Ms. Delaughter issued herself three extra payroll checks totaling \$1,865. There was no documentation on file to indicate that Ms. Delaughter was entitled to receive these extra payroll checks. By issuing herself checks she was not entitled to receive, Ms. Delaughter may have violated state law.

Personal Use of Town Equipment

Former Mayor Kevin Graham purchased equipment costing \$4,055 that was not necessary for Town operations and admitted to using the equipment for personal purposes. By purchasing unnecessary equipment and using it for personal purposes, Mr. Graham may have violated state law.

Improper Christmas Bonuses

On December 10, 2010, the Town improperly issued bonus checks totaling \$600 to Town employees. The two full-time employees were each paid \$200 and the two part-time employees were each paid \$100. The payment of these Christmas bonuses to Town employees may have violated the Louisiana Constitution.

Property Taxes Not Collected

From December 31, 2010, through March 9, 2012, Town records indicate that property taxes totaling \$2,244 (\$658 from the 2010 tax roll and \$1,586 from the 2011 tax roll) have not been collected. In addition, no records were provided indicating that the Town has made any attempts to collect these unpaid taxes. By not collecting and/or not attempting to collect delinquent taxes, the Town may be in violation of the Louisiana Constitution, which prohibits the donation of public funds.

Lack of Financial Management

During our audit, we noted significant deficiencies in the overall financial management of the Town. Without an effective financial management system, the mayor and board cannot effectively exercise its fiduciary responsibilities of managing the Town's finances and cannot ensure that the Town is operating in accordance with state law.

BACKGROUND AND METHODOLOGY

The Town of Ridgecrest (Town) is located in Concordia Parish, has a population of 694 (Year 2010 Census), and was incorporated in 1962 under the provisions of the Lawrason Act, which is a mayor-board of aldermen form of government. The Town provides utility, public safety (police and fire), streets, sanitation, and general administrative services.

On August 19, 2011, the Louisiana Legislative Auditor (LLA) received correspondence from the Town's external auditor, Myles Hopkins, CPA, of Silas Simmons, LLP, indicating that a fraudulent act may have occurred at the Town. Silas Simmons, LLP later issued a disclaimer of opinion on the Town's financial statements for the year ended December 31, 2010, because the Town was not reconciling and maintaining sufficient documentation of its utility customer accounts. In addition, Town officials had received several complaints from utility customers indicating that although they had paid their utility bills, their accounts had not been credited to reflect the payments.

On November 3, 2011, the board of aldermen placed Town Clerk Dana Delaughter on administrative leave and later terminated her employment with the Town. The LLA was asked to review available Town records to determine the amount of cash collected by the Town but not deposited into the Town's accounts. 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.

FINDINGS AND RECOMMENDATIONS

Payments Not Deposited

Town of Ridgecrest (Town) records indicate that from January 1, 2010, through December 31, 2011, utility payments, including adjustments to customer accounts, and meter deposit payments totaling \$56,679 were not deposited into the Town's bank accounts. By failing to deposit all monies collected and/or by recording payments and adjustments (in the system) for which there were no funds collected, Town Clerk Dana Delaughter may have violated state law.¹

Our audit revealed the following:

- (1) Utility payments totaling \$46,247 were received and/or recorded as received but not deposited in Town bank accounts.
- (2) Payments entered as adjustments and other unauthorized/unsupported adjustments totaling \$8,592 were recorded in the system.
- (3) Meter deposit payments totaling \$1,840, on what appeared to be 16 new accounts, were not deposited in Town bank accounts.
- (4) Utility payments were not collected from the former clerk and were not timely collected from the former mayor and his father.

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. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

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; or (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.

R.S. 14§70 provides, in part, that false accounting is the intentional rendering of a financial statement of account which is known by the offender to be false, by anyone who is obliged to render an accounting by the law pertaining to civil matters.

R.S. 14§73.7 provides, in part, computer tampering is the intentional commission of any of the actions enumerated in this Subsection when that action is taken knowingly and without the authorization of the owner of a computer: (3) Damaging or destroying a computer, or altering, deleting, or removing any program or data contained within a computer, or eliminating or reducing the ability of the owner of the computer to access or utilize the computer or any program or data contained within the computer.

R.S. 42§1461(A) provides, in part, that that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.

R.S. 42§282 provides, in part, that all public officers, except notaries public, shall keep a full and complete record of all monies received by them for account of the state or its subdivisions or as fees for services rendered.

Ms. Delaughter served as town clerk from December 11, 2008, through November 3, 2011, at which time she was placed on administrative leave and later dismissed from her position with the Town. Ms. Delaughter, on advice of her attorney, refused to meet with us to discuss her employment with the Town.

We understand that during the time period covered by our audit, Ms. Delaughter and Ms. Mary Lawrence, former part-time assistant town clerk, collected utility payments made to the Town. Cash and checks collected by the clerks were placed into a cash register along with one part of the customer's two-part remittance stub (receipt). The collecting clerk was also supposed to record each customer payment on a log sheet. The log sheet and the Town's receipts were later used to prepare the bank deposits. Typically, Ms. Delaughter prepared deposits approximately every five days and delivered them or had them delivered to the bank. After the deposits were made, the corresponding customer payments were recorded in the utility system which was used to record and track all customer billings, adjustments, and payments. According to Ms. Lawrence and former Mayor Kevin Graham, Ms. Delaughter was responsible for recording all transactions in the utility system.

1. Payments Not Deposited

Utility payments totaling \$46,247 were received and/or recorded as received but not deposited in Town bank accounts. Town utility system records indicate that from January 1, 2010, through December 31, 2011, payments totaling \$273,473 were collected from customers. However, for the same time period, the Town's bank records reflect that only \$227,226 was deposited, leaving a shortage of \$46,247.

According to current and former Town officials and employees, Ms. Delaughter processed bank deposits, recorded payments (after the amounts were deposited), and reviewed bank statements of the utility fund. We determined that this shortage was largely comprised of 179 groups/batches of payments recorded in the system for which there were no corresponding deposits in Town bank accounts. Because Ms. Delaughter was primarily responsible for these tasks, it appears she intentionally recorded customer payments in the utility system that had not been deposited. Recording the payment in the customer's account would prevent a customer who had paid, but not had their payment deposited, from getting a late notice.

Since the Town did not have documentation supporting these transactions, we spoke to and/or received documentation from 51 utility customers whose payments comprise \$10,764 (23%) of the shortage. Most of these customers told us that they paid their utility bills in cash and some of these customers provided us with receipts totaling \$2,771, showing that they paid cash to Ms. Delaughter. Although this information indicates that cash was received and recorded in the system, the Town's bank records do not reflect these cash payments being deposited.

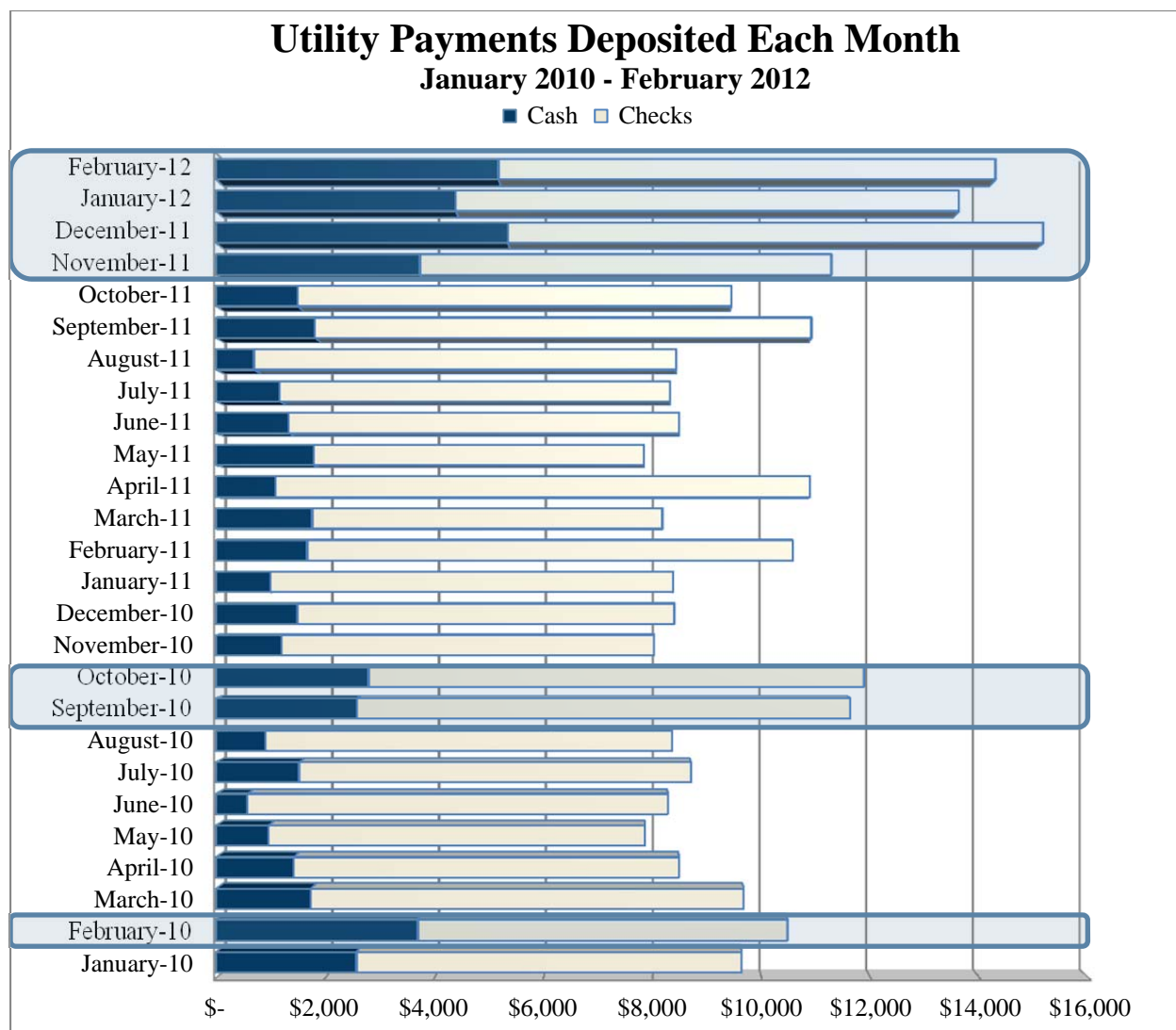
For example, on August 2, 2011, a batch of 48 payments totaling \$2,101 was recorded in the utility system for which there was no corresponding deposit. Payroll records indicate that Ms. Delaughter was the only person who could have recorded this batch because Ms. Lawrence did not work the week this batch was recorded. We spoke with 15 customers whose payments were included in this batch and found that nearly all of these individuals claimed to have made these payments in cash. In addition, four of these customers provided receipts totaling \$195,

which indicated they paid their utility bills in cash to Ms. Delaughter during the period from July 8, 2011, through July 20, 2011. Our analysis of the utility system and bank records indicate that Ms. Delaughter received these cash payments, did not deposit the cash in Town bank accounts, and then recorded these payments to customer accounts in the utility system.

Also during our audit, Town officials and employees disclosed several incidents concerning discrepancies between amounts collected and amounts deposited. Ms. Lawrence stated that she recalled numerous occasions where specific customer payments were missing or cash received could not be accounted for. For example, on one occasion a customer inquired about the status of a payment he/she made. Ms. Lawrence stated that she was unable to locate the payment in the utility system so she contacted Ms. Delaughter who stated that she had forgotten the payment in the console of her vehicle.

Mr. Graham stated that on at least four occasions he was made aware of cash shortages by Ms. Lawrence. Mr. Graham stated that on each occasion he questioned Ms. Delaughter and after some discussion, Ms. Delaughter replaced the missing funds with cash from her purse. Mr. Graham could not recall Ms. Delaughter ever notifying him of cash discrepancies or funds not being deposited. In addition, Town Water Superintendent Paul Dillon stated that on at least two occasions, he witnessed Ms. Delaughter take cash from the Town cash register and give it to her son.

As mentioned earlier, Ms. Delaughter's last day of work at the Town was on November 3, 2011. Our analysis of Town bank records revealed a significant difference in the amount of cash deposited before and after her termination. Cash deposited from January 1, 2010, through October 31, 2011, averaged \$1,603 per month and increased by 177% to an average of \$4,434 per month after Ms. Delaughter was terminated. Furthermore, records indicated there were significant increases in cash deposits in February, September, and October of 2010, months during which Ms. Delaughter was away from work (took time off or temporarily resigned). The following chart illustrates the amount and composition of utility payments (i.e., cash and checks) deposited each month during the period we audited, which includes the period before and after Ms. Delaughter was terminated:



By failing to deposit receipts and/or by recording payments for which there were no funds collected, Ms. Delaughter may have violated state laws.¹

2. Payments Recorded as Adjustments and Other Unauthorized/Undocumented Adjustments

From January 1, 2010, through December 31, 2011, customer accounts were credited or reduced in the utility system by adjustments totaling \$18,994, of which \$8,591 were recorded for unknown reasons. Although no records were available to support authorization or the reasons for any of these adjustments, our review of billing statements indicated that adjustments totaling \$10,403 were recorded to correct billing errors. According to payment receipts and customer statements, we determined that at least \$701 of the \$8,591 in unidentified adjustments were cash payments made to Ms. Delaughter that were not subsequently deposited in Town bank accounts. By reducing customer accounts without cause and/or by not depositing funds collected, Ms. Delaughter may have violated state laws.¹

3. Meter Deposit Payments Not Deposited

Town records indicate that from January 1, 2011, through December 31, 2011, meter deposit payments totaling \$1,840 were not deposited in Town bank accounts.

The Town requires all new water customers to pay a \$115 meter deposit to receive services. The utility system tracks customer meter deposits (amounts due, paid, and refunded) and when a new account is entered properly into the system, the system automatically computes and displays the \$115 meter deposit being due from the customer.

During our audit, we noted what appeared to be 16 new customer accounts for which a corresponding meter deposit payment was either not collected or collected and not deposited into the Town's bank account. According to payment receipts and customer statements, we determined that at least \$690 of these meter deposit payments were paid in cash to Ms. Delaughter. The utility system and bank records indicated the following:

- One account was entered properly into the system as a new account; however, there was no corresponding bank deposit.
- On one account, the customer claimed to have paid the meter deposit; however, no customer information was entered into the system and there was no corresponding bank deposit.
- The remaining 14 accounts were not entered properly into the utility system. Instead of entering each of these customers as a new account in the system, the name or account number of an existing customer was altered and used. Entering new customers in this manner circumvented the internal controls process by preventing the system from computing and displaying the meter deposit amount due from each customer.

Ms. Lawrence stated that she has found accounts where a customer paid a meter deposit but instead of opening a new account in the system, Ms. Delaughter just changed the name on an existing account and the payment received was not deposited. By manipulating Town records to conceal new accounts and by not depositing funds collected, Ms. Delaughter may have violated state law.¹

4. Utility Payments Not Paid by Clerk and Not Timely Paid by Mayor and Father

Town records indicate that from January 1, 2010, through February 2, 2012, former Clerk Dana Delaughter received utility services totaling \$1,261 for which she did not pay. In addition, records indicated that former Mayor Kevin Graham and his father, Lonnie Graham, did not timely pay the utility bills for their residences from April 30, 2009, through September 17, 2010 (approximately 17 months).

Former Clerk Dana Delaughter

Between January 1, 2010, and September 2, 2011, Ms. Delaughter's personal utility account was credited for payments totaling \$468 (included in the \$46,247 shortage) and adjusted \$164 (included in the \$8,591 unauthorized/unsupported adjustments) for which no funds were deposited. In addition, as of February 2, 2012, Ms. Delaughter owed the Town \$629 for utility services. By not paying for the services received and recording payments to her own account which do not appear to have been made, Ms. Delaughter may have violated state law.¹

Former Mayor Kevin Graham and Father

According to both former Mayor Kevin Graham and his father, Lonnie Graham, Lonnie Graham was responsible for the utility bills on both of their accounts. Town records indicate that on September 17, 2010, Lonnie Graham made two payments totaling \$1,563 to pay past-due amounts on his and Kevin Graham's accounts. This payment covered the period April 30, 2009, through September 17, 2010. Lonnie Graham informed us that he did not pay the bills because he wanted to prove that Ms. Delaughter was not doing her job of shutting off services for non-payment. He also stated that he eventually paid the charges because his son, Kevin Graham, was coming up for election. By intentionally not paying for the services, Lonnie Graham may have violated state law.²

Recommendations

Town management should:

- (1) require that all funds collected be adequately documented, accurately recorded, and deposited on the same day collected;
- (2) review and compare the daily total deposits to the total receipts on a regular basis and immediately investigate any differences;
- (3) require a monthly reconciliation of customer accounts receivable balances. Each month, the total of customer accounts balances in the utility system (subsidiary ledger) should be reconciled with the corresponding accounts receivable balance in the general ledger. Any differences should be immediately investigated and resolved. The monthly reconciliation of these two independent records is essential for a proper system of controls over customer accounts;
- (4) develop and implement written policies/procedures on utility billing adjustments, including requiring mayor approval (in writing) of all adjustments to customer accounts.

² **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. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

- (5) require each clerk to maintain their own separate cash drawer and prohibit them from working out of each other's drawer. Each cash drawer should be maintained under lock at all times and balanced on a daily basis;
- (6) require the monthly reconciliation of customer meter deposit balances. Each month, the meter deposit bank balance should be reconciled with the corresponding general ledger balance and with the balance in the utility system. Any differences should be immediately investigated and resolved;
- (7) ensure that water services to past due customers, including town officials and employees, are consistently shut off in accordance with policy. Furthermore, aggressive action should be taken, including legal action when necessary, to collect all delinquent balances;
- (8) require that each clerk establish and use a separate user account in the utility system; and
- (9) develop and implement written policies and procedures relating to the collection, deposit, and recordation of utility payments.

Misstated Financial Statements Provided to Board

From February 2011 through October 2011, Ms. Delaughter prepared and submitted financial statements to the board of aldermen which reflected what appears to be an intentional \$27,814 overstatement of the Town's utility collections.

During our audit, we determined that Ms. Delaughter inappropriately classified transfers and other transactions as utility collections. This false information, which overstated utility collections, may have prevented the users of the Town's monthly financial statements from discovering possible misappropriations of utility collections. By preparing and submitting false information to the board of aldermen, Ms. Delaughter may have violated state law.³

Before each Town board meeting, Ms. Delaughter hand delivered a packet to each alderman that included Town financial statements and other information for the meeting. According to former Mayor Graham and other Town officials, Ms. Delaughter prepared all the records given to the aldermen.

³**R.S. 14§70** provides, in part, that false accounting is the intentional rendering of a financial statement of account which is known by the offender to be false, by anyone who is obliged to render an accounting by the law pertaining to civil matters.

R.S. 14§133 provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) Any forged document. (2) Any wrongfully altered document. (3) Any document containing a false statement or false representation of a material fact."

From January 24, 2011, through September 9, 2011, Ms. Delaughter and Mr. Graham processed three separate transfers of funds totaling \$21,168 that were improperly reported by Ms. Delaughter as utility collections on the monthly financial statements. These transfers should have been reported on the financial statements under the line item “Transfers In” as Ms. Delaughter had done in the past. According to Mr. Graham, in each instance, funds were taken/transferred from the Town’s Public Works and Grant bank accounts and deposited into the utility fund bank account to increase its low balances. Mr. Graham also stated that he was not aware the transfers were listed as utility collections on the financial statements. In addition to these three transfers, two checks received for an insurance claim totaling \$6,646 were also improperly included as utility collections on the financial statements.

During our audit, we spoke with Town aldermen whom stated that they were not aware of the transfers made by Mr. Graham and Ms. Delaughter. These aldermen also stated that they were not aware that transfers and transactions other than utility payments were being included in the utility collections line item on the financial statements. By preparing false financial statements and submitting them to the board of aldermen, Ms. Delaughter may have violated state law.³

Recommendation

We recommend that Town management implement a comprehensive accounting system to generate monthly financial statements, budgets, and other reports for the board. The mayor should ensure that accurate financial information is prepared for all funds of the Town, including budget-to-actual comparisons and warnings of any corrective action needed to be taken (e.g., amending the budget). In addition, we advise the mayor to separate tasks/duties of the clerk (to the extent possible) to ensure there is a proper system of checks and balances.

Town Clerk Issued Herself Extra Payroll Checks

From June 10, 2010, to February 4, 2011, Ms. Delaughter issued herself three extra payroll checks totaling \$1,865. There was no documentation on file to indicate that Ms. Delaughter was entitled to receive these extra payroll checks. By issuing herself checks she was not entitled to receive, Ms. Delaughter may have violated state law.⁴

Payroll for the Town was processed weekly by Ms. Delaughter. Each payroll check requires the signature of the town clerk and either the mayor or the mayor pro tem. Generally, all payroll checks for employees other than the water superintendent and his helper were issued from the general fund bank account. The water superintendent, his helper, and occasionally Ms. Delaughter were paid from the utility fund bank account.

⁴ **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. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.

We reviewed payroll checks issued to Ms. Delaughter over the past two years and determined that she issued herself three extra payroll checks totaling \$1,865. On each of these three occasions, we noted that Ms. Delaughter issued herself two payroll checks on the same day or one day apart. Each of the additional checks issued to Ms. Delaughter were signed by Ms. Delaughter and former Mayor Graham. We determined that these payments could not have been for hours worked because records indicate that Ms. Delaughter received wages for all pay periods. In addition, the Town could not provide any records such as timecards, leave accruals, or other records indicating Ms. Delaughter was entitled to receive these payments. By issuing herself checks she was not entitled to receive, Ms. Delaughter may have violated state law.⁴

Recommendation

We recommend that the Town implement written policies and procedures regarding payroll. These policies and procedures should include requiring management to review and approve time records and payroll disbursements for all employees, and that the tasks of reconciling bank statements and issuing checks are not performed by the same employee.

Personal Use of Town Equipment

Former Mayor Kevin Graham purchased equipment costing \$4,055 that was not necessary for Town operations and admitted to using the equipment for personal purposes. By purchasing unnecessary equipment and using it for personal purposes, Mr. Graham may have violated state law.⁵

On August 26, 2009, Mr. Graham used \$4,055 of Town funds received from a state grant to purchase a water pump and accessories. Mr. Graham stated that the pump was needed to pump sewage lift stations for the Town and admitted to using the pump for personal purposes on one occasion in July 2011, to get his personal boat out of a lake. When we asked him about the purchase of the pump, Mr. Graham stated that he and Paul Dillon, water superintendent, determined that the pump was necessary.

Mr. Dillon stated that he did not need nor request the pump. He also stated that the pump has never been used for the lift stations and that the pump is actually too large for any of the uses he needs a pump for. Both Mr. Dillon and current Mayor Dwayne Sikes indicated that Mr. Graham used the pump for personal purposes on at least two other occasions. The pump is

⁵ **R.S. 14§68(A)** provides, in part, that the unauthorized use of a movable is the intentional taking or use of a movable which belongs to another, either without the other's consent, or by means of fraudulent conduct, practices, or representations, but without any intention to deprive the other of the moveable permanently.

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; or (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.

R.S. 42§1461(A) provides, in part, that that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.

currently stored at the Town water plant. By purchasing unnecessary equipment and using it for personal purposes, Mr. Graham may have violated state law.⁵

Recommendation

We recommend that Town management maintain a complete and accurate record of all Town assets and equipment and implement procedures to determine the necessity of the equipment prior to purchase and the proper use, storage, and maintenance of its equipment.

Improper Christmas Bonuses

On December 10, 2010, the Town improperly issued bonus checks totaling \$600 to Town employees. The two full-time employees were each paid \$200 and the two part-time employees were each paid \$100. The payment of these Christmas bonuses to Town employees may have violated the Louisiana Constitution.⁶ Although these bonus payments were approved by the board of aldermen during their meeting on December 9, 2010, the Louisiana attorney general has consistently opined that gratuitous unearned payments to public employees or officials are prohibited, as they are tantamount to donations.

Recommendation

We recommend the Town comply with the Louisiana Constitution and cease paying bonuses.

Property Taxes Not Collected

From December 31, 2010, through March 9, 2012, Town records indicate that property taxes totaling \$2,244 (\$658 from the 2010 tax roll and \$1,586 from the 2011 tax roll) have not been collected. In addition, no records were provided indicating that the Town has made any attempts to collect these unpaid taxes. By not collecting and/or not attempting to collect delinquent taxes, the Town may be in violation of the Louisiana Constitution, which prohibits the donation of public funds.⁶

Although the property tax payments are collected and recorded in the tax log by the Town clerks, no one was reviewing and reconciling the property taxes receivable account to identify the property owners who had not paid their taxes. Furthermore, no effort was being made to assess interest on the delinquent accounts or collect the taxes owed to the Town.

Recommendation

We recommend the Town implement written policies and procedures to ensure that all property taxes are collected, recorded, deposited, and reconciled. These policies and procedures

⁶ **Article 7, Section 14 of the Louisiana Constitution** provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

should include requiring management to take appropriate legal action regarding unpaid/delinquent property taxes.

Lack of Financial Management

During our audit, we noted significant deficiencies in the overall financial management of the Town. Without an effective financial management system, the mayor and board cannot effectively exercise its fiduciary responsibilities of managing the Town's finances and cannot ensure that the Town is operating in accordance with state law.

Our audit revealed that the Town did not have the following:

- Written policies and procedures
- An accounting system (general ledger) to record financial transactions
- Complete public records
- Personnel and leave records
- Adequate segregation of accounting duties
- Procedures to ensure cash was deposited intact on a daily basis

No Written Policies and Procedures

The Town did not have written policies or procedures for any aspect of its business/financial operations, and it appeared to us that processes and procedures were haphazardly conducted.

Recommendation

We recommend that Town management develop and implement written policies and procedures that address all of its financial operations, including areas such as the collection, deposit, and recordation of utility payments; payroll processes; employee attendance and leave; financial record maintenance; and asset storage and recordation.

No Accounting System

The Town did not maintain an accounting system (general ledger) to record and reconcile its financial transactions. Town management appears to have made decisions based upon false, inaccurate, and incomplete manually prepared financial information. In addition, during our audit, we noted that the 2010 fiscal year financial statements that were prepared and provided to the external auditor were inaccurate, unreliable, and prepared in June 2011 (six months after the close of the fiscal year).

Recommendation

We recommend that Town management implement an accounting system to record financial transactions and ensure that its staff is adequately trained to operate the system. The Town should also require the timely reconciliation of appropriate accounts.

Public Records Not Complete

Town officials may have violated state law⁷ by not maintaining public records supporting Town transactions. During our audit, we were unable to locate supporting records for many utility and property tax payments. In addition, we found that numerous records including receipt books, receipt logs, and journal books used by the Town were missing pages or missing entirely.

Recommendation

We recommend that the Town maintain records in strict accordance with state law.

No Personnel and Leave Records

The Town did not have procedures for regulating the employment of its employees, including the hiring and firing of such employees. In addition, the Town did not maintain personnel records on its employees or track their leave balances. As a result, we were unable to verify that employees were paid properly or that they accrued leave properly.

Recommendation

We recommend that the Town (1) establish procedures for regulating the employment of its employees, including the hiring and firing of such employees; (2) maintain personnel records on all employees; and (3) maintain leave records (hours earned, used, and balance available) on all eligible employees.

Duties Not Adequately Segregated

Accounting duties were not adequately segregated among Town staff for a proper system of checks and balances. For example, the Town clerk was responsible for handling cash, preparing bank deposits, and recording revenue and there was no supervisory review of her work. Without adequate segregation of duties, errors or fraud could occur and not be detected, increasing the risk of loss or theft of Town assets.

⁷ **R.S. 44§36** provides, in part, that all persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. 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.”

Recommendation

We recommend that the Town implement policies and procedures to ensure, whenever possible, incompatible accounting duties are properly segregated.

Cash Not Deposited Timely

The Town did not deposit public funds daily (when practicable) as required by state law.⁸ The Town clerks collected customer utility payments, property taxes, and police citation fines on a daily basis but failed to deposit these collections in a timely manner. Deposits on average were made every five days and sometimes as far apart as 15 days.

Recommendation

We recommend that Town management ensure that monies collected are deposited intact on a daily basis in compliance with state law.

⁸ **R.S. 39§1212** provides after the expiration of existing contracts, all funds of local depositing authorities shall be deposited daily whenever practicable, in the fiscal agency provided for, upon the terms and conditions, and in the manner set forth in this Chapter. Deposits shall be made in the name of the depositing authority authorized by law to have custody and control over the disbursements.

APPENDIX A

Management's Response

TOWN OF RIDGECREST
116 Foster Dr.
Ridgecrest, Louisiana 71334
Phone (318)-757-4497
Fax (3318)-757-8240

Dwayne T. Sikes, Mayor

Cyndie Dillon, Town Clerk

May 16, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

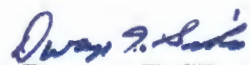
Dear Mr. Purpera,

I would like to thank you for promptly responding to my request to audit the Town of Ridgecrest; also, for sending such a professional and competent Team from Mr. Alan Brown's office. Working with Mr. Greg Clapinski and Mrs. Kimberly Jones, was not only a pleasure, but was very efficient. They handled every issue and complaint in a very professional and detailed manner. We appreciate the thorough job compiled by them in this audit and think they did an outstanding job. I totally agree with each and every item addressed by them. Following is the list of ways we intend to comply with their request.

1. The Town has hired Jeri Sue Tosspon, CPA LLC to compile Monthly Financial Reports, P&L Statements, Balance Sheets and General Ledger Reports.
2. Payments are being posted as they are collected during the day.
3. Daily Close-outs and deposits are being done at the end of each day.
4. Monthly reconciliation prepared on the Meter Deposit Account.
5. All non-paying accounts shut-off on the 26th until payment is collected.
6. Both clerks have separate cash boxes.
7. There has been separate log-ins assigned for each clerk on our billing system.

Again, I would like express my sincere gratitude for your assistance in a successful attempt to straighten up our Town's financial system and professional practices, along with bring justice to the parties responsible for this confusion.

Respectfully yours,


Dwayne T. Sikes
Mayor

DTS/ced