

VILLAGE OF GILBERT



COMPLIANCE AUDIT

ISSUED OCTOBER 11, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

October 11, 2006

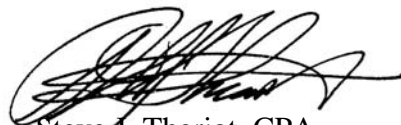
**HONORABLE MIKE STEPHENS, MAYOR,
AND MEMBERS OF THE COUNCIL
VILLAGE OF GILBERT**
Gilbert, Louisiana

We have audited certain transactions of the Village of Gilbert (Village) in accordance with Title 24 of the Louisiana Revised Statutes. In May 2006, the Village discovered questionable transactions and requested the assistance of the Legislative Auditor. Our audit was performed to determine the propriety of these 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 assurances as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the District Attorney for the Fifth Judicial District and others as required by state law.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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Former Town Clerk Failed to Deposit Public Funds

On April 17, 2006, Ms. Nancy Robbins, former Village of Gilbert (Village) town clerk, cashed a \$3,000 check drawn on the Village's sales tax account and failed to deposit the funds into any accounts held by the Village. After this transaction was discovered by Alderman Lois Haralson, Ms. Robbins appears to have falsified the April 2006 financial statements and altered Village records to conceal the missing funds. During an investigation conducted by the Franklin Parish Sheriff's Office, Ms. Robbins admitted to using the funds for personal purposes. No evidence has been found to indicate that these funds have been reimbursed by Ms. Robbins.

The Village's sales tax fund is used to account for the Village's share of sales taxes collected in the parish. These funds are collected by the Franklin Parish School Board and directly deposited to the Village's sales tax fund bank account at the end of each month. Once received, the Village normally transfers the sales tax revenues to the general fund to pay operating expenses. This is accomplished by writing a check payable to either the "Village of Gilbert" or the "General Fund" and depositing the check in the Village's general fund bank account. An examination of these accounts for the period of July 1, 2004, through February 13, 2006, revealed that all transfers before April 17, 2006, were handled in this way and that no funds other than the transaction mentioned above were omitted.

On April 17, 2006, Ms. Robbins issued a \$3,000 check payable to "Cash" from the sales tax fund. Although the check indicates that it was written for the purpose of transferring money to the Village's general and enterprise funds, Ms. Robbins endorsed her name on the check and cashed the check. Village banking records indicate the cash was not deposited into any of the Village's bank accounts.

The missing monies went unnoticed until May 10, 2006, when Ms. Robbins provided a copy of the April 2006 financial statements to Alderman Lois Haralson, who noted that the \$3,000 transfer was not accounted for in any other fund. After Ms. Haralson questioned Ms. Robbins about the disbursement, Ms. Robbins created new financial statements and altered a general fund deposit ticket from May 2, 2006 to give the appearance that the money had been deposited into Village accounts. After it was noted by Ms. Haralson that the May 2, 2006, deposit contained only \$360 in cash, Ms. Robbins indicated to Ms. Haralson that she had placed the \$3,000 inside the cash box located in the assistant town clerk's desk to be deposited later by Ms. Brandy Ferrington, assistant town clerk.

Ms. Ferrington stated that she was not aware of the \$3,000 transfer, never saw the \$3,000 cash inside the cash box, and was never instructed by Ms. Robbins to deposit the cash. In addition, she explained that checks were never cashed to make transfers. During an investigation by the Franklin Parish Sheriff's office, Ms. Robbins admitted to using the \$3,000 for personal purposes.

Ms. Robbins later told representatives of the Legislative Auditor's office that she did not take the \$3,000. Ms. Robbins stated that she made the admission because the missing money was going to be blamed on her anyway. She explained that although she handled the transfer incorrectly, she cashed the check and placed the money into the assistant clerk's desk. When

asked why Ms. Robbins did not redeposit the money into the other Village accounts, she stated that she did not have the proper deposit tickets with her when she cashed the check.

We recommend that the Village implement policies and procedures to ensure (1) all transactions are recorded in a timely manner; (2) transfers are verified periodically by an appropriate supervisor; (3) all check writing responsibilities are separated from bank reconciliation duties; and (4) all disbursements are approved by the mayor or the mayor pro tem.

Former Town Clerk Issued Duplicate Payroll Checks to Herself

From June 3, 2005, through April 13, 2006, Ms. Robbins issued duplicate payroll checks to herself totaling \$6,000. During this period, Ms. Robbins processed payroll and split her salary between the Village’s general and enterprise (water/sewer) funds. On eight occasions, Ms. Robbins wrote herself a legitimate check from one fund and a duplicate check from the other fund covering the same pay period. In addition, Mayor Mike Stephens and Mayor Pro tem Lovie Ezell verified that their signatures were forged on four of the duplicate checks.

Payroll for the Village is processed by the town clerk on a biweekly basis out of both the general and the enterprise funds. Each payroll check requires the signature of the town clerk and either the signature of the mayor or the mayor pro tem. Payroll checks for executive personnel, administrative personnel, including half of the town clerk’s salary, and police and fire department personnel are written from the general fund. Water and sewer department personnel and half of the town clerk’s salary are paid out of the enterprise fund.

Schedule of Duplicate Payroll Checks			
Date	Pay Period	Fund	Paid
6/3/2005	5/20-6/2	General	\$730.77
6/27/2005	6/17-6/30	General	\$730.77
8/1/2005	7/16-7/29	Enterprise	\$730.77
9/9/2005	8/26-9/8	General	\$730.77
1/13/2006	12/30/05-1/12/06	General	\$769.23
1/27/2006	1/13-1/26	General	\$769.23
3/8/2006	2/24-3/9	General	\$769.23
4/13/2006	3/31-4/13	Enterprise	\$769.23

We reviewed payroll checks issued to Ms. Robbins over the past two fiscal years and determined that she issued duplicate payroll checks to herself on eight separate occasions. On each instance, Ms. Robbins wrote herself a legitimate check from one fund and a duplicate check covering the same period from another fund. For example, on June 3, 2005, Ms. Robbins issued a payroll check to herself from the general fund covering the pay period from May 20, 2005, to June 2, 2005, and an additional check from the enterprise fund covering the same pay period. Both checks appear to be signed by Ms. Robbins and former Mayor Stacy Calhoun. Although Mayor Calhoun stated that Ms. Robbins had authority to sign his name, he was unaware of the

duplicate payroll checks. Four of the eight duplicate payroll checks issued to Ms. Robbins from June 2005 through September 2005 appear to have been signed by Mayor Calhoun.

The remaining four duplicate checks were issued by Ms. Robbins after Mr. Mike Stephens became mayor in October 2005. On two occasions, both the legitimate check and the duplicate check appear to be signed by Mayor Stephens. On one occasion, the legitimate check was signed by Mayor Stephens and the duplicate check appears to be signed by Mayor Pro tem Lovie Ezell. Finally, Ms. Robbins issued a duplicate payroll check that overlaps two other pay periods for which she was paid. This particular check also appears to be signed by Mr. Ezell. Both Mayor Stephens and Mr. Ezell reviewed the duplicate checks and indicated the signatures on the checks were not their signatures.

When asked about the duplicate payroll checks, Ms. Robbins explained that she had paid herself for unused compensatory and vacation leave because neither the mayor nor the council would allow her to take leave. Ms. Robbins initially stated that she did not track her leave but began doing so in January 2006, at Mayor Stephens' direction. Although Village records indicate Ms. Robbins earned only 15.5 compensatory hours from January 2006 through April 2006, she received four duplicate payroll checks representing 280 hours (based on a 35-hour work week) during this period of time. Ms. Robbins later stated that these checks included unused vacation and compensatory hours from prior years which she tracked on ledger sheets maintained in her personnel folder. No such sheets could be found at the Village or inside of Ms. Robbins' personnel folder.

Former Mayor Paid in Excess of Board Approved Salary

From December 19, 2003, through June 6, 2005, Mr. Stacy Calhoun, former Village mayor, received payroll checks totaling \$5,110 in excess of his board approved salary. Mayor Calhoun took office on January 1, 2003, and opted not to be paid a salary. In November 2003, he became ill and could not work. On December 11, 2003, the board voted to reinstate the mayor's salary at \$250 but failed to specify the frequency of pay. This reinstatement conflicted with Ordinance 274, which set the mayor's salary at \$230 per month. In addition, Mayor Calhoun was paid the full \$250 on a biweekly basis through June 6, 2005. These factors resulted in an overpayment to the mayor of \$5,110.

On January 10, 2002, the Board of Aldermen passed Ordinance 274¹ setting the base salaries for the mayor and chief of police. All members of the board, which included Lois Haralson, Nathan Roberts, and Mayor Calhoun who was an alderman at the time, were present at this meeting. The salary for the mayor was approved at \$230 per month plus \$15 for special meetings. Mayor Calhoun took office as the mayor of Gilbert on January 1, 2003, and chose not to receive salary payments.

¹ The base salary for a newly elected mayor for the Village of Gilbert, Louisiana shall be two hundred-thirty dollars (230) per month and fifteen dollars (15) for special meetings, not including benefits.

In November 2003, Mayor Calhoun was admitted to a hospital because of illness and was not able to attend the board meeting held on December 11, 2003. During this meeting, Alderman Lois Haralson made a motion to reinstate the mayor's salary at \$250. The minutes from the meeting do not indicate the frequency of payments to be made to the mayor. Ms. Haralson stated that it was the board's intention to reinstate the mayor's salary in compliance with Ordinance 274; however, it mistakenly stated \$250 per month and did not verify this amount.

From December 19, 2003, through June 6, 2005, Ms. Robbins issued biweekly payroll checks to Mayor Calhoun totaling \$9,250. Based on the salary allowed by Ordinance 274, Mayor Calhoun should have only received \$4,140 during this period resulting in an overpayment of \$5,110. Ms. Robbins indicated she believed that it was the board's intention to pay Mr. Calhoun biweekly but could not remember why she was under that impression. Mayor Calhoun acknowledged that he was paid every two weeks but stated that he was not present at the December 11, 2003, council meeting and was not aware of what the board voted to pay him.

We recommend that the Village implement the following policies and procedures pertaining to payroll:

- (1) maintain personnel folders for each employee that includes the approved salary or rate of pay;
- (2) require all employees to complete time reports to document hours;
- (3) require time reports be approved by the appropriate supervisor; and
- (4) maintain records to account for vacation and sick leave earned and taken by employees and review and update its personnel policies to address compensatory time.

Inadequate Travel Policies

The Village's travel policy does not offer adequate guidance in several areas. These areas include what is allowable relating to travel; the proper procedures for documentation and approval of travel expense reimbursements; treatment of meal and lodging expenses; and the payment, calculation, and documentation of reimbursable mileage.

During our review, we noted that the Village has inadequate travel reimbursement procedures that do not specify what expenses are allowable or the necessary documentation needed for reimbursement of travel expenses. Available travel records for fiscal years ending June 30, 2005, and June 30, 2006, indicate that \$4,343 of Village funds were used for travel. A form is available to document approval but was not used for any of the \$4,343 of travel expenses. In addition, \$2,212 of these disbursements was not validated by receipts or invoices. These records also illustrated that expenses confirmed by receipts were often presented in an incomplete and haphazard manner.

Although the Village's policy indicates that travel expenses are to be documented with receipts and a travel voucher within 30 days of travel, we noted that many travel payments were made in advance of travel. Village records indicate that \$1,795 of travel expenses for the last two fiscal years were paid in advance. Of this amount, \$600 was unsupported by invoices or receipts, \$796 was reimbursed to the Village, and \$399 was accounted for with receipts.

For example, before traveling to Baton Rouge for a clerk's conference in January 2006, Ms. Robbins issued two checks to cash to cover her expenses--one from the enterprise fund for \$220 and one from the general fund for \$400 for her travel expenses. On February 7, 2006, Ms. Robbins accounted for the \$220 check by providing receipts totaling \$79 and reimbursed cash totaling \$141. There are no receipts to document how the \$400 was spent. Ms. Robbins could not recall why she would have written two separate checks. She stated that she would normally advance travel money based on a per diem of \$45 per day for meals. Ms. Robbins added that after her trips, she would add up her meal receipts and reimburse the Village for the difference between her meal receipts and her allowance.

Our review also showed instances in which mileage reimbursements were improperly calculated, paid, and documented. The Village's policy provides for mileage reimbursement at the rate of \$.28 per mile on personal vehicles but does not indicate the proper calculation or documentation for reimbursement. As a result of this ambiguity, we observed inconsistencies in mileage computations and records. On one occasion, we noted where Ms. Robbins issued a check to cash for \$200 for meals and gas before her travel. Following the trip, Ms. Robbins issued another check to herself for \$215 for mileage. No documentation was available to support the mileage and no receipts were available to support gas purchased. We also observed that Ms. Robbins would occasionally charge gas to the Village's convenience store account. Although these charges appeared to be in conjunction with travel expenses, the Village does not have guidelines for expenses credited to the Village's convenience store account.

We suggest the Village adopt the following recommendations relating to travel:

1. The use of check requests supported by travel reimbursement forms for travel should be clearly specified in writing in the Village's travel policy. The travel policy should state specifically that all requests for travel reimbursement must be reviewed by the clerk's office and signed by the town clerk.
2. Meal per diems should be disallowed when conference registration fees include prepared meals. Accounting personnel should review all travel paperwork to ensure that no conference supplied meals are being duplicated through meal per diems.
3. Meal reimbursements should not be based on a single per diem rate. Rather, each meal should be reimbursed at a set rate. This will allow the meal reimbursement to be reduced accordingly in instances where the traveler returns in midday or when the traveler participates in business meals which are paid for separately outside the meal reimbursement process.

4. Mileage reimbursements should be based on a chart established by the Village or on the chart mileage in the state travel regulations. Accounting personnel should review all mileage reimbursements to ensure that they comply with the chart mileage in these regulations.
5. The travel reimbursement form should be modified so that odometer readings can be recorded. Not all trips will have standard chart mileage. In these instances, the employee should be required to record odometer readings.
6. Mileage should be recorded separately for each trip on the travel reimbursement form so that trip mileage can be properly reviewed. The practice of recording an aggregate number of miles for several trips makes it impossible to properly review the mileage.
7. No travel reimbursements should be paid until the employee supplies full documentation of all expenses, particularly hotel invoices. Since the hotel bills are typically paid in advance, it is imperative that invoices be received by the Village so that actual hotel stays can be verified.

This information has been provided to the District Attorney for the Fifth Judicial District of Louisiana as required by law. The actual determination as to whether an individual is subject to formal charges is at the discretion of the district attorney.²

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.

R.S. 14:72 provides, in part, that forgery is the false making or altering, with intent to defraud, of any signature to, or any part of, any writing purporting to have legal efficacy.

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, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

The Village of Gilbert is located in Franklin Parish and has a population of 561. The Village was incorporated in 1912 under the Lawrason Act and is governed by a mayor and three council members. The government activities of the Village include general government, public safety, public works, community development, and miscellaneous programs. Most of these governmental activities are funded by sales taxes and property taxes, as well as licenses, permits, and fines.

This examination was performed at the request of the mayor to determine the propriety of certain transactions. The following procedures were performed:

1. Interviewed employees and officials of the Village
2. Interviewed other persons as appropriate
3. Examined selected documents and records of the Village
4. Reviewed applicable state laws and regulations

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Management's Response

ALDERMEN:
 LOIS HARALSON
 LEO MILLER
 LOVIE EZELL

VILLAGE OF GILBERT

MIKE STEPHENS
 MAYOR
 P. O. BOX 600
 GILBERT, LOUISIANA 71336
 PHONE 318-435-6506

DIANE PARKER
 TOWN CLERK

TY BRITT
 CHIEF OF POLICE



I, Mayor of Gilbert, Mike Stephens is offering this as my reply to the audit done in May 2006. When I became aware of the problem in town hall concerning money missing from the village accounts I immediately contacted the Village of Gilbert's Chief of Police, Ty Britt. I advised him of the situation. Mr. Britt in turn called the Franklin Parish Sheriff's Department and an investigation into the missing funds began. The investigators from the Sheriff's office arrived at town hall at which point I and my office staff cooperated fully in this investigation. I also notified the Legislative Auditor's office of this same situation and requested an audit to be conducted by their office. Again, I and my staff fully cooperated with this investigation.

Since the investigation of this matter the town council and I have made the following adjustments:

Ms Robbins position as the Village of Gilbert town clerk has been filled full-time by Diane Parker. Upon hiring a new clerk the issues of incoming or outgoing documents from the town would be initialed by the Mayor. Bank deposits are made on a daily basis and the amount of said deposits are recorded and all balances are left on the Mayor's desk for review.

All checks, especially payroll checks are only allowed to be signed by the Mayor or Mayor Pro-temp with the town clerk being the second signature required. If any documents or checks should have to be signed and the Mayor is unavailable a copy of the signed documents or checks shall be placed in town hall for the review of the Mayor. All bank deposits are to be made on a daily basis.

A financial committee which consists of one council member and the Mayor was established to review all bank statements on a monthly basis until the training process of the assistant town clerk to fill this duty is completed. The town clerk is instructed to provide the Mayor with updated balances of each bank account on every Friday. Once a month the Mayor will review each bank statement and observe all signatures and amounts. The Mayor will initial each bank statement and check upon verification. The Mayor verifies all transfers of bank funds from one account to another.

All personnel hired has an individual personnel file.

Each employee hired is required to read and sign a policy and procedure manual for the Village of Gilbert. A copy of the signed document stating the employee has read the manual is

kept in the employee's file. In addition a statement of the employee's approved salary and pay rate is also kept in the employee file. All part time employees have a time sheet on each pay period. These time sheets are reviewed by myself and initialed. The Mayor approves all time sheets before payroll is issued. A copy of each time sheet is placed in each employee's personnel file. The personnel policy has been updated to show the new ordinance concerning the personnel policies and ensure that each employee is aware of all changes.

A vacation and sick day report is maintained in each employee file. The Mayor or Mayor Pro-temp must approve and sign acknowledgement of any use of these days. Upon reviewing the policy and procedures of the Village of Gilbert, each employee is fully aware that the Village of Gilbert does not offer compensation time.

On the matter of inadequate travel policy.

We are currently working to update the policies on travel allowance, mileage expense, meal expense, and motel expenses. This matter should be resolved by the following council meeting in October 2006.

Thank you for your prompt attention and thorough investigation of this matter.

Sincerely



Mayor Mike Stephens