

TOWN OF MELVILLE



INVESTIGATIVE AUDIT
ISSUED SEPTEMBER 10, 2014

**LOUISIANA LEGISLATIVE AUDITOR
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BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**DIRECTOR OF INVESTIGATIVE AUDIT
AND ADVISORY SERVICES**
ROGER W. HARRIS, J.D., CCEP

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 10, 2014

**THE HONORABLE WILLIE HAYNES, III, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF MELVILLE**
Melville, Louisiana

We have audited certain transactions of the Town of Melville. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of allegations we received.

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 27th Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

MELVILLE 2014

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EXECUTIVE SUMMARY

Utility Payments Not Deposited

Town of Melville (Town) records indicate that from December 1, 2012 through February 28, 2014, utility payments totaling \$62,971 were not deposited into the Town's bank accounts. Both clerks responsible for handling utility collections denied taking any of the missing funds. By failing to properly document, record, and deposit all monies collected, these employees may have violated state law.

BACKGROUND AND METHODOLOGY

The Town of Melville (Town) is located in St. Landry Parish and has a population of 1,041 (Year 2010 Census). The Town was incorporated under the provisions of the Lawrason Act and has a mayor-board of aldermen form of government. The Town provides utility, public safety (police), streets, sanitation, and general administrative services.

On March 12, 2014, the Town's independent auditor notified the Louisiana Legislative Auditor (LLA) of discrepancies between utility collections and utility deposits. 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 Town employees;
- (2) interviewing other persons as appropriate;
- (3) examining selected Town documents and records;
- (4) gathering and examining external parties' documents and records; and
- (5) reviewing applicable state laws and regulations.

FINDING AND RECOMMENDATIONS

Utility Payments Not Deposited

Town of Melville (Town) records indicate that from December 1, 2012 through February 28, 2014, utility payments totaling \$62,971 were not deposited into the Town's bank accounts. Both clerks responsible for handling utility collections denied taking any of the missing funds. By failing to properly document, record, and deposit all monies collected, these employees may have violated state law.^{1,2,3}

The Town did not have written policies and procedures relating to utility collections. During the period covered by our audit, Cynthia Perez, acting assistant town clerk, and Decole McKeel, acting town clerk, were responsible for collecting utility payments, issuing receipts, and recording payments in the Town's computerized utility system. Payments received by the two clerks were generally kept in the same cash drawer that was stored overnight in a locked safe. During this period, no reconciliation procedures were performed to ensure that all funds collected were documented, recorded in the Town's utility system, and deposited in the Town's bank accounts. Approximately every other day, collections were counted and remitted to Ms. McKeel, who prepared the deposit and a cash blotter indicating the amount of funds prepared for deposit. On most days, Ms. Perez transported deposits to the Town's bank.

Payments Not Deposited

Utility payments totaling \$62,971 were received and/or recorded as received but not deposited into Town bank accounts. Town utility system records indicate that from December 1, 2012 through February 28, 2014, payments totaling \$537,883 were recorded in the Town's utility system to customer accounts. However, for the same period, the Town's bank records reflect that only \$474,912 was deposited, leaving a shortage of \$62,971. This amount includes \$40,773 in cash collections that were not deposited into the Town's bank accounts, and payments recorded to customer accounts totaling \$22,198 for which the Town had no record of receipt and no corresponding bank deposit.

Cash Collected But Not Deposited

We examined receipt books maintained by the Town and amounts recorded to the utility system and then compared the amount of cash collected to the cash deposited into the utility fund bank account. These records indicate that from December 1, 2012 to February 28, 2014 the Town collected cash payments in the amount of \$205,734. However, for the same period, the Town's bank records reflect that cash totaling \$164,961 was deposited, leaving a shortage of \$40,773.

Mayor Willie Haynes stated that he verbally instructed Town employees to issue receipts for all utility payments. Town employees provided us with the utility payment receipt books, which indicated that a majority (89%) of the receipts were issued by Ms. Perez.

Ms. Perez stated that she issued receipts for all payments, balanced the cash receipts in her receipt book to the cash she remitted to Ms. McKeel for deposit, and recorded payments to the utility system from the Town's copy of the receipts. However, there was no documentation to indicate the total amount of collections remitted by Ms. Perez to Ms. McKeel for deposit.

Ms. McKeel stated that she collected utility payments in Ms. Perez's absence but did not issue receipts for all payments she collected. Ms. McKeel stated that she recorded payments to customer accounts immediately upon receiving the payments from the customers. She stated that all funds were stored in the locked safe overnight, and on the following day Ms. Perez would count the drawer and provide her (McKeel) with the collections. Ms. McKeel further stated that she would count the funds remitted to her by Ms. Perez and prepare the deposit and a cash blotter indicating the amount to be deposited. Because we were able to reconcile the amounts recorded on the cash blotters to the amounts deposited in the Town's bank account, it appears that utility collections went missing before Ms. McKeel prepared collections for deposit. Both Ms. Perez and Ms. McKeel denied taking any of the missing funds.

Ms. McKeel stated that she did not know why the cash payments recorded in the utility system did not equal the amount of cash deposited into the bank. She acknowledged that deposits were not made on a daily basis and that she did not perform any reconciliation to ensure that all amounts collected were recorded to the utility system and that those amounts matched bank deposits. Ms. McKeel stated that if the Town's general fund checking account was running low she deposited utility funds collected directly to the general fund. However, during the period of our audit from December 1, 2012 through February 28, 2014, we found that no utility collections were deposited into the general fund checking account.

Payments Recorded with No Deposit

During our audit, we also noted that Town employees recorded payments to customer accounts totaling \$22,198 for which the Town had no record of receipt and no corresponding bank deposit. This would indicate that customers had payments recorded to their accounts without actually making a payment or the Town received payments for which the collecting clerk recorded the customer payment, failed to issue a receipt, and failed to deposit the payment into the Town's bank account. Recording the payment in the customer's account would prevent a customer who had paid, but not had their payment deposited, from having his/her utility services cut off.

According to Ms. Perez, she recorded payments to the utility system from her receipt books. We were able to determine that the payments Ms. Perez collected were properly recorded to customers' accounts. However, because Ms. McKeel did not always issue receipts for utility payments, the actual amount of money that Ms. McKeel collected and recorded to the utility system cannot be determined. Ms. McKeel stated that she has, on occasion, recorded cash payments to customer accounts without collecting payments in order to correct the customers' accounts due to billing errors. Ms. McKeel stated that she

posted these payments because she did not know how to adjust the customer's bill in the software. However, reports generated from the Town's utility billing software indicate that Ms. McKeel did enter adjustments to customer accounts to correct for billing errors.

By failing to properly document, record, and deposit all monies collected, Town employees may have violated state law.^{1,2} In addition, state law³ requires the town clerk to maintain full and accurate records of all funds received. It appears that as the town clerk, Ms. McKeel failed to maintain accurate records of funds collected by the Town and failed to deposit those funds on a daily basis. By failing to safeguard public funds and maintain adequate documentation required by law, Ms. McKeel may have violated state law.^{1,2,3}

Recommendations

We recommend that the Town's management develop and implement policies and procedures to ensure that payments collected by the Town are accounted for and deposited daily. Town management should:

- (1) require that all funds collected be adequately documented, accurately recorded, and deposited daily in accordance with state law;
- (2) review and compare the daily total deposits to the total receipts on a regular basis and immediately investigate any differences;
- (3) ensure that employees are properly trained on cash handling policies and procedures;
- (4) 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;
- (5) require management to approve (in writing) all adjustments to customer accounts;
- (6) require each clerk to maintain their own separate cash drawer and prohibit them from working out of each other's drawer. Each drawer should be maintained and locked at all times and balanced on a daily basis; and
- (7) require that each clerk establish and use a separate user account in the utility system.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:134 (A)** states, “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.”

² **La. R.S. 39:1212** states, in part, that “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.”

³ **La. R.S. 42:282** states, 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.”

APPENDIX A

Management's Response

MAYOR
Willie C. Haynes, III

TOWN COUNCIL
Marshall Bertrand
Michelle Hartford
Denise Oliney Rose
Christine Vaughn
Velma Hendrix

TOWN CLERK
Decole McKeel



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ASSISTANT TOWN CLERK
Cynthia Perez

TOWN ATTORNEY
Chad P. Pitre

C.P.A. / AUDITOR
Kolder, Champagne,
Slaven & Company

TOWN OF MELVILLE

P. O. Box 268
Melville, LA 71353-0268
(337) 623-4226
Fax: (337) 623-3620

August 27, 2014

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

Dear Mr. Purpera:

I would like to take this opportunity to say Thank You to you and your staff for the professional job done during the Town of Melville's Audit Investigation.

Also, a very special Thank You to Mr. Jonathan Hodson and Mrs. Amy Dees for the amount of patience shown during the entire investigation.

As a result of the Audit Investigation the Mayor and Council are fully aware of the need to develop Policies and Procedures, not only for the Clerks' Office but for the entire day to day operation. By developing these Policies and Procedures it will help to Safe Guard public funds and allow adequate documentation as required by law.

Because of the possibility that State Laws may have been violated a copy of the Audit Investigation will be given to the District Attorney's Office for review.

Again, as a result of the Audit Investigation the Mayor and Council will develop and implement the following Policies and Procedures to ensure that payments collected by the Clerk and Assistant Clerk will be accounted for and deposited daily.

The mayor and Council will require the following from the Clerk and Assistant Clerk:

"Atchafalaya River Catfish Capital of Louisiana"

MAYOR
Willie C. Haynes, III

TOWN COUNCIL
Marshall Bertrand
Michelle Hartford
Denise Oliney Rose
Christine Vaughn
Velma Hendrix

TOWN CLERK
Decole McKeel



ASSISTANT TOWN CLERK
Cynthia Perez

TOWN ATTORNEY
Chad P. Pitre

C.P.A. / AUDITOR
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TOWN OF MELVILLE

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1. Require that all funds collected be adequately documented, accurately recorded, and deposited daily in accordance with state law;
2. Review and compare the daily total deposits to the total receipts on a regular basis and immediately investigate any differences;
3. Ensure that employees are properly trained on cash handling policies and procedures;
4. Require a monthly reconciliation of customer accounts receivable balances. Each month, the total of customers 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 proper system of controls over customer accounts;
5. Require management to approve (in writing) all adjustments to customer accounts;
6. Require each clerk to maintain their own separate cash drawer and prohibit them from working out of each other's drawer. Each drawer should be Maintained under lock at all times and balanced on a daily basis; and
7. Require that each clerk establish and use a separate user account in the utility system.

MAYOR
Willie C. Haynes, III

TOWN COUNCIL
Marshall Bertrand
Michelle Hartford
Denise Oliney Rose
Christine Vaughn
Velma Hendrix

TOWN CLERK
Decole McKeel



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ASSISTANT TOWN CLERK
Cynthia Perez

TOWN ATTORNEY
Chad P. Pitre

C.P.A. / AUDITOR
Kolder, Champagne,
Slaven & Company

If you should need additional information please contact me at: 337-592-3412
or 337-623-4226.

Sincerely,

A handwritten signature in blue ink that reads "Willie C. Haynes, III". The signature is written in a cursive style with a horizontal line at the end.

Willie C. Haynes, III
Mayor Town of Melville

I have read the Audit Findings. In 2012 when the Former Clerk left, I was immediately thrown into the clerk's position without any proper training. I do feel that most of the findings were due to lack of training for both Mrs. Cindy and myself. I had to learn how to perform all the former clerk's Job duties on my own. I was never given any training at all on how to operate the utility system. I knew how to post payments that was it. When Mrs.Cindy was hired, she had no computer skills, didn't know how to operate the fax machine or copy machine, I had no help. I've complaint several times to the Mayor and Council about different matters that was going on in the office with procedures not being done right, and many complaints that were being made about Mrs. Cindy from customers of her messing up their accounts and payments and everything. I was never sworn in as Town Clerk, I'm just doing the duties.

I've complaint several times about me not having the proper training I needed in other to perform some of these work duties. There were never any type of written job duties or procedures put in place for the Town for the workers to go by. I did everything according to my own knowledge the best I knew how.

I always give written receipts for cash payments when I collect them. There are only two customers that pay with checks and just walk in and place check on counter and leave out, saying their check is their receipt, but this rarely ever happens. And I post all my payments each time. When the Mayor addressed me and Mrs. Cindy to always give receipts for check no matter if they want it or not, we started doing so.

I called the Mayor and Council on many occasions where Mrs. Cindy had mess up on payments, posting, receipts, and keeping track with money in her draw at all times. And I also showed a lot of things in the office that was going wrong to both the Mayor and Council. Mrs. Cindy would constantly misplace money, books and different stuff in office. And admit that she had a memory problem. I also called the Mayor and told him what was going on and what she told me.

When Mrs.Cindy bring her deposit to me, I don't know whether the money she is giving me to recount is the correct about that's suppose to be deposit or not. She counts the money and add up the checks first before she even give it to me. Then I re count it and make out deposit slip and hand it right back to her so that she can see if the amount is correct and she's able to compare the amount to her totals, and bring to the bank. On several occasions Mrs. Cindy has come to me and said I have the deposit ready but not sure if it's correct, because she still had extra money left in drawer. One day I asked her was she sure that she had given me everything to deposit and that it was correct, because a holiday was coming and we were going to be out for a few days. And she assure me that was everything, all of the deposit. So ten minutes later when she open her draw, I notice she still had a lot of money in there, so I asked her Mrs. Cindy I thought you told me that was everything out of your draw, and she replied oh I must have forgot to give you all of it, and I asked her well where does it go, and she said must be with the one deposit she had already just given me, and I couldn't understand what she had done, so I ask her to just go head count her drawn down, so she did so, and she still had a total of \$1503.00 in here draw. The Secretary from police dept was up there at front window and seen and heard everything, so I wrote up a statement of what had took place and had Mrs. Cindy to sign it for me and I called the Mayor and Council also. Mrs. Cindy has stated many times that she has trouble with her memory. A lot of the many mistakes she has made was from lack of training. I tried to help her out as much as I can but it's hard to

do my work and hers too. I've had to constantly stop my work to assist her with her work. I've also complaint about trouble that Mrs. Cindy and I was having with the Utility system for a while, when she would post payments sometimes she said it wouldn't take the payment and sometimes it would take the payment, but when she go back into system again the payment wouldn't show up. And sometimes it wouldn't allow me to do adjustments or anything. We had a lot of trouble with the utility system. Mrs. Cindy and I both always write receipts for all cash payments.

Mrs. Cindy is a witness that maybe once I twice I had to transfer money from the utility funds to make up for funds for the General Fund, I'm not sure how it was coded or what it was coded under, because like I stated I've never been properly train on how to do any of this work, I'm just basically learning everything on my own as I go and doing things to the best of my ability.

I do not feel that I have broken any Law, because I didn't have the proper training, there was never any written policies or procedures given to us from the Town of Melville at all. And I haven't been sworn in as Town Clerk. I love my Town and I'm doing everything I can to my knowledge to keep things going. Now that we've had a little insight on how to do things, it's going a lot better. And I will strive my best to keep it this way.



Decole Mckeel

September 4, 2014

Fax No: 225-388-4150

Fax From: Cynthia Perez

RE: Audit

I have read the audit report regarding the audit at my place of employment, Melville Town Hall, and consulted with an attorney. As indicated in report I have followed instructions given in regards to the way all money was received and deposited. Prior to the audit I wrote receipts for all money collected and posted to accounts. I then counted money collected with my supervisor and all money was left with the supervisor. Upon completion of deposit ticket by my supervisor, and when instructed I took the deposit to the bank. I did not verify deposit amount due to not being instructed to do so. I feel that I followed instructions as given and after being advised to the correct method of confirming/verifying receipts, account records, and deposits my supervisor and I have followed these recommendations.

Cynthia Perez