

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Winn Parish School Board
Winnfield, Louisiana

June 28, 2001



Investigative Audit

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

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Winn Parish School Board

June 28, 2001



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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June 28, 2001

**THE HONORABLE JOE LYNN BROWNING,
PRESIDENT, AND MEMBERS OF THE
WINN PARISH SCHOOL BOARD**
Winnfield, Louisiana

Transmitted herewith is our investigative report on the Winn Parish School Board. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of a certain allegation received by this office.

This report presents our finding and recommendation as well as management's response. Copies of this report have been delivered to the Honorable Terry Reeves, District Attorney for the Eighth Judicial District of Louisiana, and others as required by law.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

SED:MJL:DGP:ss

{WINNSB}

EXECUTIVE SUMMARY

INVESTIGATIVE AUDIT REPORT WINN PARISH SCHOOL BOARD

The following summarizes the finding and recommendation as well as management's response that resulted from this investigative audit. Detailed information relating to the finding and recommendation may be found at the page number indicated. Management's response may be found at Attachment I.

Highlights. . .

School board officials discovered possible improper activity. The district attorney notified the legislative auditor.

- ❑ *Former bookkeeper, Angela Hutto Smith, used \$30,947 for personal use.*
 - ❑ *Money was used for cash, personal utilities, tuition, and the purchase of a tanning bed.*
 - ❑ *School board records were missing and/or altered.*
 - ❑ *School board should separate certain incompatible duties and secure signature plates.*
-

On March 12, 2001, officials of the school board discovered that an employee issued checks payable to herself and had apparently *cashd these checks or otherwise used them for her personal benefit*. On March 16, 2001, the Honorable Terry R. Reeves, District Attorney for the Eighth Judicial District of Louisiana informed the legislative auditor of these activities. This investigative audit was conducted to determine the propriety of these transactions.

Finding (See pages 4-8.)

From February 11, 1999, to February 20, 2001, Ms. Angela Hutto Smith, former bookkeeper, issued 57 school board checks totaling \$30,947.27, to which she was not entitled, for her personal use. Ms. Smith issued, endorsed, and cashed many of the checks and used others to pay her utility bills, cable television, and tuition at Northwestern State University and to purchase a tanning bed. It appears that Ms. Smith attempted to conceal this activity by removing records from the school board's payment files and altering the recorded payee on school board documents.

Recommendation (See page 9.)

We recommend that the Winn Parish School Board develop and implement procedures to ensure that checks are only issued for valid expenditures of the school board. In addition, the school board should ensure that employee duties are adequately separated to ensure that incompatible functions are not performed by the same employee including preparing checks, having signature authority for checks, and recording and reconciling the bank account. Furthermore, the supply of checks and the signature plate should be kept in a secure location at all times.

In addition, we recommend that the District Attorney for the Eighth Judicial District of Louisiana review this information and take appropriate legal action regarding possible violations of state laws, to include seeking restitution.

Management's Response (See pages 11-12.)

-
- *School board officials discovered unauthorized practices by the bookkeeper.*
 - *School system has taken actions to strengthen the bookkeeping and accounting procedures.*
-

On March 12, 2001, discoveries were made of unauthorized practices by the school board bookkeeper, Ms. Angela Hutto Smith. Ms. Smith was immediately suspended from her job responsibilities and her employment was terminated in accordance with school board policy. Since discovery of these unauthorized practices, the school system has taken certain actions to strengthen the bookkeeping and accounting procedures to safeguard against these types of wrongful actions. The safeguard measures include the following: (1) each check written on all accounts is accounted for by an employee who has no check preparation responsibilities; (2) reconciliatory responsibilities have been assigned to individuals who do not have check preparation responsibilities; and (3) the business manager reviews accounts more thoroughly on a more frequent basis. Every effort is being made to ensure that all bookkeeping and accounting procedures are efficiently and competently conducted according to statutes regulating the receipt and expenditures of public funds.

Background and Methodology

The Winn Parish School Board was created by Louisiana Revised Statute 17:51 to provide public education for the children within Winn Parish. The school board is authorized by Louisiana Revised Statute 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The school board is comprised of eleven members who are elected for terms of four years. The school board operates eight schools within the parish with a total enrollment of approximately 3,253 pupils for the year ended June 30, 2000.

On March 12, 2001, officials of the school board discovered that the school board bookkeeper had prepared checks, without authorization, payable to herself and had apparently cashed these checks or otherwise used them for her personal benefit. On March 16, 2001, the Honorable Terry R. Reeves, District Attorney for the Eighth Judicial District of Louisiana informed the legislative auditor of these activities. This investigative audit was conducted to determine the propriety of these transactions.

The procedures performed during this investigative audit consisted of:

- (1) interviewing employees of the school board;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the school board;
- (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and
- (5) reviewing applicable Louisiana laws.

We acknowledge the assistance provided this investigation by Superintendent Steve Bartlett and members of his staff.

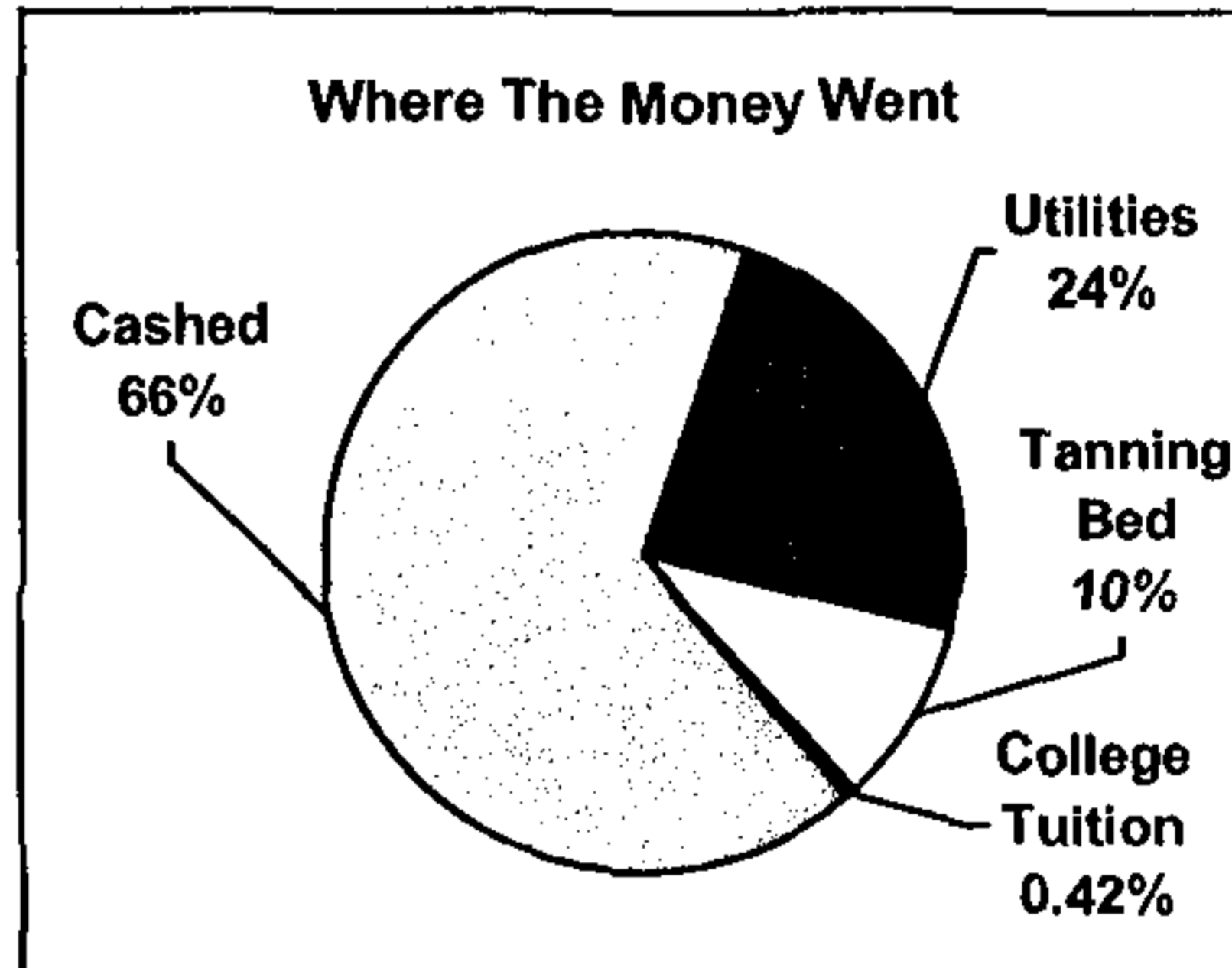
FINDING

BOOKKEEPER USED SCHOOL BOARD FUNDS FOR PERSONAL USE

Ms. Smith, the bookkeeper, admitted to taking money for her personal use.

Ms. Smith obtained cash and used money for her utilities, college tuition, and a tanning bed.

From February 11, 1999, to February 20, 2001, Ms. Angela Hutto Smith, former bookkeeper, issued 57 Winn Parish School Board (school board) checks totaling \$30,947.27, to which she was not entitled, for her personal use. According to three school board officials, Superintendent Steve Bartlett; Ms. Tami Austin, Business Manager; and Mr. Ronald Canerday, the school board's director of personnel, Ms. Smith admitted that she issued, endorsed, and cashed 22 checks, totaling \$18,604.55, payable to herself and four other employees. The remaining 35 checks, which totaled \$12,342.72, included additional payments to Ms. Smith as well as checks used to pay for Ms. Smith's utility bills, cable television, tuition at Northwestern State University and to purchase a tanning bed.



Ms. Smith served as the bookkeeper for the school board until her termination on March 13, 2001. One of Ms. Smith's primary responsibilities was to process payroll related expenses. While serving the school board, Ms. Smith issued 57 school board checks on her behalf from two of the school board's bank accounts as follows:

No. of Checks	Total	Explanation
32	\$20,537.23	Payable to herself and others and cashed
23	7,316.04	Payable to utility vendors for her telephone, electricity, natural gas, and cable television bills
1	2,964.00	Purchase of a tanning bed
1	130.00	Tuition at Northwestern State University
	<u>\$30,947.27</u>	

- *Tanning Bed Purchase - invoice faxed from Galesburg Electric/TanForLess.*

MAR-14-2001 WED 11:55 AM GALESBURG ELECTRIC
 TanForLess.com
 739 S. Henderson Street
 Galesburg, IL 61401
 877-830-7026 302-343-4174

FAX NO. 308 843 4098

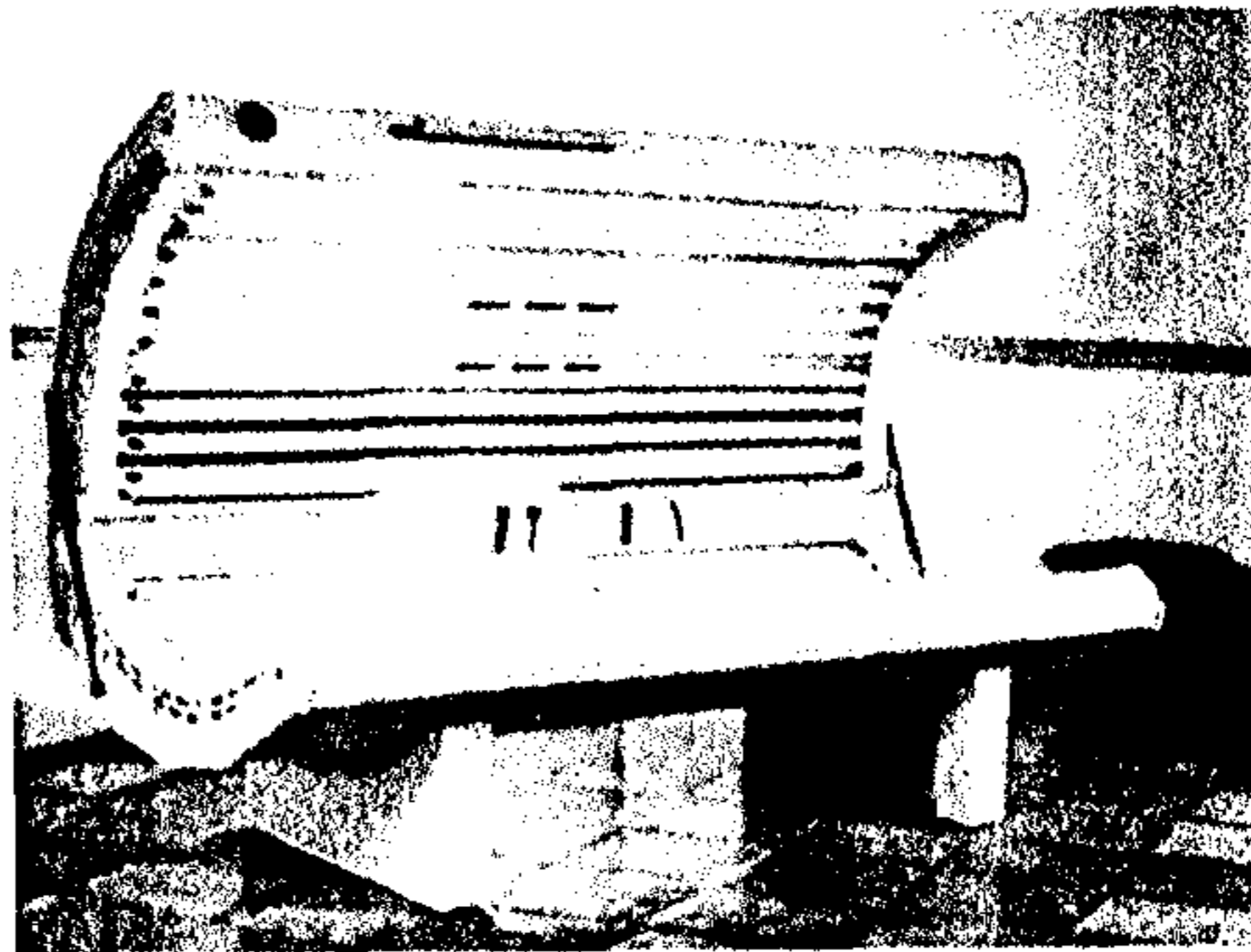
P. 01

Invoice No. 018993
 Date: 03/01/01
 Page No. 1

- *Tanning bed shipped to Angie Smith.*

.1d INT
 0

SHIP TO: ANGIE SMITH
 To: 1507 TEXAS ST
 WINNFIELD, LA 71483
 THANK YOU!!!



- *Check made payable to Eric Johnson of TanForLess.*

WINN PARISH SCHOOL BOARD PAYROLL ACCOUNT P.O. DRAWER 430 WINNFIELD, LOUISIANA 71483		BANK OF WINNFIELD AND TRUST COMPANY WINNFIELD, LOUISIANA 84-84/3111	CHECK NO. 5501
DATE 02/28/2001 AMOUNT \$2,964.00		TWO THOUSAND NINE HUNDRED SIXTY FOUR AND 00/100 DOLLARS	
PAY TO THE ORDER OF ERIC JOHNSON 739 SOUTH HENDERSON ST GALESBURG, IL 61401		NOT VALID AFTER 90 DAYS	

- *Check deposited into account of Galesburg Electric.*

5501	03/08/01	2,964.00
REPASS 03/08/01 0 521 8702013542		
1110-00211-0211-0 15460984717 2205 4013 02 88 144		

Ms. Smith apparently concealed her actions by removing and altering documents.

It appears that Ms. Smith attempted to conceal the 57 checks issued for her personal use in several different ways: (1) there was no documentation for the 57 payments contained within the school board's payment file; (2) in a second file, where a file copy of the check is maintained, there was no file copy retained for 14 of the 57 checks; and (3) the payee information on 12 of the file copies were altered to indicate different payees than the payees on the actual checks.

Example of check made payable to Smith, endorsed and cashed by Smith, but file copy altered to read payable to State Employees Group Benefits.

WINN PARISH SCHOOL BOARD
 PAYROLL ACCOUNT
 P.O. BOX 430
 WINNFIELD, LOUISIANA 71483

BANK OF WINNFELD & TRUST CO.
 Winnfield, Louisiana
 84-84
 1111

CHECK NO. 5382

DATE 12/11/2000 CHECK NO. 5382 AMOUNT \$208.92

TWO HUNDRED EIGHT AND 92/100 DOLLARS

PAY TO THE ORDER OF ANGELA HUTTO SMITH
 POST OFFICE BOX 65
 WINNFIELD, LA 71483

CASH CHECK ON DE 30.11%
 1/6/16 # 2 \$208.92
 1/12/12 12/15/12

NOT VALID AFTER 90 DAYS

5382* 0111100844* 00 1061 8*

00000020892*

Actual Check 5382 for \$208.92 made payable to Angela Hutto Smith.

RELEASE
 12/11/00
 8506390400

Check 5382 endorsed by Angela H. Smith.

Angela H. Smith

42590

INVOICE NO.	INVOICE DATE	GROSS AMOUNT	DISCOUNT	NET AMOUNT
121100	12/01/2000	\$208.92	.00	\$208.92
*** VOUCHER TOTALS ***		\$208.92	.00	\$208.92

School board file copy of check 5382 for \$208.92 with the payee altered from the original.

WINN PA BOARD
 WINNFIELD, LA 71483

BANK OF WINNFELD & TRUST CO.
 Winnfield, Louisiana
 84-84
 1111

CHECK NO. 5382

DATE 12/11/2000 CHECK NO. 5382 AMOUNT \$208.92

TWO HUNDRED EIGHT AND 92/100 DOLLARS

PAY TO THE ORDER OF STATE EMPLOYEES GROUP BENEFITS
 POST OFFICE BOX 4436
 CAPITOL STATION
 BATON ROUGE, LA 70804

NOT VALID AFTER 90 DAYS

NON-NEGOTIABLE

005382 0111100844* 00 1061 8*

Ms. Smith admitted to school board officials that she issued, endorsed, and cashed checks totaling \$18,604.55, to which she was not entitled.

According to Superintendent Bartlett, Ms. Smith explained that she had prepared extra checks for herself because she had lost her child support and that she did not have money to pay her utility bills. As noted previously, Ms. Smith admitted to Superintendent Bartlett and other officials that she issued, endorsed, and cashed 22 checks totaling \$18,604.55 made payable to herself and four other employees. Ms. Smith further admitted that she:

- Altered the payee name on the school board's duplicate of one check
- Signed the superintendent's initials indicating approval of payment for numerous checks
- Signed the endorsements of the four school employees in whose names checks were made payable

By using school board funds for her own personal gain, Ms. Smith may have violated one or more of the following laws:

- R.S. 14:67, "Theft"
- R.S. 14:72, "Forgery"

The actual determination as to whether the individual is subject to formal charge is at the discretion and determination of the district attorney.

RECOMMENDATION

School board should separate certain incompatible duties and secure signature plates.

We recommend that the Winn Parish School Board develop and implement procedures to ensure that checks are only issued for valid expenditures of the school board. In addition, the school board should ensure that employee duties are adequately separated to ensure that incompatible functions are not performed by the same employee including preparing checks, having signature authority for checks, and recording and reconciling the bank account. Furthermore, the supply of checks and the signature plate should be kept in a secure location at all times.

In addition, we recommend that the District Attorney for the Eighth Judicial District of Louisiana review this information and take appropriate legal action regarding possible violations of state laws, to include seeking restitution.

Attachment I

Management's Response

Winn Parish School Board

POST OFFICE BOX 430
304 EAST COURT STREET

WINNFIELD, LOUISIANA 71483-0430

TELEPHONE: 318-628-6936
FAX: 318-628-2582

June 20, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

RECEIVED
LEGISLATIVE AUDITOR
2001 JUN 22 PM 2:19

Dear Dr. Kyle:

On March 12, 2001, discoveries were made of unauthorized practices by a Winn Parish School Board central office bookkeeper, Ms. Angela Hutto Smith. These practices were in variance with Winn Parish School Board policy, resulting in apparent theft of public funds. Indications were that Ms. Smith had written checks without authorization; initialed superintendent approval of these checks; cashed these checks at local banks and purchased personal property with public funds. It was apparent that attempts were made by Ms. Smith to conceal her unauthorized actions. Ms. Smith's actions were reported to the Winn Parish School Board legal counsel for advisement. Ms. Smith was immediately suspended from her job responsibilities and her employment was terminated in accordance with Winn Parish School Board policy at a called meeting of the board on March 26, 2001.

Dr. Kyle, your office conducted an in-depth investigation of this matter during the week of March 19-23, 2001. Mr. Samuel DeLee was the primary investigator. Mr. DeLee presented a summary of his findings and recommendations to Winn Parish School Board representatives on June 19, 2001. Those attending this meeting were members of the Winn Parish School Board Executive Committee: Mr. Joe Lynn Browning, board president; Mr. Donald Carpenter; and Mr. B. R. Audirsch. Also in attendance were Ms. Tami Austin, business manager; Mr. R. D. Canerday, personnel director; and Superintendent Steve Bartlett. The report was well received with total agreement of findings and recommendations.

Since discovery of these unauthorized practices, the Winn Parish school system has assessed its bookkeeping procedures. As a result of this assessment, certain actions have been taken to strengthen the bookkeeping and accounting procedures to safeguard against these types of wrongful actions. The safeguard measures include the following: 1) each check written on all accounts is accounted for by an employee who has no check preparation responsibilities; 2) reconciliatory responsibilities have been assigned to individuals who do not have check preparation responsibilities; and 3) the business manager reviews accounts more thoroughly on a more frequent basis. Additional internal

Dr. Dan G. Kyle


-2-

June 20, 2001

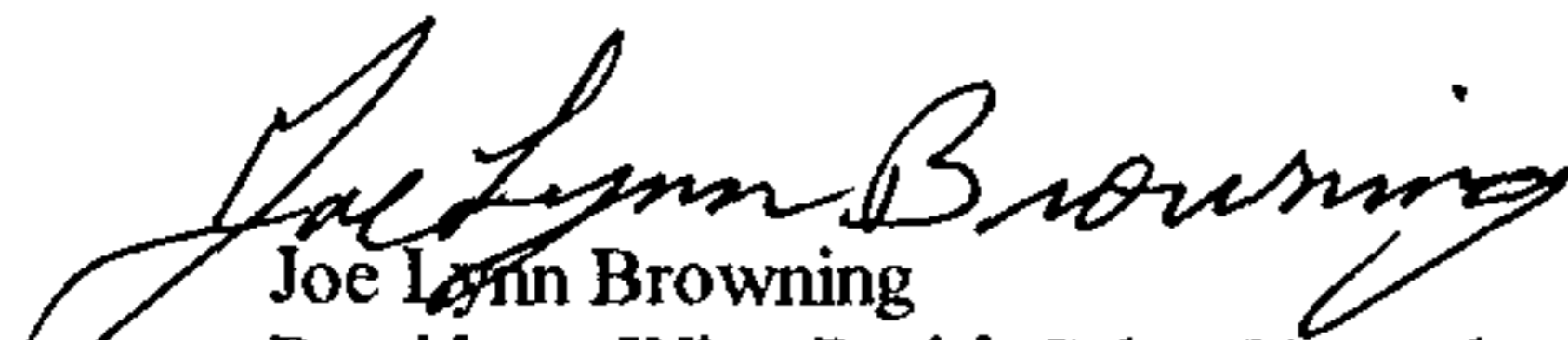
control procedures are being developed for immediate implementation. Every effort is being made to ensure that all bookkeeping and accounting procedures are efficiently and competently conducted according to statutes regulating the receipt and expenditures of public funds.

Dr. Kyle, the Winn Parish School Board expresses sincere appreciation to the Office of Legislative Auditor for the professional, efficient, and competent manner in which this investigative audit was conducted.

Sincerely,



Steve Bartlett
Superintendent



Joe Lynn Browning
President, Winn Parish School Board

Attachment II
Legal Provisions

Legal Provisions

The following legal citations are referred to in the Finding section of this report:

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.

