

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Madison Parish Port Commission
Tulahoma, Louisiana

September 5, 2004



Investigative Audit

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

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Madison Parish Port Commission

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

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

September 5, 2004

**MR. DONALD PRAZIER, CHAIRMAN,
AND MEMBERS OF THE BOARD OF COMMISSIONERS
MADISON PARISH PORT COMMISSION
Tulakoh, Louisiana**

Transmitted herewith is our investigative audit report on the Madison Parish Port Commission. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations, as well as your response. Copies of this report have been delivered to the Madison Parish Port Commission; the Honorable James D. Caldwell, District Attorney for the Sixth Judicial District of Louisiana; and others as required by law.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

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Executive Summary

Investigative Audit Report Madison Parish Port Commission

Highlights...

The Legislative Auditor received a call from the port director stating that Ms. Kathy Jobe, secretary-treasurer, had attempted to move funds to an unauthorized bank account.

On April 28, 2001, the Office of Legislative Auditing received a call from Dr. Clyde Thompson, port director, stating that the Port's secretary-treasurer, Ms. Kathy Jobe, had established an unauthorized bank account in the Port's name at Regions Bank in Monroe, Louisiana. Dr. Thompson further stated that he had received a call from the Port's bank, Hibernia National Bank in Tallulah, stating that Ms. Jobe had attempted to move funds from the unauthorized account to her personal account at Hibernia. This investigative audit was performed to determine the propriety of these allegations.

Finding. (See pages 5-6.)

Ms. Kathy Jobe, secretary-treasurer for the Port

- Opened an unauthorized bank account
- Deposited \$85,875 to this unauthorized account
- Issued 43 checks from this account totaling \$64,913 to herself and her creditors

Ms. Kathy Jobe, secretary-treasurer for the Madison Parish Port Commission (Port), stated that she diverted Port funds for her personal use to an unauthorized bank account that she opened in the name of the Port. From May 2, 2000, to April 9, 2001, Ms. Jobe deposited nine checks made payable to the Port totaling \$85,875 to an account that only she could access at Regions Bank in Monroe, Louisiana. During the same period of time, Ms. Jobe wrote 43 checks from this account totaling \$64,913 to herself and her creditors. According to Dr. Thompson, Ms. Jobe was not authorized to open a new bank account.

Recommendations (See page 11.)

Port should ensure that:

- Accounts billed are collected.
- Revenues are properly recorded.
- Collections are deposited into the appropriate accounts.
- Deposits are reconciled to collections.
- Bank statements are reconciled by an appropriate supervisor.

The lack of accounting controls and separation of accounting functions allowed Ms. Jobe to divert Port revenues to an unauthorized bank account without detection in the normal course of business. We recommend that the Port review its accounting procedures and internal controls and establish such controls that will reduce the likelihood of irregularities occurring in the future without timely detection. These policies and procedures should, at a minimum, ensure that (1) accounts billed are collected; (2) revenues are properly recorded; (3) collections are deposited into the appropriate accounts in a timely manner; (4) deposits are reconciled to collections; and (5) bank statements are reconciled and reviewed periodically by an appropriate supervisor.

We further recommend that the District Attorney for the Sixth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Management's Response (See Attachment I.)

Management states that it has reviewed the results of the investigative audit and recommendations for internal controls. Based on these recommendations, the Madison Parish Port Commission will formally adopt policies and procedures for improved internal controls. The adopted policies and procedures will require that the port director perform the following each month: (1) review billings and support to ensure that billings include all amounts owed the port commission, support is adequate, and that all calculations are correct; (2) agree or reconcile deposit amounts to monthly billings, investigate the cause and justification of any differences, and verify that deposits were made within a timely period of receipt; (3) review the general ledger history to ensure that amounts posted agree with deposit slips and that amounts are posted to the correct revenue accounts; and (4) review bank reconciliations to ensure that all closed and outstanding checks and deposits have been properly accounted for and that bank statements do not reflect any unidentified transactions.

Background and Methodology

The Madison Parish Port Commission (Port) was created by Act 389 of the 1966 Session of the Louisiana Legislature as the governing authority of the Madison Parish Port, Harbor, and Terminal District. Seven commissioners, six of whom are appointed by the Madison Parish Police Jury and one of whom is elected by the six appointed members, serve as the governing authority of the Port. On April 20, 2001, the Office of Legislative Auditor received a call from the port director stating that the Port's secretary-treasurer, Mr. Kathy Jobe, had established an unauthorized bank account in the Port's name at Regions Bank in Monroe, Louisiana. The port director further stated that he had received a call from the Port's bank, Hilborn National Bank in Tallulah, stating that Mr. Jobe had attempted to move funds from the unauthorized account to her personal account at Hilborn. This investigative audit was performed to determine the propriety of these allegations.

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

The results of our investigative audit are the finding and recommendations herein.

PUBLIC FUNDS DEPOSITED TO AN UNAUTHORIZED BANK ACCOUNT FOR PERSONAL USE

The Port was created by the Louisiana Legislature as the governing authority of the Madison Parish Port, Harbor, and Terminal District. The Port leases space to companies in order to stimulate economic growth in Madison Parish. From May 2000 to April 2001, the Port received lease payments totaling \$80,835 from ArcoMobile Industries and Tural River Services. These funds should have been deposited into the Port's bank account. Dr. Thompson stated that on April 25, 2001, he was informed that the Port's secretary-treasurer, Mr. Kathy Aboe, diverted these monies to an account at Regions Bank in Monroe, Louisiana. According to Dr. Thompson, neither he nor the Port's Board of Commissioners had any knowledge of the existence of this account.

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Ms. Jobe was responsible for the operation of the Port's office.

As the Port's secretary-treasurer, Ms. Jobe was responsible for the daily operation of the Port's office, which included preparing invoices, and collecting and depositing Port revenues. On April 23, 2001, Ms. Jobe stated that she deposited, for her personal use, checks received by the Port from Arvondale into a bank account that she opened at Regions Bank in Monroe, Louisiana.

Ms. Jobe diverted Port revenues to an unauthorized bank account.

Ms. Jobe explained that she opened the account with a \$38,850 check from Arvondale and that the subsequent deposits were mainly from \$7,000 payments received recently from Arvondale. Records indicate that Ms. Jobe deposited revenues from Arvondale Industries totaling \$79,850 and \$4,005 from Terrell River Services to the unauthorized account. Ms. Jobe stated that she opened the account in Monroe, Louisiana, because she did not think she could open an account in the Port's name in Tallulah, Louisiana, without raising attention.

Ms. Jobe used \$64,913 of the funds for her personal use including \$38,467 in checks to herself and \$14,446 to pay her personal creditors. (See table below.) The bank charged \$125 to the account for printing and service charges. The remaining \$18,823 was the ending balance in the account. These funds have been transferred to a legitimate Port account.

During this period, 31 checks totaling \$38,467 were made payable to "Kathy Jobe" and subsequently negotiated by Ms. Jobe. Ms. Jobe stated that she would make the checks payable to herself, endorse the checks, and then cash them at Regions Bank.

One of 31 checks Ms. Jobe made payable to herself from the unauthorized account at Regions Bank.



In addition, Ms. Jobe wrote 12 checks totaling \$34,446 directly to her personal creditors.

Payments to Personal Creditors

Date	Creditor	Amount	Total
05/18/2000	Bell South	\$291.87	\$291.87
06/01/2000	Energy	63.69	
07/18/2000	Energy	170.88	234.57
06/01/2000	Habovick & Spedale	100.00	
11/02/2000	Habovick & Spedale	9,900.00	9,900.00
06/01/2000	Greg Eaton	100.00	
06/09/2000	Greg Eaton	1,252.15	1,352.15
06/29/2000	Watson	418.90	
07/04/2000	Watson	56.47	475.37
09/04/2000	Flora Associates	338.42	338.42
06/01/2000	Sears	173.33	
01/25/2001	Sears	1,899.63	<u>1,572.96</u>
Total			<u>\$34,446.90</u>

Ms. Jobe stated that she used the money to give to her son, fix her son's car, pay off her personal credit card bills, and purchase a laptop computer and furniture. According to documentation obtained from Ms. Jobe's residence, the payments issued to Habovick & Spedale, Greg Eaton, and Flora Associates were for the full or partial settlement of outstanding credit claims against Ms. Jobe.

On April 20, 2001, Ms. Jobe attempted to deposit a \$5,800 country check from the Regions Bank account into her personal bank account at Hilbemia National Bank. Hilbemia National Bank president and former Port board member, Todd Burgess, discovered the check and notified Dr. Thompson. Dr. Thompson stated that he called Regions Bank and had the account's remaining balance of \$18,837 frozen. Ms. Jobe stated that she tried to deposit the check into her account because she was in the process of purchasing a new car. Ms. Jobe explained that she attempted to deposit a country check from the Regions account because it did not have the Port's name printed on it.

Ms. Jobe stated that she gave some of the money to her son, paid personal credit card bills, and purchased a computer and furniture.

Ms. Jobe attempted to deposit a \$5,800 country check into her personal account. The bank president notified the port director who requested that the account's remaining balance be frozen.

Ms. Jobe did not write in Madison Parish Port Commission.



Ms. Jobe attempted to negotiate a check for \$11,500. However, since the account was frozen, the check was not paid.

On the same day, Ms. Jobe wrote herself a check for \$1,500 from the Regions account. Regions Bank records indicate that the check was not paid because of a stop payment also placed on the check when the account was frozen. Furthermore, according to the account's checkbook obtained from Ms. Jobe's residence, five additional checks are not accounted for. These five checks were not paid by the bank prior to this account being closed.

How the diverted money was used



These actions indicate possible violations of one or more of the following state laws:

- R.S. 14:67, "Theft"¹
- R.S. 14:134, "Malfeasance in Office"²

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

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 owner to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

² 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;

(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.

RECOMMENDATIONS

The Firm should review its internal controls to ensure that amounts billed are collected, that amounts collected are deposited, that deposits are reconciled to collections, and that bank statements are reconciled and reviewed by management.

The District Attorney should review this information.

The lack of accounting controls and separation of accounting functions allowed Mr. Jobe to divert Port revenues to an unauthorized bank account without detection in the normal course of business. We recommend that the Firm review its accounting procedures and internal controls and establish and implement such controls that will reduce the likelihood of irregularities occurring in the future without timely detection. These policies and procedures should, at a minimum, ensure that (1) amounts billed are collected; (2) revenues are properly recorded; (3) collections are deposited into the appropriate accounts in a timely manner; (4) deposits are reconciled to collections; and (5) bank statements are reconciled and reviewed periodically by an appropriate supervisor.

We further recommend that the District Attorney for the Sixth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Attachment I

Management's Response

