

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Clinton
Clinton, Louisiana

November 13, 2002



Investigative Audit

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

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Town of Clinton

November 13, 2002



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
BAYOU BOULEVARD, LOUISIANA 70001-8000

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November 13, 2003

**THE HONORABLE H. TOLER HATCHER, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN**
Clinton, Louisiana

Transmitted herewith is our investigative report of the Town of Clinton. 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 the response of the Town of Clinton's management. Copies of this report were delivered to the Honorable Charles A. Shoupshire, District Attorney for the Twentieth Judicial District of Louisiana, and other authorities as required by state law.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

SED:EKLDGP:dj

03/11/03

Executive Summary

Investigative Audit Report Town of Clinton

Background

The Town of Clinton (Town) was incorporated on March 9, 1852, under the provisions of the Special Charter Act 120 of 1832. The Town operates under a Mayor-Board of Aldermen form of government. The Mayor and five Alderpersons are elected at large every four years by the citizens of the town. The Town provides fire and police protection, street maintenance, gas, and water and sewer services. The Town is situated in the center part of East Feliciana Parish. It is approximately 2.8 square miles in size with a population of approximately 2,004 persons.

The Legislative Auditor received information of possible improprieties within the Town. This investigative audit was performed to determine the propriety of the information.

Finding (See page 5.)

Town Employee Borrowed Town Funds

On May 21, 2002, the Legislative Auditor performed a surprise count of the Town's funds to ensure that all monies that should be on hand could be accounted for. It was discovered that Ms. Emily Beasley, town clerk, had without authorization, previously borrowed \$700 from Town funds for personal purposes. State law prohibits such borrowing of public funds for personal purposes.

Recommendations (See page 7.)

We recommend that management for the Town of Clinton implement policies and procedures to ensure all funds collected are deposited in a timely manner, intact, to the Town's bank accounts. The procedures, at a minimum, should require the following:

Highlights . . .

Ms. Emily Beasley, town clerk, took \$700 from the Town's funds and then replaced them after auditors began a cash count.

The Town should implement policies and procedures to ensure funds are deposited daily and intact to the Town's bank accounts.

1. Utility service collections, both current and delinquent, should be recorded into a single billing/accounts receivable system.
2. Access to collections should be limited to as few employees as possible.
3. Deposits should be made daily and intact.
4. Collections should be reconciled to deposits on a regular basis and reviewed by a supervisor.
5. All borrowing of funds by employees should be prohibited.
6. Town employees should be required to certify their agreement with Town policies.

We also recommend that the District Attorney for the Twentieth Judicial District of Louisiana review this information and take appropriate legal action.

Management's Response (See Attachment 1.)

Management states that it concurs with the finding and recommendations and will implement the recommended procedures. Management further states the Town did not authorize employees to borrow funds from the Town.

Background and Methodology

The Town of Clinton (Town) was incorporated on March 9, 1852, under the provisions of the Special Charter Act 120 of 1852. The Town operates under a Mayor-Board of Aldermen form of government. The Mayor and five Aldermen are elected at large every four years by the citizens of the town. The Town provides fire and police protection, street maintenance, gas, and water and sewer services. The Town is situated in the center part of East Feliciana Parish. It is approximately 2.0 square miles in size with a population of approximately 2,084 persons.

The Legislative Auditor received information of possible improprieties within the Town. This investigative audit was performed to determine the propriety of the information.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the Town; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the Town; (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 findings and recommendations herein.

Finding

Town Employee Borrowed Town Funds

On May 21, 2003, the Legislative Auditor performed a surprise count of the Town's funds to ensure that all monies that should be on hand could be accounted for. It was discovered that Ms. Emily Bentley, town clerk, had without authorization, previously borrowed \$700 from Town funds for personal purposes. State law prohibits such borrowing of public funds for personal purposes.

On the morning of May 21, 2003, representatives of the Office of the Legislative Auditor conducted a count of the Town's cash box. The Town had \$20,825 in cash and checks on hand. After the count, Ms. Emily Bentley, town clerk since September 1952, presented \$700 to include in the cash box. Ms. Bentley stated she took the money the previous evening because she was going to Baton Rouge on personal business. Ms. Bentley further stated she sent Ms. Sharon Lewis, assistant town clerk, to the bank to cash one of her (Ms. Bentley's) personal checks to replace the Town's funds after the auditors began the cash count.

Ms. Emily Bentley, town clerk, took \$700 from the Town's funds and then replaced the cash after auditors began a cash count.

Ms. Lewis is responsible for preparing bank deposits for the Town. She stated she does not make daily deposits and the cash box typically contains four to five days of cash receipts. She further stated Ms. Bentley borrows funds from the Town's cash box and approximately twice per month, she asks Ms. Bentley to give her a personal check to cover shortages in the Town's bank deposit. Ms. Lewis stated these checks range anywhere from \$100 to \$200. According to Ms. Lewis, Ms. Bentley has occasionally directed her to use the current day's receipts to cover missing funds from a previous day's deposit.

Ms. Lewis stated Ms. Bentley stopped cashing personal checks with Town funds after the Town's financial auditor, John D. Barker & Company, recommended prohibiting the use of Town funds to cash personal checks in February 2001. However, according to Ms. Lewis, since that time, Ms. Bentley has begun taking cash from the Town's cash box. Ms. Bentley admitted she occasionally borrowed cash when the bank was closed and would cash a personal check at a later date to replace the funds.

These actions indicate possible violations of the following Louisiana laws:

- R.S. 14:38, "Unauthorized Use of a Movable"¹
- Article VII, Section 14 of the Louisiana Constitution²

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

Additional Internal Control Weaknesses

Ms. Lewis is responsible for collecting the majority of cash received by the town. On occasions when Ms. Lewis is away from her desk, Ms. Bentley or Ms. Elaine Stewart, Town employees, will receive cash payments from residents and place the money in the Town's cash box. This practice gives access to Town funds to three employees. Access to cash should be limited to a minimum number of Town employees.

Current utility service payments are maintained on a computer-based system while delinquent utility service payments are maintained on a separate, manual ledger. Neither of these records are reconciled to deposits to ensure that collected funds are deposited timely and intact.

The functions of handling collections and recording the Town's books should be separated so that no single employee has responsibility for both functions. A proper separation of these duties is essential for adequate internal control. In addition, all collections should be reconciled to deposits in a timely manner to ensure that all monies collected were deposited.

¹ R.S. 14:38 provides, in part, the unauthorized use of a movable is an intentional taking or use of a movable which belongs to another, either with or without the other's consent, or by means of fraud, extortion, pressure, or intimidation, but without any intention to deprive the owner of the movable permanently.

² Article VII, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, assets, property, or things of value of the state or of any political subdivision shall neither be loaned, pledged, or disposed to for any purpose, association, or corporation, public or private.

Recommendations

We recommend that management for the Town of Clinton implement policies and procedures to ensure all funds collected are deposited in a timely manner, intact, to the Town's bank accounts. The procedures, at a minimum, should require the following:

1. Utility service collections, both current and delinquent, should be recorded into a single billing/accounts receivable system.
2. Access to collections should be limited to as few employees as possible.
3. Deposits should be made daily and intact.
4. Collections should be reconciled to deposits on a regular basis and reviewed by a supervisor.
5. All borrowing of funds by employees should be prohibited.
6. Town employees should be required to certify their agreement with Town policies.

We also recommend that the District Attorney for the Twentieth Judicial District of Louisiana review this information and take appropriate legal action.

Attachment I
Management's Response

TOWN OF CLINTON

POST OFFICE BOX 243
CLINTON, LOUISIANA 70522
225-483-3311

10/24/2002 10:01

ELIYAH BARTLER, MAYOR
EDWARD HAMMER, CITY CLERK
COURTNEY BROWN, TOWN ENGINEER

10/24/2002 10:01 PM

BOARD OF ALDERMEN
ORVILLE CHARLIE JR.
COURTNEY BROWN
DUSTY BROWN
JAMES C. BROWN
D.L. POSEY, JR.

October 24, 2002

Honorable Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9387

Re: Town of Clinton Audit

Dear Mr. Kyle,

This letter is provided in response to your letter and the attached audit report dated October 14, 2002.

With the assistance of Mr. John Butler, CPA, Auditor for the Town of Clinton, we have begun the implementation of policies and procedures to insure that all funds collected are deposited in a timely manner and properly reconciled and accounted for.

Shortly before the commencement of your audit, the Town had implemented a policy requiring that all traffic tickets be entered on the computer and that receipts and payments of traffic tickets be likewise entered on the computer for reconciliation.

An additional computer with greater capacity has been placed on order and will be utilized to maintain records of utility service payments, both current and delinquent, and the use of the manual ledger will be eliminated. All of these computer records are to be reconciled to deposits on a daily basis to insure proper accounting.

The present employees including the new town clerk, who was appointed to replace Mrs. Hearty who retired, currently have access to cash funds. In order to establish more accountability, the town has ordered three locked cash boxes, one for each employee. Due to the staggered hours which these employees work it is not feasible to have fewer than the three employees to accept payments. The Town Board intends to adopt a policy which requires that the two members of the finance committee audit the cash boxes a minimum of four times a year, which audits will be unannounced and the results of which will be presented to the board for review.

The newly appointed Town Clerk, Mrs. Denise Kraemer, will have responsibility for reconciling deposits to collections and it shall be the responsibility of the Mayor to review these reconciliations.

TOWN OF CLINTON

POST OFFICE BOX 111
CLINTON, LOUISIANA 70522
225-689-1501

H. TOLIE HANCOCK, MAYOR
DENISE BURMAN, SECRETARY-TREASURER
CORY W. PUNN, ADMINISTRATIVE SUPERVISOR

BOARD OF ALDERMEN
ROBERTA CRAMPTON, JR.
SANDRA GUYTON
LARRY HARRIS
LARRY HARRIS
W. L. HARRIS, JR.

The Town has never authorized employees to borrow any funds from the Town and a policy will now be adopted specifically prohibiting the cashing of checks by employees from funds held by the Town, and from borrowing any Town funds, and the violation of this policy shall constitute grounds for dismissal.

All Town employees will be required to certify their agreement with the policies in writing and a record of this acknowledgment will be maintained.

On behalf of the Board of Aldermen and the Town of Clinton, I would like to thank you and your staff for their courtesy, thoroughness, and diligence in the audit which they undertook. With the assistance of Mr. John Butler, our Auditor, we anticipate that the implementation of policies and procedures set forth in your recommendations will result in significant improvement of accounting for the Town of Clinton and we sincerely appreciate your help in this regard.

Sincerely,



H. Tolar Hancock, Mayor