

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Village of Lillie**  
Lillie, Louisiana

January 9, 2002



**Investigative Audit**

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

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## LEGISLATIVE AUDITOR

**Daniel G. Kyle, Ph.D., CPA, CFE**

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
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January 9, 2002

**THE HONORABLE MARY FARRAR, MAYOR,  
AND THE BOARD OF ALDERMEN  
VILLAGE OF LILLIE**  
Lillie, Louisiana

Transmitted herewith is our investigative audit report on the Village of Lillie. 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 finding and recommendation, as well as your response. Copies of this report have been delivered to the Village of Lillie; the Honorable Robert W. Levy, District Attorney for the Third 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

GFC:EKL:DGP:ss

[LILLIE02]

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# Executive Summary

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## Investigative Audit Report Village of Lillie

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### *Highlights...*

**The Legislative Auditor received information indicating that revenues collected by the Village from traffic fines were not properly deposited.**

**From May 15, 1998 to June 26, 2001, cash revenues received by the Village totaling \$8,060 were not deposited.**

### *Background (See page 3.)*

The Village of Lillie (Village), Louisiana, was incorporated under the provisions of the Lawrason Act and operates under a Mayor/Board of Aldermen form of government. The Village is located in Union Parish with a population of approximately 150 residents. Since 1998, the Village has been issuing citations for traffic violations within its corporate limits. The Village collects payments from these fines in the form of cash, checks, and money orders. The Legislative Auditor received information indicating that revenues collected by the Village from traffic fines were not properly deposited. This investigative audit was performed to determine the propriety of this allegation.

### *Finding (See pages 5-7.)*

From May 15, 1998, to June 26, 2001, cash revenues received by the Village of Lillie (Village) from traffic fines totaling \$8,060 were not deposited. Records indicate that during this period, the Village collected cash revenues totaling \$9,455; however, bank records indicate cash deposits of only \$1,395. Mayor Mary Farrar stated that she was responsible for depositing all revenues into the appropriate Village accounts. On September 28, 2001, Mayor Farrar further stated that she maintains cash receipts inside a safe at her home. On October 5, 2001, subsequent to the beginning of our investigative audit, Mayor Farrar made deposits to the Village's bank account totaling \$7,500, which included \$1,465 in cash. This was the first cash deposit to the account since March 29, 1999.

**Recommendation (See page 9.)**

**The Village should ensure that traffic tickets and collections are properly accounted for, recorded, and deposited.**

We recommend that the Village implement policies and procedures to ensure that all traffic tickets are accounted for and that all funds collected by the Village are properly accounted for, recorded, and deposited. These policies should ensure to the extent possible that different individuals perform the functions of collecting, recording, and depositing revenues. Furthermore, these policies and procedures should ensure that:

- (1) all tickets issued are entered into the logbook;
- (2) all tickets are paid or otherwise adjudicated;
- (3) receipts are issued for all payments;
- (4) receipts are accounted for and reconciled to tickets, the logbook, and deposits;
- (5) deposits are made timely;
- (6) cash is not accepted; and
- (7) bank statements are reviewed by the Board of Aldermen.

Finally, we recommend that the District Attorney for the Third Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

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

Management concurs with the finding and states that the Board of Aldermen has enacted policies and procedures regarding the handling of traffic tickets, payments, and deposits to ensure that the recommendations contained in this report are implemented.

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# **Background and Methodology**

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The Village of Lillie (Village), Louisiana, was incorporated under the provisions of the Lawrason Act and operates under a Mayor/Board of Aldermen form of government. The Village is located in Union Parish with a population of approximately 150 residents. Since 1998, the Village has been issuing citations for traffic violations within its corporate limits. The Village collects payments from these fines in the form of cash, checks, and money orders. The Legislative Auditor received information indicating that revenues collected by the Village from traffic fines were not properly deposited. This investigative audit was performed to determine the propriety of this allegation.

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



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# Finding

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## **\$8,060 IN CASH RECEIPTS FROM TRAFFIC FINES NOT DEPOSITED TO VILLAGE BANK ACCOUNT**

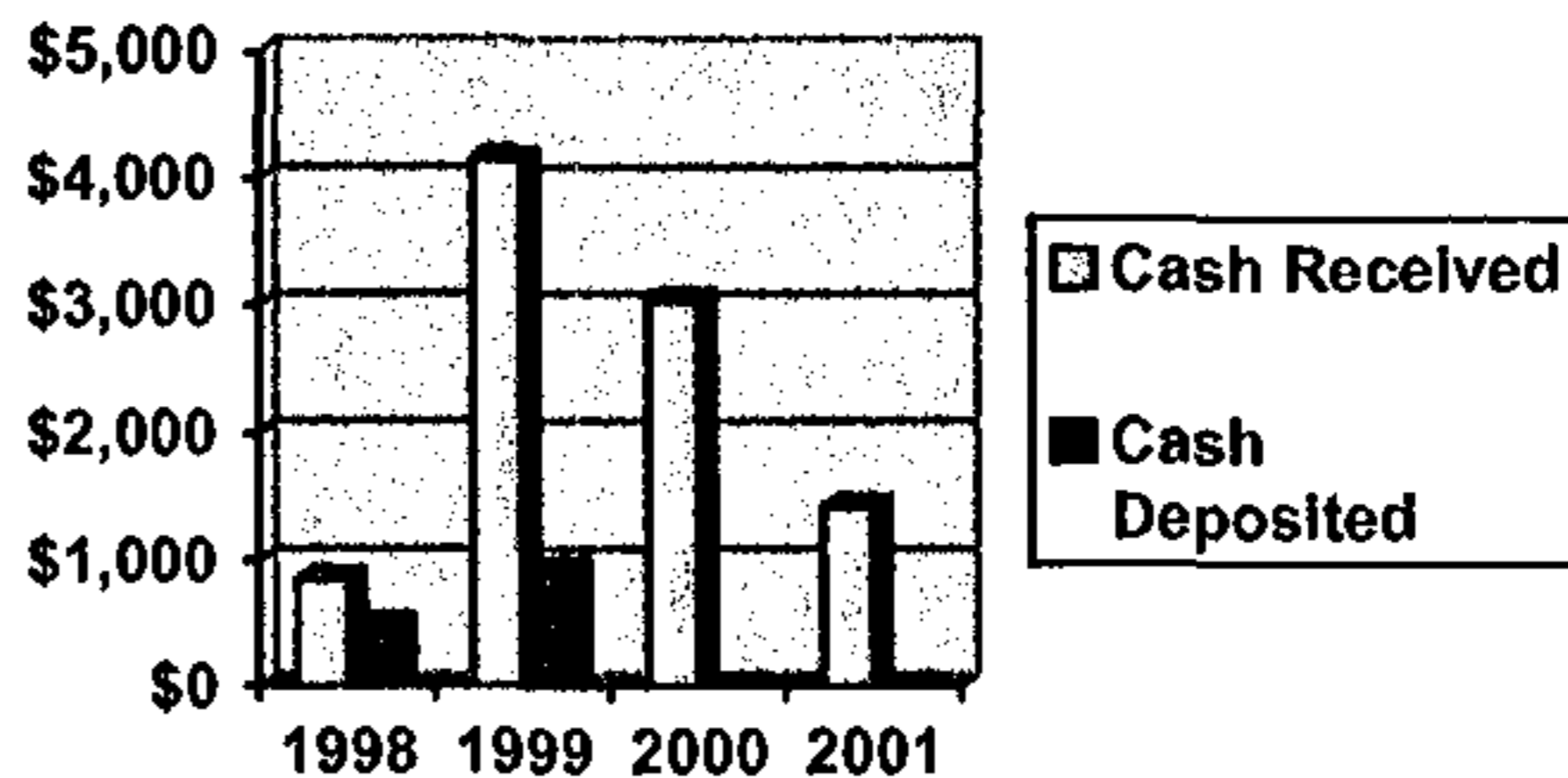
From May 15, 1998, to June 26, 2001, cash revenues received by the Village of Lillie (Village) from traffic fines totaling \$8,060 were not deposited. Records indicate that during this period, the Village collected cash revenues totaling \$9,455; however, bank records indicate cash deposits of only \$1,395. Mayor Mary Farrar stated that she was responsible for depositing all revenues into the appropriate Village accounts. On September 28, 2001, Mayor Farrar further stated that she maintains Village cash receipts in a safe at her home. On October 5, 2001, subsequent to the beginning of our investigative audit, Mayor Farrar made deposits to the Village's bank account totaling \$7,500, which included \$1,465 in cash. This was the first cash deposit to the account since March 29, 1999.

The Village was incorporated under the provisions of the Lawrason Act and operates under a Mayor/Board of Aldermen form of government. The Village began issuing traffic tickets within its corporate limits in April 1998. The Village collects cash, checks, and money orders in payment of these fines. Traffic tickets are recorded in a logbook by police officers listing the ticket number, date, name of offender, type of offense, amount of fine, and payment due date.

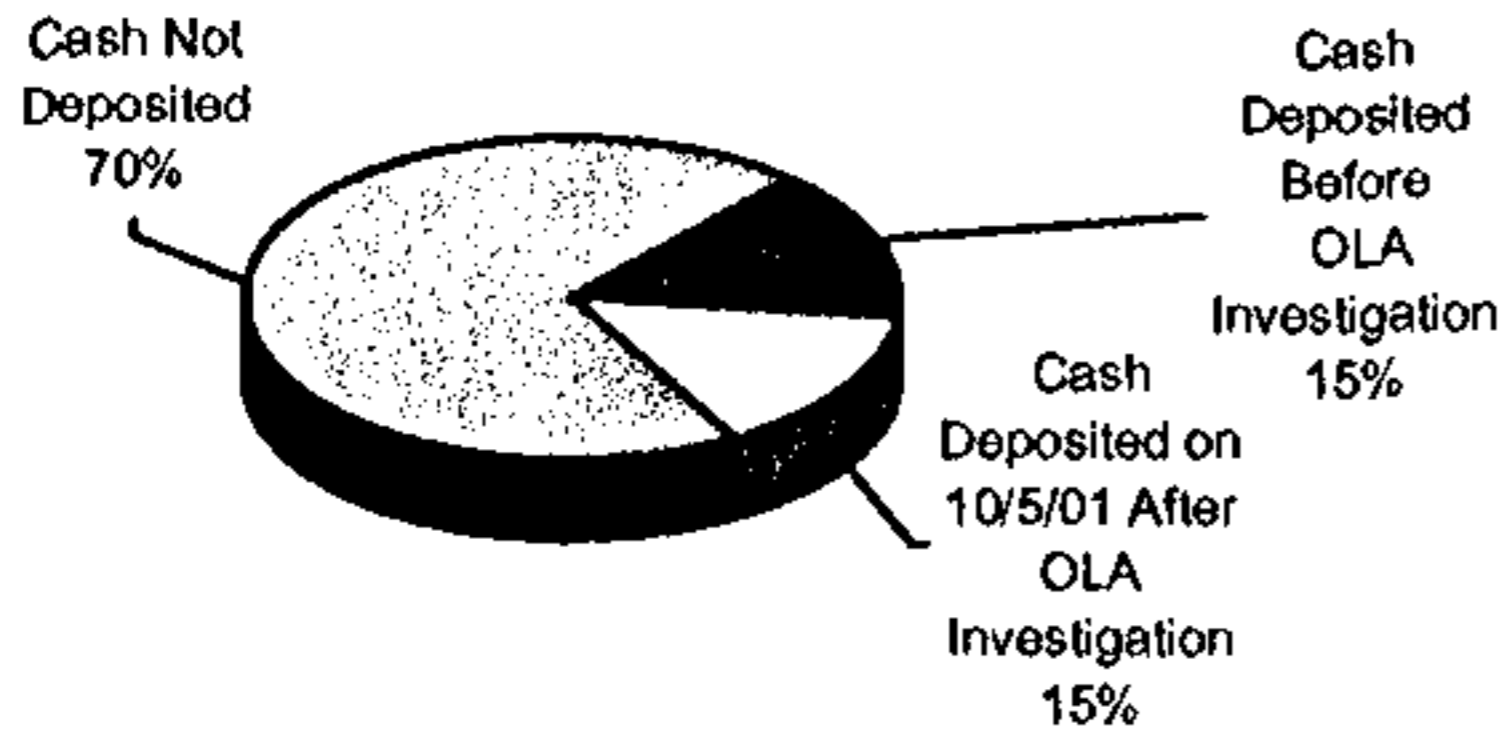
When payments are received, a copy of the payment (check or money order) is attached to a copy of the ticket and forwarded to a police officer for entry (date paid and type of payment) into the logbook. If cash is received, the date and amount paid is written on the face of the ticket and forwarded to a police officer. All revenues from fines are supposed to be deposited into the Village's police/fine account.

From May 15, 1998, to June 26, 2001, records indicate that the Village received cash payments from traffic fines totaling \$9,455. According to Village banking records, cash deposits totaled \$1,395 during this period. On August 23, 2001, Mayor Farrar stated that she receives most of the payments from the post office and added that people have given her and the police officers cash. Mayor Farrar also stated that she kept cash in a safe deposit box that could be accessed by her and the police chief. She further stated that she was the only person who made the deposits.

**Village of Lillie Traffic Fines  
Cash Received vs. Cash Deposited  
May 15, 1998, to June 26, 2001**



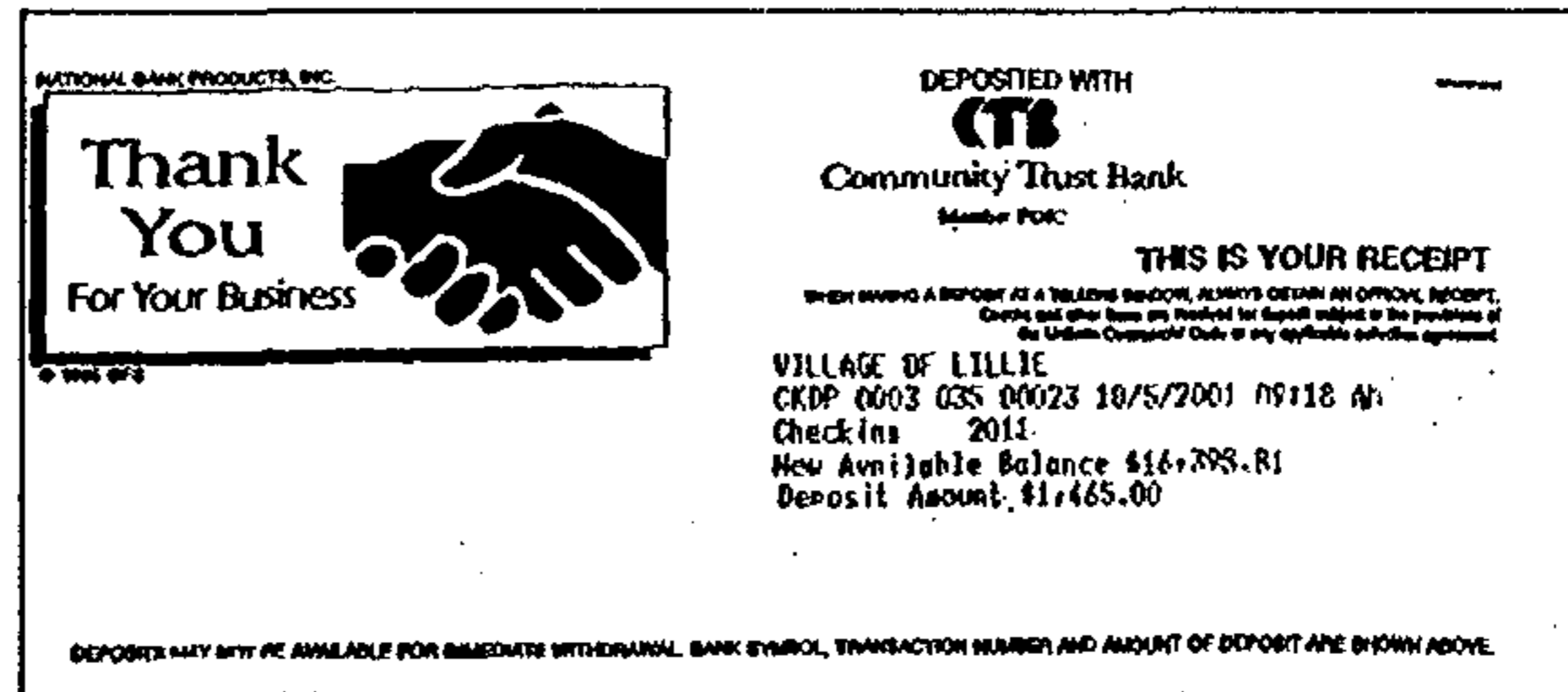
**Disposition of Cash Collected by the Village From Traffic Fines**



On September 28, 2001, Mayor Farrar stated that she maintained cash receipts inside a safe in her home. She added that she was the only person who knew about the safe. Mayor Farrar stated that she had approximately \$1,300 in cash inside the safe that had accumulated over a two-year period. When asked why the money was not deposited on a daily basis, Mayor Farrar stated that the bank is in the Town of Bernice (approximately

6 miles from Lillie) and she could not go there every day. On October 11, 2001, Mayor Farrar provided us with deposit tickets dated October 5, 2001, totaling \$7,500. This included cash in the amount of \$1,465 and checks and money orders totaling \$6,035.

**Receipt for \$1,465 in cash deposited by Mayor Farrar on October 5, 2001. Mayor Farrar stated that this cash had accumulated over a two-year period.**



Mayor Farrar explained that she used the cash receipts as a petty cash fund and that the Village's Certified Public Accountant, Marsha Millican, told her that this was acceptable as long as receipts were kept for purchases. Ms. Millican stated that she prepares the Village's financial statements and that she was unaware of any cash being kept at the mayor's personal residence. She added that because the money was inside the mayor's personal safe, it would not have been included in the Village's financial statements.

When we explained to Mayor Farrar that it appeared that cash collections were not deposited, she stated that she did not make all of the deposits. She stated that Ms. Gwendolyn Lee, alderman, had made some of the deposits; however, she never received a receipt from Ms. Lee. Mayor Farrar further stated that everyone, including the police officers and the aldermen, had access to the cash when it came into the office. She explained that Alderman David Washam would take money from the cash box to make purchases for the Village. Mayor Farrar stated that she demanded that he bring the receipts to her, but he never did.

Ms. Lee stated that she did not make any deposits. Mr. Washam stated that he did not use Village cash receipts to make purchases and that most of the purchases that he made were charged to the Village.

## Conclusion

Mayor Farrar (1) failed to establish internal controls to properly safeguard Village revenues; (2) failed to ensure that all cash was deposited; (3) placed Village assets at risk by collecting cash and storing it in her home; and (4) failed to ensure that all revenues were included in the Village's financial statements. The above actions and inactions by Mayor Farrar resulted in the Village losing \$8,060 in cash receipts.

The actions described above indicate possible violations of the following laws:

- R.S. 14:134, "Malfeasance in Office"<sup>1</sup>
- R.S. 42:1461, "Obligation Not to Misappropriate"<sup>2</sup>

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

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<sup>1</sup>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.

<sup>2</sup> R.S. 42:1461(A), provides, in part, that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.



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# Recommendation

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We recommend that the Village implement policies and procedures to ensure that all traffic tickets are accounted for and that all funds collected by the Village are properly accounted for, recorded, and deposited. These policies should ensure to the extent possible that different individuals perform the functions of collecting, recording, and depositing revenues. Furthermore, these policies and procedures should ensure that:

- (1) all tickets issued are entered into the logbook;
- (2) all tickets are paid or otherwise adjudicated;
- (3) receipts are issued for all payments;
- (4) receipts are accounted for and reconciled to tickets, the logbook, and deposits;
- (5) deposits are made timely;
- (6) cash is not accepted; and
- (7) bank statements are reviewed by the Board of Aldermen.

Finally, we recommend that the District Attorney for the Third Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.



# **Attachment I**

## **Management's Response**

RECEIVED  
LEGISLATIVE AUDITOR

**VILLAGE OF LILLIE**  
TOWN HALL P.O. BOX 67  
**LILLIE, LOUISIANA 71256**

2002 JAN -3 AM 11:46

December 25, 2001

**Daniel G. Kyle-CPA, CFE**  
**Legislative Auditor**  
**1600 North Third St.**  
**P.O. Box 94397**  
**Baton Rouge, LA 70804-9397**

**Dear Auditor Kyle,**

**In response to the findings of your investigative audit report on the Village of Lillie, the board of Alderman have enacted the following policies regarding traffic payments and deposits.**

- 1. Standardize procedures for the collection of fines.**
  - a. The Mayor and an Alderman will pick up the mail on Monday and Thursday at 4:00p.m.**
  - b. The mail will be taken next door to the Town Hall where it will be opened and logged. After the payments have been copied for our records, they will be recorded on a bank deposit slip. The deposit slip then will be copied. The deposit slip and payments are then put in a bank lock bag, locked, and put in the Village safe. The same day, the Village police officer will carry the bag to the bank, where he will put it in the proper deposit box.**
  - c. The Village police officer will inform all who receives a citation that cash will not be accepted. Payments will be by check or money order **ONLY!****
  - d. A receipt will be given by mail for tickets paid by mail. If the payment is paid at the monthly court, the receipt will be given at the time of payment.**
  
- 2. Presentation and approval of the log book, deposit records, bank statements, and ticket book.**
  - a. At the regular monthly meeting of the Board of Alderman; the tickets, log, deposits, and bank statements will be read and matched for approval unanimous vote of the board. All citations will be matched to the ticket book monthly.**

**3. Security Changes.**

- a. New door locks and two new safes have been purchased. One safe is for fines only, and the other is for police use. The police department is being moved from the Mayor's office to a separate section of the building.
- b. The Mayor says, "Not all the tickets I adjusted by phone were logged." As no cash will be accepted for tickets, this can and will be checked at the monthly board meetings by comparing the checks and money orders to the adjusted tickets.
- c. The drop box will not be used until a safe type drop box can be installed.

**4. Mayor's Statement of Clarifications.**

- a. The reason the locks are being changed, because they are thirteen years old and they were there when I took office. Money dropped through the door slot was accessible to anyone who had a key.
- b. Mayor moved her office containing records and lock box to her house, because Chief of Police took up that space.
- c. Most payments were received by mail and placed through the drop box.
- d. When fines were dropped or lowered, they were not documented in the law book.
- e. A post office box has been opened up for strictly police business.

We await and welcome any suggestions made by the Legislative Auditors in an attempt to correct any future problems regarding this issue. Please understand that the police patrol was started for the purpose of controlling traffic, showing a police presence and to assist other departments of our rural area. We realize that we didn't know how to properly run the department, which includes keeping records. Please be assured we are making every effort to run the department in a proper manner. Any help from you will be appreciated.

Sincerely yours,



Mary Farrar, Mayor