

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Calcasieu Parish School Board
Lake Charles, Louisiana

February 24, 1999

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Investigative Audit

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Legislative Auditor

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Calcasieu Parish School Board

February 24, 1999



Investigative Audit
Office of the Legislative Auditor
State of Louisiana

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February 24, 1999

**MR. JUDE W. THIBOUT, SUPERINTENDENT,
AND MEMBERS OF THE CALCASIEU
PARISH SCHOOL BOARD**

Lake Charles, Louisiana

Transmitted herewith is our investigative report on the Calcasieu Parish School Board - Sam Houston High School. 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 your response. Copies of this report have been delivered to the Honorable Robert Bryant, District Attorney for the Fourteenth Judicial District of Louisiana, and other authorities as required by state law.

Respectfully submitted,

David G. Kyle, CPA, CFE
Legislative Auditor

SLC:KRL:AVT:dj

02/24/99

Executive Summary

Investigative Audit Report Calcasieu Parish School Board Sam Houston High School

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

At Least \$166,256 in Vending Receipts Missing From School

(Page 1)

Findings:	Sam Houston High School (Sam Houston) records indicate that between \$166,256 and \$173,796 is missing from the vending account for the period 1987 to 1993. Evidence obtained from the school board indicates that vending receipts were missing from Sam Houston as early as June 1987; however, the school's records for 1987 to 1991 were destroyed shortly after being requested by school board officials. Ms. Anna Trafford, former bookkeeper, and Mr. Ronald Frusha, assistant principal, were the only two individuals consistently employed as office personnel during the period 1987 to 1993 who also had access to the vending receipts.
Recommendation:	We recommend that all school officials comply with school board policy by depositing all cash on a daily basis. We also recommend that school officials not use cash receipts for purchases. Finally, we recommend that the District Attorney for the Fourteenth Judicial District of Louisiana review this information and take appropriate legal action.
Management's Response:	Management for the Calcasieu Parish School Board acknowledges missing vending receipts at Sam Houston High School and has revised its auditing procedure to provide a timely overview of vending activities at its schools.

Background and Methodology

Sam Houston High School is located in the community of Moss Bluff in Calcasieu Parish. The school is operated by the Calcasieu Parish School Board and has a total enrollment of over 1,000 students.

The Legislative Auditor received information from the Internal Audit Department of the Calcasieu Parish School Board that funds appeared to be missing from the vending account at Sam Houston High School. We conducted our investigation to determine whether funds were missing and if so, how much was missing from the school's vending account.

Our procedures consisted of (1) interviewing employees and officials of the school board; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the school board; (4) examining personal banking records; (5) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (6) reviewing applicable state laws.

The result of our investigation is the finding and recommendation herein.

Finding and Recommendation

AT LEAST \$166,256 IN VENDING RECEIPTS MISSING FROM SCHOOL.

Sam Houston High School (Sam Houston) records indicate that between \$166,256 and \$173,796 is missing from the vending account for the period 1991 to 1997. Evidence obtained from the school board indicates that vending receipts were missing from Sam Houston as early as June 1987; however, the school's records for 1987 to 1991 were destroyed shortly after being requested by school board officials. Ms. Anne Trafford, former bookkeeper, and Mr. Ronald Fraska, assistant principal, were the only two individuals consistently employed during the period 1987 to 1997 who also had access to the vending receipts.

Before October 8, 1993, Sam Houston provided its students and faculty with access to drinks and snacks through vending machines, which were maintained by the school's janitors. The janitors at Sam Houston were responsible for purchasing, stocking, and removing the money from the vending machines. On October 8, 1993, Sam Houston entered into contracts with third-party vendors to provide full service to the vending machines. As a result, the employees of Sam Houston are no longer involved in the vending process.

The March 1997 financial statements for Sam Houston showed a deficit in the vending account of \$822.07. This account had been negative for seven of the past eight months. Ms. Kay Carter, internal auditor, sent a memo to Mr. Frank Harrell, then principal of Sam Houston, requesting an explanation for the account's negative balance. Mr. Harrell responded with a memo explaining that the negative balance was due to purchases at the end of the month for the following months and acts of vandalism causing a loss of product.

On June 13, 1997, the Internal Audit Department began an audit of Sam Houston and determined that between \$166,256 and \$173,796 is missing from the vending accounts for the period 1990 to 1997. During that period, \$208,479 was deposited into the vending fund account. Based on the amount of product purchased by the school, the deposits should have been between \$430,865 and \$488,178, a range determined by the varying markup in the sales price of product inventory.

On December 5, 1997, the Internal Audit Department requested in writing from Sam Houston all financial records for the years before those covered in the audit. Mr. Harrell returned the memo with a statement indicating that the records were destroyed in May 1997. According to Mr. Tammy Duris, internal auditor, on December 8, 1997, Ms. Anne Trafford called to "confirm" that she typed the statement and that it was not true. According to Mr. Jack Thigpen, janitor at Sam Houston, the records were destroyed in December 1997, after being requested by the Internal Audit Department. Mr. Thigpen stated that Mr. Harrell instructed him to burn the

records and that Ms. Trafford showed him which records to burn. Mr. Harrell stated that Ms. Trafford led him to believe that the records needed to be destroyed so that the school would be in compliance with school board policy.

Although supporting documents for the years before the 1991-1992 school year were destroyed, we were able to determine that the actual receipts during these years were fewer than expected. School records also indicate that Ms. Trafford and Mr. Frusha are the only two office employees who have consistently had access to vending receipts during the period 1987 to 1993.

The money collected was removed from the vending machines by school janitors and taken to Ms. Trafford's office. Ms. Keith Mink and Mr. Jack Thigpen, janitors, both stated that they either gave the money directly to Ms. Trafford or left it on her desk. On January 9, 1993, Ms. Trafford stated that it was very rare for her not to be in her office when Ms. Mink brought the money. She further stated that she would count the money, prepare the deposits, and send the money to the bank in locked bags. Ms. Trafford further stated that she never had a problem reconciling her validated deposit tickets to her records.

In an interview several months later, Ms. Trafford stated that a lot of days she found the vending money sitting on her desk and did not know who delivered it. Ms. Trafford added that some days she took compensatory leave and the money would have been given to the school's secretaries. Mr. Harrell stated that he did not track Ms. Trafford's compensatory leave, but it was very rare for her to use any compensatory leave. Ms. Brenda Reeves and Ms. Sue Spiers, former school secretaries, both stated that it was rare for Ms. Trafford not to be in her office and that maybe twice per year the vending money is left with the secretaries.

Ms. Trafford also stated that both Mr. Harrell and Mr. Frusha took cash from vending for needs at athletic events. She explained that she spoke with Mr. Harrell about Mr. Frusha coming into her office to get money from vending. According to Ms. Harrell, Ms. Trafford explained to him that she felt that Mr. Frusha was pilfering from vending. Mr. Harrell stated that as a result of his conversation with Ms. Trafford, he changed the locks in the office and no longer allowed Mr. Frusha to transport deposits to the bank. Mr. Harrell stated that the locks were changed in the beginning of the 1993-1994 school year.

When asked about the records being destroyed, Ms. Trafford stated that she told Ms. Daric that she had the records. She explained that Ms. Daric told her that if she did not have the records then she (Daric) would not have to look at them. Ms. Trafford further explained that when she informed Mr. Harrell, he immediately destroyed the records without her knowledge. Ms. Trafford stated that she was in a bad position because the school was not in compliance with school board policy, so she prepared a backdated memo stating that the records were destroyed in May 1997 in order to get the school back into compliance with school board policy. Ms. Trafford further stated that she did not want anyone to think that the records were destroyed because internal audit had asked for them. This backdated letter stated that these records were destroyed in the presence of Ms. Frusha and Mr. Thigpen. Mr. Harrell, Ms. Frusha, and Mr. Thigpen all signed the backdated letter. (See Attachment I.)

According to Mr. Harrell, Ms. Trafford brought him the facsimiled letter before the records were destroyed. Mr. Harrell stated that Ms. Trafford told him that she spoke to Ms. Durio about the records. He explained that Ms. Trafford gave him the impression that Ms. Durio did not want the records and they should be destroyed. Ms. Durio stated that she did not imply to Ms. Trafford that the records should be destroyed and that Ms. Trafford did not tell her that the school had the records that were requested.

On December 4, 1998, we asked Ms. Trafford about her understanding of school board policies regarding the student activity funds. Ms. Trafford stated that she never saw any school board policies and she would not answer any questions about the policies. Ms. Trafford added that she did not know what the policies were. However, records obtained from the school board show that Ms. Trafford signed an annual statement that she had received and was familiar with the "School Activity Funds, Principles and Procedures" manual. These statements further provided that Ms. Trafford was responsible for adhering to the requirements in the manual. These manuals included policies that all money collected by the school be deposited on a daily basis and that checks must be written for all expenditures. The manual further provided that the school should document any disposal of public records. Earlier statements made by Ms. Trafford indicate that she was familiar with school board policies and the need to comply with those policies.

Mr. Franks stated that he did not believe that any money was missing from the school. He explained that he always received meal money in the form of a check and that he did not take money out of vending. Mr. Franks later stated that he got cash when he got meal money for swap games and that he took money out of vending baskets to buy drinks for faculty meetings.

From December 1994 to December 1997, Ms. Trafford and Mr. Franks deposited cash totaling \$15,858 and \$25,111, respectively, into their personal checking accounts. These cash deposits were made in addition to both Ms. Trafford's and Mr. Franks's earnings from the school board. Ms. Trafford and her husband, Mr. Allen Trafford, explained that their only source of income is from their jobs; however, the cash deposits could have been from withdrawals from the credit union or casino winnings. We obtained records from the credit union and the casinos for Mr. and Ms. Trafford and found that only 39% of the cash deposits could have originated from the credit union or the casinos. The 39% figure includes any deposits made within seven days of a cash withdrawal from the credit union or a transaction at a casino. Mr. Franks explained that the cash deposits to his account were from his baseball-card business. Mr. Franks stated that he did not report any income from baseball cards on his tax returns and could not provide us with any records to support baseball-card income. We also reviewed Mr. Harrell's bank records for the same period and found cash deposits totaling \$200.

Because funds are missing from the Sam Houston High School vending account, the following Louisiana laws may have been violated:

- R.S. 14:67, "Theft"
- R.S. 14:130.1, "Obstruction of Justice"
- R.S. 14:113, "Filing False Records"
- R.S. 14:134, "Malfeasance in Office"
- R.S. 42:1463(A), "Obligation of Public Officials Not to Misappropriate"

We recommend that all school officials comply with school board policy by depositing all cash on a daily basis. We also recommend that school officials not use cash receipts for any purchases. Finally, we recommend that the District Attorney for the Fourteenth Judicial District of Louisiana review this information and take appropriate legal action.

Attachment I
Management's Response



February 10, 1999

Daniel G. Kyle, CPA, CFE
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Thank you for your assistance and the willingness of your investigative team to help the Calcasieu Parish School Board in a time of crisis and the handling of a very sensitive matter.

The Calcasieu Parish School Board acknowledges missing vending receipts at Sam Houston High School over a five-year period. As soon as the missing receipts were discovered by the Calcasieu Parish School Board internal auditors, the issue was brought to the attention of the Superintendent and School Board with subsequent referral to the Office of the Legislative Auditor. Policies are currently in place to help discourage inappropriate handling of cash receipts and to help strengthen internal controls over cash. The Internal Auditing Department has developed revised vending auditing procedures that will provide a timely overview of vending activities at each audited school. Many schools in the parish have now elected to contract vending services, even at an anticipated revenue decrease, to eliminate the handling of large amounts of cash by school personnel. General awareness of cash handling policies and procedures in the district has increased tremendously.

The Sam Houston issue has also helped to identify the need to strengthen the policy concerning the retention of records for auditing purposes, especially in matters under investigation. Policies dealing with record retention will be reviewed and modified with dissemination to all school locations so that all personnel can be apprised of changes made.

Letter to Daniel Kyle, Legislative Auditor
February 10, 1999
Page 2

The Office of the Legislative Auditor has been very professional and helpful in analyzing the matters involved in the Sam Houston reading issue and the Calcasieu Parish School Board appreciates their help in investigating this matter. Their in-depth review of the issues did identify potential violations of specific Louisiana laws. Once the final report is issued by the Office of the Legislative Auditor, all issues of law will be referred to the Calcasieu Parish District Attorney's Office for final disposition. Any resulting personnel matters will be handled through normal policies and procedures of the Calcasieu Parish School Board.

Sincerely,



Jude W. Theriot
Superintendent of Schools

JWT:lgd

Attachment II

Statement Concerning Destruction of Records

May 23, 1997

Destroyed school records prior to 1991-92 on this day
in the presence of Ronald Frusha and Jack Thiessen.

Destroyed were two boxes for each year containing all
receipts, invoices, financial statements, bank records and
all information contained in the boxes for the years prior
to 1992-93.

Frank Carroll
Frank Carroll
Principal

Witnesses: *R Frusha*
F Howell
Jack Thiessen

Attachment III
Legal Provisions

Legal Provisions

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

R.S. 14:67 provides 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.

R.S. 14:138.1 provides that obstruction occurs when an intentional act is committed with the knowledge that such an act will affect an actual or potential present, past, or future criminal proceeding with the specific intent of distorting the results of any criminal investigation or proceeding.

R.S. 14:133 provides that filing false records is the filing or depositing, with knowledge of its falsity, of any forged document for record in any public office or with any public officer or any false statement or false representation of a material fact made or caused to be made on any document required to be submitted or maintained by any state law, where such false statement or false representation is made with the intent to violate such law, regulation, or rule.

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.

R.S. 42:140(A) provides 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.

