

CAPITAL REGION PLANNING COMMISSION



COMPLIANCE AUDIT

ISSUED SEPTEMBER 6, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL

SENATOR J. "TOM" SCHEDLER, CHAIRMAN
REPRESENTATIVE CEDRIC RICHMOND, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE HENRY W. "TANK" POWELL
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF COMPLIANCE AUDIT

DARYL G. PURPERA, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Ten copies of this public document were produced at an approximate cost of \$29. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.state.la.us. When contacting the office, you may refer to Agency ID No. 1462 or Report ID No. 06202022 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

September 6, 2006

DON NEISLER, EXECUTIVE DIRECTOR
CAPITAL REGION PLANNING COMMISSION
Baton Rouge, Louisiana

We have audited certain transactions of the Capital Region Planning Commission (CRPC) in accordance with Title 24 of the Louisiana Revised Statutes. Our audit was performed to substantiate or refute allegations of improprieties at CRPC.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on CRPC's financial statements or system of internal control nor assurances as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the Honorable Doug Moreau, District Attorney for the Nineteenth Judicial District of Louisiana and Mr. David Dugas, United States Attorney for the Middle District of Louisiana, and others as required by law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

HW:DD:DGP:dl

CRPC06

	Page
Findings and Recommendations:	
Unauthorized Payments and Expenditures	3
Improper Leave and Severance Payments.....	9
Poor Business Practices	11
Background and Methodology.....	17
Management’s Response	Appendix A

UNAUTHORIZED PAYMENTS AND EXPENDITURES

From July 1, 2003, to December 31, 2005, Ms. Angie Normand, former Capital Region Planning Commission (CRPC) bookkeeper, used agency checks and credit cards to issue unauthorized payments totaling \$79,922 to herself, her mother, and various merchants for personal items. Ms. Normand concealed these payments by falsifying CRPC checks, invoices, and bank and credit card statements.

Background

Ms. Angie Normand began working as the bookkeeper for the CRPC on April 9, 2003. Her duties included reconciling bank statements, managing and recording accounts receivable and payables, producing payroll, making office purchases, and preparing financial statements for the CRPC Board of Directors. In addition to these duties, Ms. Normand had complete control over the incoming mail, the operating bank account, the Cafeteria Bank account, and three CRPC investment accounts consisting of two money market accounts and a certificate of deposit.

Ms. Normand also kept CRPC financial records at her personal residence. According to Mr. Don Neisler, executive director of CRPC, he authorized Ms. Normand to work from her home, but he was unsure as to the work Ms. Normand performed or the necessity for her to work from her home.

On December 23, 2005, the office secretary discovered two non-business related charges on the CRPC credit card. Ms. Normand was questioned about the charges and admitted she accidentally used the CRPC card instead of her own credit card for personal purposes. She reimbursed the CRPC \$537 for the two charges. After the incident, CRPC management instructed the secretary to open all incoming office mail. On January 13, 2005, the secretary opened the October 2005 bank statement and found checks issued to Ms. Normand, Ms. Normand's dentist, and Ms. Normand's mother, Doleen Lemoine. CRPC also found a \$10,400 check that although office records indicate was voided, banking records indicate the check was issued to an outpatient surgery center on September 29, 2005. In addition, several non-business related charges were discovered on a CRPC gas card.

On January 19, 2006, CRPC management met with Ms. Normand to discuss the four checks and gas charges totaling \$16,858. According to management, Ms. Normand admitted to issuing all four unauthorized checks and to occasionally using the gas credit card for personal purposes. On January 19, 2006, Ms. Normand was discharged from her employment with the CRPC. On February 3, 2006, Ms. Normand paid the CRPC \$18,027 in restitution using her last paycheck, money from her deferred compensation account, her recorded compensatory time balance, and a personal check.

On March 2, 2006, East Baton Rouge Parish Sheriff's deputies executed a search warrant on Ms. Normand's Baton Rouge residence. During the search, deputies recovered 28 negotiated CRPC checks missing from the CRPC's account detail; two CRPC gas credit cards; many of CRPC's original credit card statements from March 2003 through December 2005; and original copies of checks, invoices, and receipts. In addition, a laptop computer purchased on

October 14, 2004, using the CRPC Office Depot credit card was recovered from her personal residence. An analysis of the laptop computer files revealed scanned images of documents resembling original credit card statements dating from May 2002 through December 2005 and credit card statements resembling the original statements prepared in Microsoft Excel and Word applications.

Unauthorized Checks

The CRPC uses three-part color coded checks to pay its vendors. The filing process after payment is made is as follows: (1) the blue negotiated check is filed with bank statements; (2) the yellow carbon copy of the check is attached to the actual invoice then filed in the vendor's file; and (3) the pink carbon copy of the check is filed in an accounts payable binder.

CRPC records indicate from July 1, 2003, through December 31, 2005, numerous checks were missing, voided, not negotiated, or were substituted with what appeared to be yellow photocopies of the check. In some instances, the pink and yellow check copies associated with missing and non-negotiated checks appeared to be altered. For example, the CRPC logo was different, the ink was darker, and the font size was smaller. On one occasion, the yellow photocopy check in the bank reconciliation did not match the pink copy. On August 24, 2005, check 70072 for \$200 was written to Access Integrated Networks and then voided according to the pink check copy. However, check 70072 appeared in the bank detail as a yellow photocopy made payable to a former CRPC employee for \$945.

A comparison between actual bank records, CRPC account detail, and checks recovered from Ms. Normand's home reveal that from July 1, 2003, to December 31, 2005, Ms. Normand issued 42 unauthorized checks totaling \$58,754 to herself and her mother, Doleen Lemoine, and for personal purchases such as medical expenses and rent payments. In each case checks were either excluded from the CRPC account detail or falsified checks and invoices were included in account detail and CRPC records effectively concealing the true purpose of the check.

Checks Written to Angie Normand

Ms. Normand wrote and negotiated 11 checks to herself totaling \$19,913. During her employment, Ms. Normand purchased, without management's knowledge, check stock resembling the checks used by the CRPC. On seven occasions, Ms. Normand used checks created from the unauthorized check stock and falsified invoices to conceal the payments. For example, according to CRPC records, on June 10, 2005, and July 1, 2005, checks 69921 and 69982 totaling \$5,356 were written to Tom Richardson for consulting fees. However, the negotiated checks indicate both checks were paid to Ms. Normand. Ms. Normand wrote the other four checks to herself on original CRPC check stock and did not conceal the payments with falsified invoices. These four checks were later recovered during a search of her residence.

Fraudulently Endorsed Checks

Three checks issued to CRPC staff totaling \$4,116 were falsely endorsed and deposited into Ms. Normand's personal bank account. On February 22, 2005, an \$805 check was issued to Rudolph J. Goebel from the CRPC's Cafeteria plan. On May 5, 2005, Mr. Goebel's name was endorsed on the check and it was deposited into Ms. Normand's personal bank account. According to Mr. Goebel, he was unaware of the payment. This process was repeated two more times when a \$1,586 check to Huey Dugas and a \$1,725 check to Tom Richardson were deposited into Ms. Normand's personal bank account. Neither Mr. Dugas nor Mr. Richardson was aware of the checks.

Checks Written for Personal Medical Expenses

Starting in September 2005, Ms. Normand issued four checks paying vendors \$16,100 for her personal medical expenses. On September 29, 2005, Ms. Normand paid Fairway Medical Center, Parish Anesthesia Associates, and Southern Bariatric Associates a total of \$14,900 using three CRPC checks. Two of the expenditures were concealed by creating false invoices and checks payable to Tiger Direct and SMTech for miscellaneous computer hardware and software. The third check was missing from CRPC records. In addition, on December 14, 2005, Ms. Normand wrote a \$1,200 check to her dentist, Stephen Weilbacher. Ms. Normand later admitted to writing a \$10,400 check to Fairway Medical Center and the \$1,200 check to her dentist.

Checks Written for Personal Purchases

Non-CRPC Vendors - Ms. Normand issued 10 checks totaling \$11,291 to nine non-CRPC vendors for personal purchases. In each instance, checks printed from the unauthorized check stock and falsified invoices were placed into CRPC records concealing the purchases. The purchases are as follows:

- \$2,021 to Nissan Motor Corporation
- \$303 to Hancock Fabrics
- \$567 to Oreck for a vacuum cleaner
- \$2,370 to Olinde's Furniture for an Antique Pie Chest, a bed, two nightstands, and other miscellaneous furniture
- \$1,450 to Cort Furniture for a dining table, six chairs, and piece of artwork
- \$800 to La-z-Boy Furniture for a massage and heat recliner
- \$1,307 to M&F Outlet Furniture for a queen size bed
- \$1,870 to Best Buy for a washer and dryer shipped to Ms. Normand's home address
- \$603 for veterinary services

CRPC Vendors - Ms. Normand wrote eight checks totaling \$3,451 to vendors for personal expenses not approved by CRPC management. On two occasions, December 30, 2004, and May 18, 2005, Ms. Normand used CRPC checks to pay for personal automobile repairs at Simpson's Car Care totaling \$1,261. Repairs included two oil changes, coolant flush, new brake pads, rotors, and four new tires. On three occasions, Ms. Normand used CRPC checks to pay for her personal car insurance. According to State Farm insurance, the checks were used for Ms. Normand's renters insurance and two six-month premiums on her personal vehicle.

Checks Written for Personal Rental Expenses

Beginning November 30, 2004, Ms. Normand wrote four checks totaling \$1,520 to Jefferson Lakes Apartments for her personal rent. In each instance, she substituted checks created using unauthorized check stock and falsified invoices to conceal the CRPC payments.

Checks Written to Doleen Lemoine

Two checks totaling \$2,363 were paid to Ms. Normand's mother, Doleen Lemoine. According to Ms. Lemoine, she contracted with the CRPC to update its operations manuals. Ms. Lemoine further stated that Ms. Normand arranged the contract and she (Ms. Lemoine) gave her completed work to Ms. Normand and never spoke to anyone other than her daughter about the project.

On April 7, 2006, Ms. Lemoine presented the contract to officials of the Legislative Auditor's Office. The contract was for the services described by Ms. Lemoine and stamped with Mr. Neisler's signature. According to Mr. Neisler, Ms. Lemoine never performed work for the CRPC, and he has never seen nor was he aware of the contract. In addition, on April 7, 2006, while interviewing Ms. Lemoine at her home, legislative auditors recognized several items resembling unauthorized purchases with the CRPC credit card. When asked about the items, Ms. Lemoine stated they were gifts from her daughter, Ms. Normand. Several days later, Mr. L.J. Hymel, Ms. Normand's attorney, called the legislative auditor to return the questioned items to the CRPC. According to Mr. Hymel, Ms. Normand admitted the items were unauthorized personal purchases.

Unauthorized Credit Card Purchases

BankOne/Chase Credit Card

Ms. Normand typically filed CRPC Bank One/Chase credit card statements with the corresponding receipts and/or invoices for the charges listed on the statements. Each of the statements from August 2003 through December 2005, (with the exception of the September 2003 statement) appears to be falsified as each statement is printed with no watermarks or logos because all Bank One/Chase credit card statements have watermarks and logos. In addition, on several occasions, dollar amounts and dates listed on the statements do not correspond with the statements' respective reporting date ranges. For example, the April 21, 2005, to May 20, 2005, statement includes a late fee dated June 15, 2005, for which there was no dollar amount listed. The same charge was also included on the following month's statement with a \$39 debit.

The original credit card statements recovered from Ms. Normand's home on March 2, 2006, were compared to the credit card statements on file at CRPC for fiscal years 2003/2004, 2004/2005, and 2005/2006 (through December 2005). An analysis of both sets of records indicates that from at least August 2003 through December 2005, Ms. Normand falsified Bank One credit card statements and receipts to conceal at least \$9,308 of personal charges made on the account. In addition, we noted non-concealed personal charges totaling \$537 made in September 2005 that Ms. Normand made restitution for on December 27, 2005. One charge was for a visit to a local physician for \$287. The second charge was to Continental Airlines for \$250 for a flight to Houston.

In addition to falsifying the credit card statements, it appears Ms. Normand falsified at least 12 receipts from October 2004 through December 2005 to conceal personal charges. These receipts were included in the agency files and generated to match the charges included on the falsified credit card statements. According to agency records, an external hard drive was purchased from TigerDirect.com on November 22, 2004, for \$271. Attached to the statement appears to be an Internet-generated order form from TigerDirect.com. However, the original credit card statement indicates that a charge for \$271 was made at Hobby Lobby in Baton Rouge. In addition, a copy of the TigerDirect.com order form was found on the laptop computer recovered from Ms. Normand's home.

On six occasions, one falsified invoice/receipt was generated to disguise from two to nine charges reported on the original credit card statements. For example, the December 2004 statement on file at the CRPC included a charge and a corresponding invoice from PTV America for \$2,192. However, the original statement included nine different charges totaling \$2,192 from stores such as Wal-Mart, Radio Shack, Target, Foley's, Pier 1, and Sav-A-Center. The December 2005 statement on file at the CRPC included a charge and corresponding invoice for the Institute of Transportation Engineers for \$2,461. However, the original statement includes nine separate charges totaling \$2,685. One of the charges on the original statement was incurred at Target on December 9, 2005, for \$1,344. The original Target receipt was recovered by sheriff's deputies from Ms. Normand's home. The receipt included charges for a Christmas tree, DVDs, board games, an electric blanket, and several pieces of framed art.

Office Depot Credit Card

Ms. Normand typically filed Office Depot purchases to include the monthly statement with purchase detail, online receipt notifications, and in some cases in-store purchase receipts. The statements list every purchase by date and invoice number. Starting in fiscal year 2004, all statements, order summaries, and online receipt notifications appear to be falsified as each document lacks watermarks, color, or printing on both sides of the statements.

Falsified Credit Card Statements - A comparison of actual statements obtained from Office Depot and CRPC statements filed by Ms. Normand indicates that from at least July 2003 through December 2005, Ms. Normand falsified the credit card statements to conceal at least \$5,359 of personal charges made on the account. Examples of personal charges include the following:

- On December 22, 2004, CRPC records indicate that six ink cartridges and a 2005 wall calendar were purchased. According to Office Depot records, wrapping tissue, three children's Christmas DVDs, and four printer cartridges not used at the CRPC were purchased.
- On January 27, 2005, CRPC records indicate that 19 five-inch binders and one 8X5 legal pad were purchased. According to Office Depot records, a TV/DVD/VCR combo was purchased.
- On July 19, 2005, CRPC records indicate that printer cartridges and a drawing keyboard were purchased totaling \$761. According to Office Depot records, an E-Machines computer, computer software, soap, and cookies were actually purchased for the same amount. The computer was later delivered by Ms. Lemoine to Mr. Hymel, Ms. Normand's attorney, who in turn released the computer to the Legislative Auditor.

In addition to falsifying the credit card statements, it appears that Ms. Normand falsified at least 16 Office Depot e-mail notification receipts. Office Depot notifies its customers that an order for merchandise was placed by sending e-mailed notification receipts. These receipts were included in the agency files and were falsified to match the charges on the falsified Office Depot credit card statements. Each of the documents appears to be an e-mail notification sent from Office Depot online to the CRPC.

Original Credit Card Statements - Ms. Normand filed original Office Depot records for \$1,782 in personal purchases. However, according to Ms. Yvonne Norwood, the current bookkeeper, the items were never in the CRPC's possession. For example, on October 14, 2004, a Compaq 2210 laptop computer, laptop bag, mouse, and DVD software were purchased. These items were later recovered from Ms. Normand's residence.

Missing Credit Card Statements - CRPC documentation was missing for \$3,127 in personal charges. Subsequently, we obtained original Office Depot records and discovered items not used for CRPC business purposes. On August 4, 2005, items resembling school supplies totaling \$311 were purchased, which included items such as a compass, a Webster's pocket dictionary, a glue stick, protractor, multiplication/division workbook, and an elementary mat.

Missing Inventory - From July 2003 through December 2005, \$4,241 was spent on computers, printers, and digital cameras that according to Ms. Norwood were never in the CRPC's possession. Ms. Norwood stated that only two printers were purchased at Office Depot in December 2004; computers and digital cameras were never purchased at Office Depot, they were purchased through other vendors.

In addition, from July 2003 through December 2005, Ms. Normand purchased 235 printer cartridges totaling \$8,343. Fifty-four of the cartridges were for printer models not owned by the CRPC. According to Ms. Norwood, the CRPC should only use about 18 cartridges a year for its six printers.

Gas Card Purchases

The CRPC has a Shell and Chevron credit account used to fuel agency vehicles. Each account has four credit cards. Only two cards on each account are currently used; one is used by Mr. Neisler and the other by Mr. R. J. Goebel, Director of Planning. CRPC policy only allows the credit cards to be used to fuel its agency vehicles. The extra credit cards were locked in a box in Ms. Normand's office. In December 2005, it was discovered that during November, several unauthorized gas purchases were charged to one of the CRPC Chevron credit cards. The card was one of the unused cards under Ms. Normand's control. Further analysis found 28 charges totaling \$840 on the card dating back to June 2005.

On January 19, 2006, Ms. Normand admitted to making the charges on the card and agreed to make restitution. According to Ms. Normand, the credit card was destroyed. In addition, while the cards were in Ms. Normand's possession, eight purchases dating back to August 2005 were charged to the Shell credit card totaling \$214. According to Mr. Neisler, Ms. Normand was not authorized to have either card in her possession.

Combined, Ms. Normand spent \$79,922 in CRPC funds as follows:

- \$58,754 in unauthorized checks written to her, her mother, and vendors for purchases of personal items
- \$9,845 in unauthorized Bank One credit card purchases for personal items
- \$10,268 in unauthorized Office Depot credit card purchases for personal items
- \$1,055 in unauthorized Chevron and Shell gas credit card charges

IMPROPER LEAVE AND SEVERANCE PAYMENTS

From July 1, 2004, to January 19, 2006, two former employees were paid a total of \$6,709 for unearned leave and improper severance payments. During this period, Ms. Normand used and was paid for unearned compensatory time and sick leave totaling \$4,025. Because Ms. Normand approved and processed agency time sheets, processed payroll checks, and updated and maintained all employee leave balances, she was able to take paid leave from work when she did not have earned leave and pay herself cash for the unsupported leave balance. In addition, upon termination on December 21, 2005, former Transportation Planner Maja Bolanowska was overpaid \$2,684 for improper severance pay and unearned leave.

Angie Normand

Ms. Normand worked at the CRPC beginning April 9, 2003, until termination on January 19, 2006. During this time, Ms. Normand handled all aspects of payroll including preparing employee time sheets, reviewing all time sheets, processing paychecks, and updating and maintaining employee leave balance schedules. According to the current office manager and former office assistant, Ms. Yvonne Norwood, Ms. Normand prepared time sheets for each employee using the office in/out log to record the appropriate amounts of leave on each time sheet. Ms. Normand would then use the time sheets to update each employee's leave schedule.

Ms. Norwood stated that Ms. Normand generally came in to work late and left early. She added that Ms. Normand rarely signed the office log so she (Ms. Norwood) would sign the log for Ms. Normand. Ms. Norwood further stated that Ms. Normand would not always record her time out of the office onto her time sheet. Executive Director Don Neisler stated that he did not review Ms. Normand's time sheets or any other employee's time sheets, and added that only time recorded on a compensatory time form would be officially approved and signed by him. Mr. Neisler stated that he rarely remembered signing compensatory time forms for Ms. Normand.

We reviewed Ms. Normand's payroll records to determine her leave balances as of her termination date, January 19, 2006. These records included time sheets, compensatory forms, leave schedules, and the office in/out logs. The analysis of Ms. Normand's payroll records indicated that from April 9, 2003, to January 19, 2006, she was paid \$4,025 for 237.09 compensatory and sick leave hours. According to the payroll records, Ms. Normand used 291.50 compensatory hours but only earned 88.25 hours of authorized compensatory time; a difference of 203.25 hours. Finally, time sheets and the in/out log indicate that Ms. Normand used 33.84 hours of sick leave in excess of sick leave earned during the period.

Maja Bolanowska

According to CRPC policy, full-time agency employees earn annual and sick leave at various rates based on the employees' years of service. Upon termination, the employee is entitled to payment for all unused annual leave. The employee's accrued sick leave is forfeited upon termination unless the employee is laid off for lack of work. If laid off, the employee is paid accrued sick leave minus accrued annual leave. If the employee has more annual leave than sick leave, the employee does not receive the sick leave as severance pay. However, if the employee has more sick leave than annual leave, the amount of sick leave after subtracting the annual leave is paid to the employee as severance pay. There is no provision in the policy to pay the employee unused compensatory leave upon termination.

According to agency records, Maja Bolanowska began work on May 2, 2005, as a Transportation Planner IV and resigned her position on December 21, 2005. As an employee with less than three years of service, Ms. Bolanowska earned eight hours of annual and sick per month. At that rate, Ms. Bolanowska earned 62 hours of annual leave and 62 hours of sick leave; during that time she also earned an additional 44.75 hours of compensatory leave. Since she began work, Ms. Bolanowska used 15.25 hours of annual leave, 59 hours of sick leave, and 2.25 hours of

compensatory leave. As a result, the ending balances of Ms. Bolanowska's annual, sick, and compensatory leave were 46.75, 3.00, and 42.50, respectively.

On December 21, 2005, CRPC issued Ms. Bolanowska's final payroll check for \$4,221. This amount included 30 hours worked during the pay period, 80 hours of severance pay, 30 hours of compensatory time, and 70.75 hours of annual leave. Based on agency policies, Ms. Bolanowska's final payroll check should have been \$1,537, consisting of hours worked during her last pay period, 46.75 hours of unused annual leave, and no sick leave (severance pay) since her accumulated annual leave exceeded sick leave. Therefore, Ms. Bolanowska was not entitled to severance pay, and in addition, there is no CRPC policy providing for payment of unused compensatory leave. As a result, it appears that CRPC overpaid Ms. Bolanowska \$2,684.

POOR BUSINESS PRACTICES

Reasonable internal controls, sufficient agency policy, and active management create an environment of good business practices and as a result promotes agency efficiency and effectiveness and safeguards public assets. As part of our audit, we addressed some of the basic business practices of the CRPC. Based on observations and employee interviews, we noted the following:

Gifts/Donations

Flowers

From July 1, 2003, to December 25, 2005, the CRPC purchased \$2,570 in flowers from Heroman's Florist for individuals including employees and family members. Purchases included flower arrangements, plants, balloons, and other miscellaneous items.

Meals

From July 1, 2003, to December 31, 2005, the CRPC spent at least \$10,942 on meals and miscellaneous food items for employees, CRPC's paid consultants, and public officials. CRPC staff participated in meals ranging from \$20 lunches at Piccadilly to a \$440 Christmas luncheon at Drusilla Seafood. Miscellaneous food items such as chocolates from Godiva Chocolate, and pastries from Baum's Pastries were purchased for office consumption. While the CRPC may have purchased meals during the course of business, we question the necessity of purchasing this large number of meals for employees, paid consultants, and officials from other public agencies.

Coffee and Supplies

From July 1, 2003, to December 31, 2005, the CRPC issued checks totaling \$1,652 on coffee and supplies including creamer, sugar stirrers, and cups from the Community Coffee Company.

Sam's Club Cards

On March 15, 2005, the CRPC paid \$240 for eight Sam's club membership cards for employees. According to Mr. Neisler, the cards were considered a fringe benefit to employees of the CRPC. Since our discussion with Mr. Neisler, he stated that employees now have the opportunity to turn in the cards or reimburse the CRPC for them.

According to Attorney General Opinion 03-0157, public funds cannot be used to purchase gifts, celebratory meals, non-business related meals, or memberships to clubs as these actions constitute a violation of Article 7, Section 14 of the Louisiana Constitution.

The Attorney General has recognized a threefold test to determine purchases deemed valid under the Louisiana Constitution:

1. The expenditure or transfer of public funds or property must be based on a legal obligation or duty.
2. The expenditure must be for a public purpose.
3. The expenditure must create a public benefit proportionate to its cost.

The purchases made by the CRPC management and staff in many cases do not appear to meet the Attorney General's threefold test in that they do not serve a public purpose nor appear to be reasonable and proportionate to the benefits obtained.

Disbursements

Approval Process

The CRPC does not have an invoice approval policy or process. The former bookkeeper paid invoices without management approval and in the majority of cases without the proper support documentation. Invoices should be prepared by the bookkeeper and then forwarded to a member of management for payment approval.

Check Writing Process

During our review, we noted the bookkeeper had complete control over the software used to write checks, blank check stock, and signature stamps to sign the checks. The former bookkeeper printed the checks, and in most cases used the executive director's signature stamp to authorize payment. Checks should always be forwarded to a member of management with supporting documentation for review then signed by someone other than the bookkeeper after the review process. In addition, check stock should be secured and inventoried by someone other than the individual printing the checks. Because the bookkeeper is involved in processing the checks, she should not reconcile bank accounts.

Reconciliation

The former bookkeeper was storing the cancelled checks and bank statements at her personal residence, was the sole reviewer of CRPC's cancelled checks and bank statements, and performed all account reconciliations. For proper segregation of duties and to secure agency funds, reviewing cancelled checks and bank statements, and performing account reconciliations should be performed by an employee other than the bookkeeper then reviewed by a member of management and stored in a secure location within the office.

Pay Practices

The CRPC has weak policies and practices for payroll processing and completing time attendance records. CRPC staff was required to submit bimonthly time sheets directly to the former bookkeeper without management approval. According to CRPC records, time sheets were submitted directly to the bookkeeper and never approved by a supervisor or member of management. On many occasions the bookkeeper created time sheets for employees then paid the employees. Office time sheets used to calculate payroll were unorganized and difficult to follow. There were three different sources of time sheets, with varying times, making it almost impossible to re-calculate actual time worked. In addition, all full-time salaried employees automatically receive an annual step increase of 5% in their base salaries and the executive director can recommend an additional 3% without employee performance appraisals.

CRPC management should ensure that employees of the CRPC complete and certify their own time sheet properly accounting for actual time worked and duties performed and submit them to the appropriate supervisor for approval. Step increases should be considered based on employee performance through annual performance appraisals.

Investments

The former bookkeeper had full control over office bank accounts and investments including the ability to withdraw and transfer funds. From July 1, 2003, to December 31, 2005, the bookkeeper, at her own discretion, made 13 transfers totaling \$517,000 from CRPC investment accounts and CDs to the operating and Cafeteria Plan bank accounts. Currently, the CRPC has no policies or procedures to regulate this activity. According to Mr. Neisler, management was not aware of the cash withdrawals and transfers and had no idea of the type, location, or dollar amount of investments.

Management should be actively involved in the CRPC cash accounts and investments. Procedures should be adopted requiring management approval of all cash withdrawals, transfers, and investments.

Accounts Receivable

The former bookkeeper was responsible for collecting and reconciling accounts receivable. According to CRPC management, accounts receivable should be reconciled once a month. On December 31, 2005, CRPC records indicated that accounts receivable had an overall outstanding balance of \$459,897 with \$252,481 over 90 days outstanding; over 83% of which represented

grant revenues. According to the current bookkeeper, revenues were entered into the account; however, requests for reimbursements to generate the revenues were never mailed to the granting agency, such as the Department of Transportation and Development, thereby causing a delay in collecting revenues.

Management should ensure that accounts receivable is reconciled in a timely manner, preferably once a month and reviewed by someone other than the bookkeeper. In addition, management should review aged receivables once a month to ensure revenues are collected and accounted for in a timely manner.

Capital Assets

The CRPC does not have a policy for safeguarding capital assets. CRPC assets are not tagged and inventoried. During our review, we noted that asset tags do not exist; items are missing or were never purchased on behalf of the CRPC. For example, a \$935 piece of hardware from NM Computers was included in the 2003-2004 asset listing. NM Computers was a fraudulent vendor created by Ms. Normand on April 19, 2004, to conceal a \$935 payment to Nissan Motor Corporation.

At a minimum, good business practices require tagging and recording property with a value of greater than \$1,000. However, this does not negate CRPC's responsibility to have property accountability procedures in place to account for movable property, such as computers and cordless phones that are valued at less than \$1,000 but have a high risk of fraud or abuse. Currently, CRPC does not record nor track these items in a manner ensuring proper accountability.

We recommend that CRPC establish and implement a system of internal controls for property management that will safeguard public property, which should:

- (1) segregate the duties of purchasing and property management;
- (2) develop and implement procedures to identify new property purchases and ensure they are added to the inventory listing;
- (3) use assignment of property to employees, if applicable;
- (4) develop and implement a computerized property tracking system, which should include, but is not limited to, the property description, date purchased, serial or other identifying number, tag number, original cost, and physical location of the property;
- (5) develop and implement procedures to record the movement of property from one permanent location to another;
- (6) perform an interim property inventory to ensure listed property is in its designated location; and
- (7) develop and implement procedures to retire or dispose of property no longer needed.

Finally, having written policies and procedures for property management to include high risk property will provide a framework that provides CRPC's administration with the tools necessary to safeguard property and help prevent fraud.

Mail Handling

The former bookkeeper was receiving, opening, and distributing the incoming mail from an off-site post office box. Separation of this duty from the bookkeeper is important to ensure accountability of all mailed items such as checks, invoices, credit card statements, bank statements, and cancelled checks. In addition, access to post office boxes should be limited to employees not responsible for cash or financial transactions. If the duty cannot be segregated, management should take an active role in monitoring incoming mail.

Contracting With Former Employees

During the period July 1, 2003, through December 31, 2005, the CRPC paid two former employees \$14,863 for contractual services to provide bookkeeping and technical services in possible violation of the Louisiana code of governmental ethics.

Sheryll Thompson

Sheryll Thompson, the CRPC bookkeeper before Ms. Normand's employment, was paid \$8,846 to provide contractual bookkeeping services after she resigned on June 5, 2003, and during Ms. Normand's employment as bookkeeper.

From July 13, 2003, to April 4, 2004, the CRPC paid Ms. Thompson \$35 an hour to perform CRPC bookkeeping duties; Ms. Thompson earned \$23 an hour while employed as the bookkeeper of the CRPC. Time was charged for telephone correspondence, e-mail correspondence, and work performed at her personal residence in Tennessee. In addition, on January 8, 2004, the CRPC spent \$491 in air fare and car rental for Ms. Thompson to perform bookkeeping duties in Baton Rouge.

Nancy Jensen

Nancy Jensen, a former CRPC Economic Development Specialist, was paid \$6,017 to provide technical services after she retired on February 28, 2002. Ms. Jensen entered into a contract on March 1, 2002, to complete reapportionment contracts; maintain, support and update GIS reapportionment mapping systems; attend meetings; and consult on issues while working from her home. According to CRPC records, on December 22, 2003, Ms. Jensen began billing the CRPC for her contractual services. Ms. Jensen began receiving payment from CRPC for those services in June 2004.

According to Louisiana Revised Statute (R.S.) 42:1121, no public employee shall contract with his former agency or assist another person, for compensation, in a transaction, or an appearance in connection with a transaction in which such former public employee participated at any time during the term of employment for a period of two years following the termination of his public employment. We recommend the CRPC comply with R.S. 42:1121.

Information Systems

Written policies and procedures governing information systems including monitoring procedures are not followed. Ms. Normand had complete control over password administration. Employees were required to provide their CRPC logon passwords to Ms. Normand. Ms. Normand stored the files on her work computer, which gave her complete access to all CRPC staff computers. Upon termination, CRPC management disabled Ms. Normand's password but did not change CRPC staff passwords. As a result, we discovered confidential CRPC data from Ms. Normand's personal laptop recovered from her personal residence. The CRPC data were dated after her termination date indicating Ms. Normand had access to CRPC's computer network after being terminated by the CRPC.

On March 16, 2006, the legislative auditor recommended that all CRPC staff passwords be changed. All passwords were changed and as a result, after three failed attempts to log into CRPC computers from outside the agency, the next morning all CRPC staff computers were automatically locked by the system's security software.

The CRPC should adopt clear policies to govern password protected computer systems including, but not limited to, system controls, password maintenance, and system security.

This report has been provided to the District Attorney for the Nineteenth Judicial District and the United States Attorney for the Western District of Louisiana. The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney.¹

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

R.S. 14:133 provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

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. 14:138 provides, in part, that payroll fraud is committed when any public officer or public employee shall carry, cause to be carried, or permit to be carried, directly or indirectly, upon the employment list or payroll of his office, the name of any person as employee, or shall pay any employee, with knowledge that such employee is receiving payment or compensation for services not actually rendered by said employee or for services grossly inadequate for such payment or compensation.

18 U.S.C. §666 provides, in part, that theft concerning programs receiving federal funds occurs when an agent of an organization, state, local, or Indian tribal government or any agency thereof embezzles, steals, obtains by fraud, or otherwise intentionally misapplies property that is valued at \$5,000 or more and is owned by or under control of such organization, state, or agency when the organization, state, or agency receives in any one year period, benefits in excess of \$10,000 under a federal program involving a grant contract, or other form of federal assistance.

The Capital Region Planning Commission (CRPC) is a Council of Governments serving the 11-parish Capital Region, which includes Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, Tangipahoa, Washington, West Baton Rouge, and West Feliciana parishes. The Council of Governments is a voluntary association of independent local governments who focus on resolving area-wide problems beyond any individual constituency's authority or competence, through planning and communication. Individual governments are represented by locally elected officials who must constitute a majority of Council representation. Currently, 32 municipal members and 11 parish members represent the council.

In addition, CRPC is the Baton Rouge area's designated Metropolitan Planning Organization (MPO), which each metropolitan area must have to carry out regional transportation planning efforts and receive federal highway funds. The current CRPC executive director is Don Neisler.

The legislative auditor received information of possible improprieties involving the CRPC's Bookkeeper Angie Normand. The procedures performed during the compliance audit consisted of the following:

- (1) interviewing employees and officials of the CRPC;
- (2) interviewing other persons as appropriate;
- (3) examining selected CRPC records; and
- (4) reviewing applicable state and federal laws and regulations.

This page is intentionally blank.

Management's Response



**CAPITAL REGION
PLANNING COMMISSION**

333 North 19th Street
P. O. Box 3355
Baton Rouge, LA 70821-3355



PH: 225.383.5203
Fax: 225.383.3804
E-Mail crpc@brgov.com

August 21, 2006

Mr. Steve J. Theriot, CPA, Legislative Auditor
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9379

RE: Compliance Audit Report for Capital Region Planning Commission

Dear Mr. Theriot:

Capital Region Planning Commission gratefully acknowledges and appreciates the efforts and assistance of the Louisiana Legislative Auditors Office in the preparation of the CRPC Compliance Audit Report and documentation of the unauthorized use of agency checks and credit cards by the former CRPC bookkeeper, Ms. Angie Normand. CRPC also appreciates the assistance provided by the East Baton Rouge Sheriff's office and the District Attorney for the 19th Judicial District and the United States Attorney for the Western District of Louisiana.

Although CRPC is deeply saddened by such events that are detailed in this report by the former bookkeeper, CRPC management did take immediate action upon discovery of those actions by notifying the Legislative Auditors Office, the District Attorney, the CRPC Chairman and Vice-Chairman, and the CRPC legal counsel and Commission. As CRPC learned of areas that could be improved during the course of the legislative auditor's compliance audit, CRPC began to immediately revise and update policies and procedures. As CRPC comments on the various audited areas will show, we have aggressively pursued policies and procedures to improve internal control and compliance. We have solicited technical assistance from many sources to assist in developing improved policies and controls including local governments, the advisory service and legal divisions of the legislative auditor's office. CRPC also contracted with an independent CPA during the course of the legislative auditors work to conduct an analysis of our internal controls and make recommendations to strengthen internal controls. CRPC has also changed the independent auditor firm that conducts CRPC's annual audit.

CRPC is in the process of developing a master action plan in consultation with the legislative auditor's advisory services division that will provide CRPC management with continuing ability to identify internal control weaknesses, to ensure compliance with state

laws and to develop good government practices. As a small agency, CRPC had traditional practices that were not documented with policies and procedures. Many have been documented in this report that now have either been changed or they now have written procedures.

CRPC is also working with Zurich North America that has a bond of up to \$100,000 on Ms. Normand. It is believed all funds taken by Ms. Normand that have not been repaid by Ms. Normand will be covered by the bond. This will restore all public funds and CRPC will emerge from this experience with tools to greatly reduce the risk of employee theft and fraud in the future.

The following comments are in relation to specific audit areas.

Background

Ms. Normand was authorized on a couple of occasions (less than four) by the executive director to work at home, and no other permission to work at home was authorized. The executive director also instructed Ms. Normand to bring all records back to CRPC and told her that records were to be maintained at CRPC.

IMPROPER LEAVE AND SEVERANCE PAYMENTS

CRPC agency practice has been to pay severance benefits of two weeks. After an internal discussion of CRPC management and the CRPC Chairman, it was decided that no severance will be provided to an employee other than what is already prescribed in the latest edition (March 15, 2005) of the "CRPC Employee Manual". The CRPC independent auditor failed to notify CRPC of possible issues in this area during their annual audit.

Angie Normand

The procedures for handling payroll are clearly set out in the "Office Director/Bookkeeper Training Manual". CRPC has reviewed those provisions and has assigned various functions to employees to maintain a division of responsibilities to best meet recommended accounting and payroll guidelines. All employees are required to fill out their time sheets with review by their supervisors. The Office Director now manages employee leave balance schedules and provides a monthly accounting to each employee.

Maja Bolanowska

In the past CRPC has traditionally paid a severance pay of two weeks when a reduction of employee work force was implemented. CRPC management has determined that it will no longer pay severance that is not defined in the employee manual. The CRPC independent auditor failed to notify CRPC of possible issues in this area during their annual audit.

Gifts/Donations

Flowers

CRPC management has revised its policy in this area and will no longer fund flower expenses. The CRPC independent auditor failed to notify CRPC of possible issues in this area during their annual audit.

Gifts/Donations

Meals

CRPC has in the past paid for working lunches for metropolitan planning functions as part of its public involvement efforts. CRPC management has changed its policy and will no longer pay for working lunches in general, and functions such as the CRPC Christmas lunch. The CRPC independent auditor failed to notify CRPC of possible issues in this area during their annual audit.

Gifts/Donations

Coffee and Supplies

CRPC as a council of governments and a metropolitan planning organization has numerous day and evening planning meetings. CRPC also has official Parish Presidents meetings, Transportation Policy Committee meetings with chief elected officials attending and Technical Advisory Committee meetings and CRPC will continue to offer coffee for these functions. CRPC is developing procedures and a process for collecting employee coffee expenses when it is used by staff other than official meetings.

Disbursements

Approval Process

CRPC management has reviewed the "Office Director/Bookkeeper Training Manual" which provides details on the approval process. This document has been amended to include the following: "Invoices should be prepared by the bookkeeper with the proper support documentation and then forwarded to a member of management for payment approval". The CRPC independent audit did not mention possible issues in this area during their annual audit.

Disbursements

Check Writing Process

CRPC has reviewed the comments and is in the process of developing procedures and staff to comply with suggested guidelines of the legislative auditor. CRPC hired an independent CPA to conduct an analysis of internal controls in March 2006. CRPC has implemented a number of actions that meet both the legislative auditor's guidelines and the CPA recommendations. CRPC is in the process of hiring additional staff that will be needed to comply with this issue. To be fully compliant with the legislative auditors requirements, four people are required and CRPC currently has three employees in this process. The CRPC independent auditor failed to notify CRPC of possible issues in this area during their annual audit.

Disbursements

Reconciliation

CRPC has reviewed this comment and has separated the duties of the person that writes the checks from the person that reviews cancelled checks and bank statements, and performs account reconciliations. CRPC is in the process of employing another staff person to assist in the accounting/bookkeeping department as it is currently a one person staff. The independent CPA recommendations of March 2006 are also being used to develop CRPC policies in this area. The CRPC independent auditor failed to notify CRPC of possible issues in this area during their annual audit.

Pay Practices

CRPC has reviewed comments and amended the policy to require both supervisory and management approval of all time sheets and compensatory time. All time sheets are now organized according to pay period and compensatory time sheet approvals are attached to the employee time sheets. Compensatory time is now added to the appropriate task on the day it is acquired.

The annual step increase is based on availability of funds and recommendations from the CRPC Executive Director to the CRPC Executive Committee and the CRPC Commission. Because of funding constraints, rarely do CRPC employees get a step increase of 5% and our records indicate that there have not been any performance raises besides the step (cost of living) for the last five years. CRPC will, as recommended by the legislative auditor's report, develop and adopt guidelines for annual employee performance appraisals.

Investments

CRPC has reviewed the comments and taken swift actions. The executive director was unaware of and he did not sign or authorize the transfer of any funds that the former bookkeeper made. All of CRPC investments are now in two accounts - Chase Bank and Merrill Lynch. Only the Executive Director and CRPC Chairman are authorized to withdraw or transfer funds. CRPC has contacted several local governments and the legislative auditors technical assistance section to update and develop procedures for management approval of all cash withdrawals, transfers and investments.

Accounts Receivable

CRPC is required to invoice on a quarterly rather than monthly basis for federal grants. CRPC dues invoicing is only done one time per year – in July. CRPC has set policies and procedures that ensure that accounts receivables are reconciled in a timely manner once a month. CRPC has revised its policy so that all accounts receivables (current and aged) will be reviewed by management other than the office manager/bookkeeper. CRPC has contacted several local governments and the legislative auditor's technical assistance section to update and develop procedures in this area. The CRPC independent audit noted no issues in this area during their annual audit.

Capital Assets

CRPC has reviewed the comments and is in the process of updating our internal controls for property management. CRPC is presently requesting technical assistance from the Legislative Auditor's Office and several local governments in the endeavor. The CRPC independent auditor failed to notify CRPC of possible issues in this area during their annual audit.

Mail Handling

CRPC has reviewed the comments and established procedures to separate duties. The CRPC Senior Planning Aide collects mail off site and opens it up. He then makes copies of all checks and records the date received and who wrote the check. He then gives all the mail to the Executive Director for processing. The CRPC independent auditor did not notify CRPC of possible issues in this area during their annual audit.

Contracting with Former Employees


CRPC has reviewed the comments and is in the process of sending a letter to the Louisiana Board of Ethics explaining the circumstances of these contracted services. CRPC also consulted with the legal section of the legislative auditors office on this matter. CRPC management did not realize that this was a possible violation and the independent auditor did not bring this to managements attention for either employees. CRPC also intends to consult with its legal counsel on this matter to develop written policy so that it will be compliant with LA R.S. 42:1121 and any other state statute that has applications to employees and contractual relationships. The CRPC independent auditor failed to notify CRPC of possible issues in this area during their annual audit.

Information Systems

CRPC has reviewed the comments and is in the process of revising information system policies. CRPC is working with the City-Parish of East Baton Rouge and the Advisory Services Division of the legislative auditors department for technical assistance in this area. CRPC has the option of utilizing the East Baton Rouge City-Parish Information Services to govern password protected computer systems. This service along with their policies and procedures are being reviewed for possible adoption as policy and procedures for this area.

CRPC appreciates the many hours and technical assistance that the Legislative Auditors Office has spent on this task. Their efforts have caused many positive and substantive changes to occur in the CRPC office management, accounting, and continuing oversight arenas. Their continuing assistance through the Legislative Advisory and Legal Services will ensure that future policies and procedures will meet the highest government standards.

Sincerely,



Dow W. Neisler
Executive Director

C with enclosure: CRPC Executive Board