

VILLAGE OF MORSE



COMPLIANCE AUDIT

ISSUED NOVEMBER 16, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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November 16, 2005

HONORABLE LEON CLEMENT, MAYOR
VILLAGE OF MORSE
Morse, Louisiana

We have audited certain transactions of the Village of Morse in accordance with Title 24 of the Louisiana Revised Statutes. Our audit was performed to substantiate or refute allegations of improprieties at the Village.

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 the Village'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.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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During the period June 2003 through June 2005, Ms. Shella Villejoin, former Village of Morse clerk, made improper payments to herself from Village funds, failed to deposit cash receipts belonging to the Village, made purchases for personal items with Village funds, and improperly cashed Village checks. These actions cost the Village a total of \$110,758. Specifically, Ms. Villejoin:

- (1) improperly made Village checks totaling \$63,426 payable to herself;
- (2) failed to deposit Village cash receipts totaling \$39,848 into Village accounts;
- (3) used \$3,401 of Village funds to pay for her and her family's medical expenses;
- (4) used the Village credit card to purchase a \$970 Dell computer for personal use; and
- (5) improperly cashed two checks, totaling \$3,113, drawn on the Morse Recreation Festival account.

Background

Management for the Village consists of a part-time mayor, a clerk, and a three-member council. The Village has four revenue accounts--water, sewer, sales, and general--as well as a bond reserve account, two savings accounts, and a festival account. All checks require two signatures. The Village also has one credit card that is kept by Mayor Leon Clement. The mayor also keeps a signature stamp at the office for when he is not available to sign checks. The Village hired Ms. Shella Villejoin as the Village clerk on February 4, 2002. Her job duties included keeping the Village's books, making deposits, and preparing payroll.

Improper Payments to Shella Villejoin

Ms. Villejoin stated that she improperly prepared and authorized Village checks to herself and then deposited them into her personal bank account. Ms. Villejoin accomplished this by signing her name and using Mayor Clement's signature stamp to affix the second signature. Ms. Villejoin improperly recorded these payments in the general ledger as water purification chemicals and other non-payroll purchases.

During the period June 27, 2003, through June 24, 2005, Ms. Villejoin wrote 292 Village checks to herself totaling \$84,007. The checks were drawn on the Village's four revenue accounts. Ms. Villejoin earned approximately \$20,580 in net pay during the period June 27, 2003, through June 24, 2005. The difference between the \$84,007 in total payments to Ms. Villejoin and the \$20,580 in net pay to Ms. Villejoin represents improper payments of \$63,426.

Missing Cash Receipts

The Village allows cash payments for many types of fees, including water/sewer payments, traffic tickets, property tax payments, and business license fees. The Village keeps detailed records for the receipt of these fees. Using these records, we were able to identify at least \$42,619 in cash receipts during the period January 2004 through May 2005. During the same period, only \$2,771 in cash receipts was deposited into the Village's bank accounts. The remaining \$39,848 in cash receipts are missing.

Ms. Villejoin stated that she converted Village cash receipts to her personal use but was unsure of the amount.

Improper Purchases and Cashed Checks

Improper Hospital Payments

During the period March 18, 2004, through March 1, 2005, Ms. Villejoin prepared and signed three checks made payable to the American Legion Hospital in Crowley, Louisiana. The mayor's signature appears to have been stamped on each of the three checks. The total amount of the checks was \$3,400.80. Ms. Villejoin stated that these were improper payments for personal medical expenses for herself and her family.

Improper Computer Purchase

On November 17, 2004, there was a \$970.10 purchase on the Village's Capital One credit card from Dell Catalog Sales. Ms. Villejoin stated that this purchase was for a Dell computer she purchased for personal use.

Improperly Cashed Checks

Two checks, one for \$2,000 and one for \$1,113, made payable to cash were drawn on the Morse Recreational Account. Supporting documentation for these checks could not be located in the Village's records. In addition, both checks were signed and endorsed with the signature, Shella Villejoin. Ms. Villejoin stated that she may have taken this money, but she does not specifically remember it.

Internal Control Weaknesses

During the audit, we noted several internal control deficiencies. These include:

- (1) the lack of accurate receipt books;
- (2) the lack of segregation of duties over collecting cash and making deposits;
- (3) no reconciliation of receipts to deposits; and
- (4) no review of checks.

Although the Village does keep receipt books, it cannot provide an accurate account of cash collections. Many of the entries in the receipt book do not indicate whether the payment was in the form of cash or check. There are electronic ledgers where information from the receipt books is posted; however, all entries on the ledger are recorded as cash whether or not the payment was cash or not. This makes it impossible to use either the receipt books or the ledgers to accurately track cash receipts or reconcile them to deposits.

The Village clerk is responsible for collecting cash and making the deposits. The lack of segregation of duties allowed the clerk to improperly remove cash receipts before making the deposits. The Village should ensure that no single town employee has total control over both processes.

The Village does not have procedures that require periodic reconciliation of receipts to deposits. The requirement that receipts be periodically reconciled to deposits is a basic management control that can help deter attempts to take cash receipts.

The Village does not appear to have any systematic process for reviewing checks. Neither the mayor nor the Village council systematically reviews checks. The lack of this process makes it impossible to ensure that expenditures comply with Village policies and procedures and creates a climate in which fraud can occur.

This report has been provided to the District Attorney for the Fifteenth Judicial 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. 14:72 provides, in part, that forgery is the false making or altering, with intent to defraud, of any signature to, or any part of, any writing purporting to have legal efficacy.

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.

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The mayor and the Village council should consider adopting the following recommendations:

1. The Village council should review all Village expenditures for reasonableness and compliance with Village policies and procedures during monthly meetings.
2. The mayor should dispense with the signature stamp and personally sign all checks.
3. The receipt books used by the Village should record all pertinent data including the date, type of fee, payee, and method of payment.
4. Ledgers used to record data from the receipt books should accurately record the type of payment, i.e., cash, check, or money order.
5. Deposits should be periodically reconciled to the revenue ledgers. This reconciliation should be documented and reviewed by either the mayor or the Village council.

No single Village employee should be allowed to collect cash and make deposits. These two processes must be segregated.

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The Village of Morse was incorporated under the Lawrason Act in 1906 and has a Mayor-Board of Alderman form of government. The mayor is elected and serves part-time. There is also a clerk and two maintenance workers.

The legislative auditor received information of possible financial improprieties. The procedures performed during this compliance audit consisted of:

- (1) interviewing employees of the Village;
- (2) examining selected records of the Village;
- (3) performing analytical tests and reconciliations; and
- (4) reviewing applicable state and federal laws and regulations.

The Acadia Parish Sheriff's office assisted with this audit.

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Management's Response

Village of Morse

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337-783-7555

November 8, 2005

Mr. Gary Duty, CIA
Senior Auditor
Office of Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
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Dear Mr. Duty:

I have read over and approved the report that you have given me. We are implementing the recommendations.

I will be looking forward to hearing from you soon. You may reach me at the office number 337-783-7555.

Thank you,



Leon Clement
Mayor

"AN EQUAL OPPORTUNITY EMPLOYER"