

TOWN OF INDEPENDENCE



COMPLIANCE AUDIT
ISSUED SEPTEMBER 24, 2008

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

September 24, 2008

**HONORABLE MICHAEL RAGUSA, MAYOR,
AND BOARD OF ALDERMEN
TOWN OF INDEPENDENCE**
Independence, Louisiana

We have audited certain transactions of the Town of Independence (Town). Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

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 Town's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. This correspondence is intended primarily for the information and use of management of the Town. Copies of this report have been delivered to the District Attorney for the Twenty-First Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

KJ:GC:DD:dl

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Background

The Town of Independence (Town) fire department provides fire protection and emergency response services within Town limits. The Independence Volunteer Fire Department (IVFD), a nonprofit corporation, provides the same services to the Town as well as the surrounding unincorporated areas of Tangipahoa Parish. The Town fire department and the IVFD both operate from a fire station in Independence and during the period of our review were managed by former Town Fire Chief Raymond Alexia. During a parallel audit of the IVFD, we noted that Mr. Alexia, as well as four other Town employees, simultaneously received wages from the Town as full-time employees and wages from the IVFD.

Possible Duplicate Payments

According to payroll practices, hourly employees of the Town fire department submitted handwritten or punched timecards to their former department supervisor, Chief Raymond Alexia, for review and approval. Chief Alexia submitted the timecards to the Town clerk for payment. Hourly employees of the IVFD also submitted timecards (either handwritten or punched) to Chief Alexia for hours worked for the IVFD. Chief Alexia would then prepare and fax a summary of hours worked to the IVFD's contract bookkeeper to be processed for payment.

Frank Rumfola serves and is paid as a full-time firefighter for the Town. According to Town timecards, Mr. Rumfola worked two 24-hour shifts each week (7 a.m. to 7 a.m.) on Mondays and Thursdays until August 1, 2007. Timecards submitted subsequent to August 1, 2007, indicate that Mr. Rumfola began working 12-hour shifts (7 a.m. to 7 p.m.) on Mondays, Tuesdays, Wednesdays, and Thursdays.

In addition to his full-time duties for the Town, Mr. Rumfola is a paid employee of the IVFD. IVFD timecards submitted by Mr. Rumfola indicate that he worked 12-hour shifts (7 a.m. to 7 p.m.) on Saturdays and Wednesdays from July 1, 2007, to August 1, 2007. Although no IVFD timecards were located for Mr. Rumfola after August 1, 2007, Mr. Rumfola stated that his IVFD work schedule remained the same until January 2008 when he was converted to a salaried employee and began working only on Saturday and Sunday of each week. Initially, Chief Alexia confirmed that Mr. Rumfola's schedule did not change until January 2008 but later stated that Mr. Rumfola's schedule changed in August 2007 instead of January 2008. A review of IVFD payroll records indicated that Mr. Rumfola was paid the same hourly wages until January 1, 2008, when he began receiving a monthly salary.

Based on available timecards submitted and signed by Mr. Rumfola and the schedules worked by Mr. Rumfola, it appears that he may have received payments from the Town and the IVFD for concurrent hours on Wednesdays from August 1, 2007, to December 31, 2007. During this period, Mr. Rumfola worked from 7 a.m. to 7 p.m. every Wednesday and was paid wages for 264 hours (12 hours x 22 days) by both the IVFD and the Town. The Town paid Mr. Rumfola a total of \$2,207 (264 hours x \$8.36 per hour) for the hours worked and the IVFD paid Mr. Rumfola a total of \$1,980 (264 hours x \$7.50 per hour) for the same hours worked. It should be noted that all payments to Mr. Rumfola were approved by Chief Alexia.

We recommend the Town:

- (1) require all employees to record and certify hours worked;
- (2) verify that employees are not paid by the Town and the IVFD for the same hours worked;
- (3) maintain schedules and job descriptions for all Town positions; and
- (4) implement written policies and procedures relating to payroll processing, personnel, and attendance records.

Weak Payroll Practices

The Town does not maintain written policies or procedures relating to payroll, personnel, or timekeeping and has no records relating to work schedules or employee job descriptions. Although most employees submit handwritten or punched timecards to a supervisor, department heads are not required to account for their time. The only record maintained by the Town pertaining to a department head's work attendance is a manual leave log maintained by the Town clerk.

According to policy, full-time employees are granted annual leave based on years of service. Although the Town's policy is not specific about leave accruals for annual leave, the Town clerk indicated that the Town's current practice does not allow employees to carry unused annual leave forward into the next year. Sick leave is earned for each month of employment and may be accrued up to a maximum of 365 days. The Town clerk maintains a leave log for each employee and records the leave taken by hourly employees in the log based on the employee's timecard. Because department heads do not complete timesheets, they must notify the Town clerk of leave time taken. These employees simply call the Town clerk and inform her of the amount and type of leave time being taken. The clerk then records the time taken in the employee's leave log.

An examination of Chief Alexia's leave log indicated that he failed to notify the Town clerk of leave taken on dates in which auditors confirmed that he was at home. For example, on Wednesday, April 23, 2008, Louisiana legislative auditor representatives arranged a 9 a.m. meeting with Chief Alexia to discuss the audit of the IVFD. Upon arrival at the fire chief's office, auditors were met by a Town employee and escorted to Chief Alexia's home. Chief Alexia explained that he was caring for his child and could not report to work. Louisiana legislative auditor representatives also located and interviewed Chief Alexia at his home on the following day, Thursday, April 24, 2008, where he was caring for his child. The Town clerk indicated that Mr. Alexia did not contact her to indicate that he was on leave for either of these days. As a result, no leave was deducted from Chief Alexia's leave balance for these days.

We recommend the Town:

- (1) require all employees to record and certify hours worked;
- (2) make the proper adjustments to Mr. Alexia's leave balances;
- (3) review all employee leave balances for reasonableness and take appropriate corrective action if necessary;
- (4) require all employees to submit standardized absentee forms for all employee absences;
- (5) require that all leave is approved by the appropriate supervisor;
- (6) maintain schedules and job descriptions for all Town positions; and
- (7) implement written policies and procedures relating to payroll processing, personnel, and attendance records.

Town Vehicles

The Town provides vehicles to the police department, fire department, streets department, and water and sewer department. Expenses for the Town vehicles including insurance coverage, maintenance, and fuel are paid by the Town. During our review of vehicle usage, we noted (1) the Town does not have a written policy on the use of Town vehicles and does not maintain any usage records; (2) former Mayor Phillip Domiano purchased fuel for his Town vehicle while on extended leave; and (3) the Town does not mark all its vehicles in compliance with state law.

Lack of Vehicle Use Records

The Town has no written policies or procedures regarding the proper usage of Town vehicles. Neither mileage logs nor fuel receipts document the business purpose of vehicle usage or fuel purchases. Fuel is generally purchased by employees on account at local area stores. When a fuel purchase is made on account, a voucher is signed by the purchaser and completed with the vehicle identity, purchase date, gallons purchased, and total dollar amount of the purchase. Neither the vehicle's mileage nor the business purpose of the charge is included on the voucher.

Questionable Fuel Purchases

During the period of our review, former Mayor Phillip Domiano served as the Town's part-time mayor and also worked full-time as the Town's street commissioner. To carry out his duties as street commissioner, Mr. Domiano was provided a Town vehicle and was allowed to purchase fuel using Town accounts at local gas stations. On May 7, 2008, Mr. Domiano informed the Town clerk that he would be on leave from his positions until further notice. Although Mr. Domiano remained on leave until his term as mayor and his appointment as street commissioner expired on June 30, 2008, records

indicate that he made two fuel purchases on May 9, 2008, and May 11, 2008, totaling \$124 on the Town account for his Town vehicle. Because Mr. Domiano relinquished his Town responsibilities for the remainder of his term, it appears the use of the Town vehicle and the expenditures for fuel during this period were personal in nature and had no public benefit.

In addition, during a review of fuel vouchers and leave logs, we noted that on three prior occasions, Mr. Domiano purchased fuel totaling \$179 using a Town account on days in which the leave log indicated that he was on leave. Town fuel receipts indicate that Mr. Domiano purchased fuel on September 10, 2007; February 2, 2008; and February 11, 2008. The Town leave log maintained for Mr. Domiano indicates that he took leave from September 10, 2007, through September 13, 2007, and from January 28, 2008, through February 15, 2008. Because Mr. Domiano was on leave at the time of these purchases, we question the public nature of the vehicle usage and fuel purchases.

Vehicles Not Marked in Accordance With State Law

Louisiana law¹ requires any vehicle belonging to the state or to any of its political subdivisions to bear a Louisiana license plate, a public license plate, and that each such vehicle also shall have inscribed, painted, decaled, or stenciled conspicuously thereon, the name of the agency. In addition, the attorney general² has opined that magnetized decals do not meet the requirements set forth by Louisiana law for the demarcation of vehicles owned by public entities. During our review of vehicle usage, we were informed that at least three of the Town's vehicles, including the vehicle used by Mr. Domiano, were not marked in accordance with state law.

We recommend the Town adopt detailed policies and procedures for the use of Town vehicles to ensure that public vehicles are only used for public purposes. These policies and procedures should include:

- (1) maintain vehicle usage logs;
- (2) require employees to document the business purpose and vehicle mileage when purchasing fuel;
- (3) clearly mark all vehicles in accordance with state law; and
- (4) seek reimbursement from Mayor Domiano for personal fuel purchases.

¹**R.S. 49:121 A.(1)** Every boat, watercraft, aircraft, automobile, truck, or other vehicle belonging to the state or to any of its political subdivisions, or to any department, board, commission, or agency of any of its political subdivisions shall, if required by law to bear a Louisiana license plate, bear a public license plate, and each such vehicle also shall have inscribed, painted, decaled, or stenciled conspicuously thereon the name of the agency.

²**AG Opinion 07-0072** provides, in part, "it is the opinion of this office that magnetized decals do not meet the requirements set forth in the La. R.S. 49:121 for the demarcation of vehicles owned by public entities."

Former Mayor Failed to Pay Water Deposit

According to Town policy, utility customers must have a permit issued by the Town to establish an electrical account with the local utility company. To obtain a permit, the customer must have paid all deposits and fees to the Town including a \$100 water deposit which is required to open an account with the Town for water services. Once the deposits and fees have been paid, the Town will issue a permit and forward it to the utility company with a request to provide service to the property. In March 2008, Mr. Domiano instructed the Town clerk to create a permit for a property his son was renting for which the \$100 water deposit fee had not been paid.

Robin Dagro, Town clerk, indicated that Mr. Domiano called her on March 3, 2008, and demanded that she set up an electrical account for a property that his son was renting. Ms. Dagro explained that she set up the account, filled out a permit, and faxed it to the electrical company. She added that although the water deposit had not been paid, Mr. Domiano gave her the impression he would take care of it. According to Ms. Dagro, as of May 27, 2008, Mr. Domiano had not paid the deposit. On May 29, 2008, we questioned Mr. Domiano about the water deposit. Following our conversation, Mr. Domiano paid the \$100 deposit. Because the water deposit had not been paid and an account not set up until May 29, 2008, the Town did not bill the property for water services provided in March, April, and May 2008. In addition, by instructing the Town clerk to file a permit without paying the appropriate fees, Mr. Domiano may have violated Louisiana law.³

We recommend that all deposits and fees for Town services be paid by all users prior to the issuance and transmittal of permits to the utility company.

³R.S. 42:1116 provides, in part, that no public servant shall use the authority of his office or position, directly or indirectly, in a manner intended to compel or coerce any person or other public servant to provide himself, any other public servant, or other person with any thing of economic value.

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The Town of Independence is located in Tangipahoa Parish and has a population of 1,736. The Town was incorporated under the Lawrason Act and is governed by a mayor and five council members. The government activities of the Town include general government, public safety, public works, community development, and miscellaneous programs. The Town fire department and the Independence Volunteer Fire Department (IVFD), a nonprofit corporation, provide fire protection and emergency response services within Town limits. The Town fire department and the IVFD both operate from a fire station in Independence and are managed by the Town's fire chief.

During a concurrent audit of the IVFD, we noted that one employee of the IVFD and the Town may have received duplicate payments. As a result, the Louisiana legislative auditor reviewed available Town records to determine the propriety of these allegations. The procedures performed during this audit consisted of:

- (1) interviewing employees of the Town;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the IVFD;
- (4) gathering documents from external parties;
- (5) reviewing Town policies and practices; and
- (6) reviewing applicable stated laws and regulations.

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Management's Response

Town of Independence

Mayor Michael A. Ragusa

ROBIN DAGRO
Town Clerk

JULIE PARNEILL
Assistant Clerk

ANTHONY MAURER
Chief of Police



Post Office Box 35
Independence, Louisiana 70443

JOHN POLITO, SR.
Mayor Pro-Tem

Aldermen
RICHARD NAVARRA
PARNELL "BUTCH" BAHAM
LARRY CARDARONELLA
LOUIS L. JOSEPH

Steven J. Theriot, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Compliance Audit Funding for the
Town of Independence

Dear Mr. Theriot:

This letter is in response to the findings noted by letter dated August 25, 2008.

The first area for the fire department noted duplicate payments both by the Independence Voluntary Fire District (IVFD) and the Town of Independence. The fire department has responded by separate letter.

The town payments are made based on the time cards submitted by the fire department. The actual work schedules are not submitted. Nor did the fire department provide a copy of what was paid or submitted for payment by the IVFD.

One possible solution is to have the Town of Independence pay the full salary and have the IVFD do a reimbursement either monthly or quarterly. We are working on the details to implement this procedure as soon as possible. Finally, the transactions as noted for the fire department were approved by Chief Alexia who is no longer employed by the Town of Independence.

As a back up measure, copies of the schedules as well as complete time cards will be kept on file by the Town of Independence.

The next area addressed in the report is the written policy for payroll, personnel and its related documents. The new administration will make that a top priority to complete this manual in its first year. The Town of Independence has operated for a long time without a manual to address many of these issues giving rise to some litigation. So every effort will be made to reduce any confusion by setting forth a policy that addresses all personnel issues.

The next area addressed was the use of town vehicles. There are no requirements set forth on how and what must be done to maintain vehicle and fuel logs. This will be addressed as the town develops its written policy and procedures manual. All recommendations will be incorporated as the policy manual is being prepared.

Mayor's Office: 985-878-2930

Fax: 985-878-4568

City Hall: 985-878-4145

As noted, this audit was primarily intended for information and use in the management of the town. However in connection with the vehicle use and fuel logs, I was disappointed that a more indebt look was not taken at the allegation of misuse of the town vehicle by the previous mayor.

The last area reviewed deals with the issuance of a permit for electricity at the request of Mayor Domiano for his son without payment. This also allowed services for water without payment until after the audit was done. Because this is an isolated incident it does not require any corrective action other than to remind us all that public servants cannot use the power of their office to benefit themselves or any other person with anything of economic value.

If you have any questions concerning this matter, please call.

With best regard, I remain

Sincerely,

A handwritten signature in cursive script that reads "Michael Ragusa". The signature is written in black ink and is positioned above the printed name and title.

Michael Ragusa
Mayor, Town of Independence

Response from Mr. Raymond Alexia

In a letter dated August 25, 2008, we asked Mr. Alexia to respond in writing to this report; Mr. Alexia chose not to respond.

Response from Mr. Phillip Domiano

In a letter dated August 25, 2008, we asked Mr. Domiano to respond in writing to this report; Mr. Domiano chose not to respond.