

OAKDALE CITY COURT
WARD 5 ALLEN PARISH



COMPLIANCE AUDIT
ISSUED MAY 25, 2011

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 25, 2011

**THE HONORABLE JUDI ABRUSLEY,
WARD 5 JUDGE
OAKDALE CITY COURT
WARD 5 ALLEN PARISH**
Oakdale, Louisiana

We have audited certain transactions of the Oakdale City Court, Ward 5 Allen Parish. 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*.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the Thirty-Third Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DD/dl

OAKDALE 2011

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Payments Not Deposited

We examined the Oakdale City Court, Ward 5 Allen Parish's (Court) total revenue collections, amounts posted to the computer system, and total deposits for the period January 1, 2008, through July 28, 2010. These records indicate that payments totaling \$25,618 were received but not deposited and additional payments totaling \$54,974 appear to have been posted to the computer system and were later deleted from the system and the amounts were not deposited. Before our examination, Christy Stapleton, former clerk of court, admitted to using cash receipts totaling \$1,546 for personal purposes and was terminated. Although the Court discovered the transactions leading to Ms. Stapleton's termination, the lack of accounting controls and segregation of accounting functions allowed revenues totaling at least \$80,592 to be diverted and/or removed from the system without detection in the normal course of business. Because of these deficiencies, the Court lost revenues needed to support its operations and lacked documentation necessary to support its financial position.

Lack of Controls

Controls over revenues collected at the Court need to be strengthened. During our review, we noted several deficiencies in the collections process. These deficiencies included (1) a lack of segregation of duties for the receipt and subsequent deposit and recording of Court funds; (2) Court employees were all collecting cash (and other methods of payment) using the same cash drawer; (3) administrative (anonymous) password access to the computer system was used by several employees to track the current status, payment history, and final outcome of all charges placed on the Court's docket; (4) the Court failed to maintain adequate documentation to support its financial transactions; and (5) the Court did not deposit funds daily (when practical) as required by Louisiana Revised Statute (R.S.) 39:1212.

Background

The Oakdale City Court, Ward 5 Allen Parish (Court) uses a computerized court case system to track the current status, payment history, and final outcome of all charges placed on the Court's docket. When a payment is made and entered into the system, a sequential receipt number is generated and the amount paid is credited against the various costs (fines, fees). In addition, the Court maintained hard copy folders for each defendant that generally included ledger printouts detailing amounts previously paid and entered into the computer system. According to practice, payments were received by the clerk of court and at least two assistant clerks using the same cash drawer. According to the current clerk of court, the clerks would sometimes post the payment to the case tracking system which would generate a sequentially numbered receipt. However, on many occasions, there was not adequate time to perform this function and they would issue a handwritten receipt (from a receipt book) to the payer. All payments and evidence of payment would be placed in the cash drawer.

The clerk of court was responsible for preparing and making deposits into the fine account. Once all payments received were entered into the computer system, the clerk of court would run a summary report listing the payments received for the collection period. This report included the receipt number, date, defendant name, payment amount, payment type (cash, check, money order, credit card), and docket number. The summary report also summarized the total amounts received by type: cash, money orders, and credit cards. The clerk of court would then count the cash and money orders and reconcile the amounts to the summary report totals (credit card receipts were transferred directly into the Court's fine account). The clerk of court would then prepare a deposit slip for the cash and money orders and make the deposit.

In July 2010, Court management discovered that cash collections totaling \$1,546 were received from July 19, 2010, to July 28, 2010, but not deposited. As a result, we examined the Court's collections, amounts posted to the computer system, and total deposits for the period January 2008, through July 28, 2010. Records indicated that the Court collected and deposited receipts totaling \$652,264 during this period, which included fines and fees attributable to the Court's general fund as well as fines and fees collected on behalf of other governmental agencies including the municipalities located within Ward 5 of Allen Parish, the District Attorney's office, and the City Marshall of Oakdale and Ward 5 of Allen Parish. Although amounts deposited were equal to recorded amounts, an analysis of these records indicates that additional amounts were received but not deposited.

Payments Not Deposited

We examined the Court's total revenue collections, amounts posted to the computer system, and total bank deposits for the period January 1, 2008, through July 28, 2010. These records indicate that payments totaling \$25,618 were received but not deposited and additional payments totaling \$54,974 appear to have been posted to the computer system and were later deleted from the system and the amounts were not deposited. Before our examination, Christy Stapleton, former clerk of court, admitted to using cash receipts totaling \$1,546 for personal purposes and was terminated. Although the Court discovered the transactions leading to Ms. Stapleton's termination, the lack of accounting controls and segregation of accounting

functions allowed revenues totaling at least \$80,592 to be diverted and/or removed from the system without detection in the normal course of business. Because of these deficiencies, the Court lost revenues needed to support its operations and lacked documentation necessary to support its financial position.

During the period July 19, 2010, to July 28, 2010, Court records indicated that cash collected totaled \$1,621. However, the July 28, 2010, bank deposit made by Ms. Stapleton only included cash totaling \$75 leaving a cash shortage of \$1,546. This cash shortage was discovered the following day when Ms. Stapleton was on vacation. Further investigation by Court officials indicated that the missing payments were entered into the computer system which was evidenced by hard copies of payment ledgers in each of the offenders' docket folders. However, these cash receipts were not included in the deposit on July 28, 2010, and the amounts appear to be deleted from the computer system as they were not included on the computer system's summary report. On August 2, 2010, Ms. Stapleton was terminated after she admitted to diverting these receipts for personal use. As a result of these actions, Ms. Stapleton may have violated state law.¹

Based on the initial investigation of missing cash collections, Judi Abrusley, Ward 5 Judge, contacted the district attorney and the Louisiana Legislative Auditor as required by law.² In addition, at Judge Abrusley's request, we examined the Court's total collections, total amounts posted to the computer system, and deposits for the period January 1, 2008, through July 28, 2010. For our review, we asked the Court to generate a summary report detailing amounts posted to the system during this period. This summary report included the computer-generated receipt number, date the amount was received, the defendant's name, payment amount and type, and docket number. These totals were then reconciled to the amounts deposited into the Court's fine account. Although the amounts deposited were equal to the amounts recorded in the computer system, we found evidence that at least 356 additional amounts totaling \$80,592 were received and/or entered into the computer system but later deleted from the system and not deposited.

Of the 357 additional payments totaling \$80,592, there were 113 payments totaling \$25,618 for which a receipt was issued by the Court, but the amount was not deposited. In addition, there were 243 instances totaling \$54,974 in which Court records included a copy of the computer ledger history indicating that the payment was entered into the computer system, but the amount was not deposited. Although each of these amounts was evidenced by either a

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. 14:73.7 A (3) provides, in part, that computer tampering is damaging or destroying a computer, or altering, deleting, or removing any program or data contained within a computer, or eliminating or reducing the ability of the owner of the computer to access or utilize the computer or any program or data contained within the computer.

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

³ **R.S. 24:523** provides, in part, that an agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation.

written receipt and/or entry into the computer system, it was not listed on the Court's summary report.

For example, on May 23, 2008, the summary report for collections from May 16, 2008, to May 23, 2008, included receipt numbers 21446 through 21478 with cash and money orders totaling \$2,661. This amount was then deposited by Ms. Stapleton on May 28, 2008. Further analysis of Court records indicates that at least three additional payments totaling \$563 were received on May 19, 2008, and evidenced by computer-generated receipt numbers 21453, 21454, and 21455. Hard copy folders maintained for each defendant included a printed ledger indicating that the amounts were entered into the computer system; however, these receipt numbers were missing from the summary report for this period, are no longer in the computer system, and the corresponding amounts were not deposited. As a result, it appears that the amounts were entered into the system, removed from the cash drawer, and the computer entries were deleted before the summary report was generated. It should also be noted that this particular summary report has four additional gaps in the receipt number sequence for which there are no records (evidence of payment or otherwise) to explain the gaps.

Further analysis of the summary report for the period January 1, 2008, through July 28, 2010, indicates that there were a total of 637 missing receipt numbers in the receipt number sequence. Because there were no records (evidence of payment or otherwise) available to explain the gaps, it could not be determined if additional payments were received and not deposited. For example, the batch for collections from May 16, 2008, to May 23, 2008 (receipt numbers 21446 through 21478) included four additional gaps in the sequence (21457, 21459, 21462, and 21475). Although these receipt numbers did not correspond to evidence of a payment received, management did not maintain a log to explain errors or voided entries. Therefore, it could not be determined if these receipt numbers correspond to additional amounts not deposited or undocumented errors.

In addition to admitting to diverting receipts for personal use, it appears that Ms. Stapleton directed Court employees to pay for her personal expenses using funds from the cash drawer. Both the current clerk of court and an assistant clerk indicated that local business representatives would come by the Court requesting payment for services (auto detailing, cosmetics) provided to Ms. Stapleton. According to these employees, Ms. Stapleton instructed them to pay for the services using funds from the cash drawer and to leave a note explaining how much money was used and for what reason. Legislative Auditor representatives attempted to interview Ms. Stapleton, but she declined the request.

Lack of Controls Over Revenues/Receipts

Controls over revenues collected at the Court need to be strengthened. During our review, we noted several deficiencies in the collections process.

Segregation of Duties - There is a lack of segregation of duties for the receipt and subsequent deposit and recording of Court funds. For example, the clerk of court performs a variety of duties without proper checks and balances. The clerk of court (1) enters cases into the computer system; (2) collects and posts payments to the

computer system; (3) reconciles daily collections entered into the computer system to amounts maintained in the cash drawer; (4) prepares and makes the bank deposit; (5) makes entries to the general ledger; and (6) receives the bank statement.

Good business practices and proper controls over receipts requires that more than one individual be involved in billing, collecting, and recording receipts. Separating the duties of billing, collecting cash, and recording transactions in the accounting system would provide controls to help ensure that no single employee controls all facets of the process and is able to conceal a misappropriation of funds without detection.

Cash Drawer - The clerk of court and the assistant clerks were all collecting cash (and other methods of payment) and using the same cash drawer. To provide accountability and controls over cash, management should require that each of the clerks maintains his/her own separate cash drawer and prohibit him/her from working out of each other's cash drawer. Each cash drawer should be maintained under lock and key and balanced on a daily basis.

Case Tracking Computer System - Access to the computer system used to track the current status, payment history, and final outcome of all charges placed on the Court's docket was provided to all clerks at the Court. Although each employee had his/her own password to access the system, each employee also had and used an administrative password to access the system. This provided each employee with anonymous access to the system with the ability to enter and delete payments.

Failure to Issue Receipts and Document Transactions - During the period reviewed, we noted that the Court's clerks did not always issue receipts when they received payments and did not document and account for gaps in the computer-generated receipt number sequence. The clerks entered payment information into the computer system to generate sequentially numbered receipts. However, if the payment was not immediately entered into the system, the clerks would issue a handwritten receipt from a sequentially numbered receipt book. An analysis of the total amounts posted to the court case tracking system indicates that from January 1, 2008, to July 28, 2010, there were a total of 637 gaps in the receipt number sequence. The Court did not have documentation such as handwritten or computer-generated receipts, voided receipts, or other documentation to explain these missing entries. As a result, the Court failed to maintain adequate documentation to support its financial transactions.

Daily Deposits - The Court did not deposit funds daily (when practical) as required by R.S. 39:1212. According to summary reports and bank account information, it appears that Ms. Stapleton generally deposited the cash and money orders collected once per week. During July 2010, when a cash shortage was discovered by the Court, Ms. Stapleton only deposited cash and money orders collected on three occasions. As a result, cash and money orders were kept in the cash drawer for several days to over a week at a time.

We recommend that the Court:

1. Require that all funds collected are adequately recorded.
2. Check the daily total deposits to the total receipts on a regular basis.
3. Implement written policies and procedures relating to the collection, deposit and recordation of receipts.
4. Segregate the duties of receiving, recording receipts into the computer system, reconciling collections, and preparing the bank deposit.
5. Use multi-function cash registers with multiple drawers to record all receipts. The daily transaction report (Z report) from the cash registers should be balanced daily with the money orders and cash received for the day. Each cash register should be accessed by the appropriate employee using a password. In the event the person is not available, an alternate employee should be able to access the cash register using his/her own password and separate cash drawer. Each employee should be held accountable for any shortages in the cash drawer or possible theft of funds.
6. Verify that all checks, cash, and money orders received as documented on the cash register transaction report agree to the amount of funds deposited.
7. Eliminate unnecessary administrative access for employees. Restrict access to the case tracking system and require each employee to have his/her own password to access the system. Employees receiving payments should not have access to recording amounts in the system.
8. Periodically review access to the computer system for unauthorized transactions. In addition, summary reports should be generated and reviewed on a periodic basis to identify gaps in the receipt sequence. All missing receipt numbers should be adequately documented and approved by an appropriate supervisor.
9. Comply with R.S. 39:1212 and make daily deposits of public funds whether cash or check. The chief clerk should verify each day that the cash register tapes, receipts, summary report (amounts entered into the computer system), and bank deposit all agree.
10. Ensure bank statements are reconciled and reviewed periodically by an appropriate supervisor.
11. Maintain adequate documentation to support all financial transactions.

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Oakdale City Court, Ward 5 Allen Parish (Court) was established under Louisiana Revised Statute 13:1870 *et. seq.* Its territorial jurisdiction extends throughout Ward 5 of Allen Parish in which the City of Oakdale is located. The Court is composed of an elected judge, a clerk of court, and assistant clerks. The judge assesses court costs in all criminal matters including traffic violations. These costs are used in the operation of the Court as well as fines and fees collected on behalf of other governmental agencies including the municipalities located within Ward 5 of Allen Parish, the District Attorney's office, and the City Marshall of Oakdale and Ward 5 of Allen Parish.

On July 30, 2010, the Court discovered five instances in which cash collections totaling \$1,546 were received but not deposited. During an interview conducted by Ward 5 Judge Judi Abrusley and Oakdale Chief of Police Scott LaBorde, Christy Stapleton, former clerk of court, admitted to diverting receipts for her personal use. Ms. Stapleton was terminated and Ward 5 Judge Abrusley contacted the district attorney and Legislative Auditor to determine if additional funds had not been deposited.

The procedures performed during this audit included:

- (1) interviewing current and former employees of the Court;
- (2) interviewing vendors of the Court;
- (3) examining selected documents and records of the Court;
- (4) gathering documents from external parties; and
- (5) reviewing applicable state laws and regulations.

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Management's Response

CITY COURT OF OAKDALE

P.O. BOX 565
OAKDALE, LOUISIANA 71463
(318) 335-1121 FAX (318) 335-4049

JUDI ABRUSLEY
City Judge

KRISTIN MANUEL
Clerk of Court

Via Mail and Facsimile Transmission (225) 339-3987

May 10, 2011

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Oakdale City Court

Dear Mr. Purpera:

I am in receipt of the draft of the audit report dated April 28, 2011, in regards to the above referenced matter. At this time, I am responding to your findings on behalf of the Oakdale City Court. At the commencement of the audit, the court made the following modifications:

Segregation of Duties- The Criminal Clerk enters all the criminal cases into the computer system. The Criminal Clerk also collects and posts payment(s) in the system. At the end of the day, the Criminal Clerk totals the credit card receipts and money orders payments and prints out the payment recap report. (Three (3) payment recap reports are printed: one (1) for the Clerk of Court; one (1) for the Judge; and one (1) for the Prosecutor's Assistant.) The recap report, the clients file and calculator tape is submitted to the Clerk of Court, daily.

The Clerk of Court verifies the amounts on the recap report and the calculator tape. The Criminal Clerk also prepares the bank deposit slip(s) and includes the calculator tape with the deposit for the bank. The Clerk of Court then enters the daily deposit into QuickBooks to be reconciled at the end of the month. The Clerk of Court receives the bank statement and reconciles the bank statement monthly.

Cash Drawer- Oakdale City Court no longer accepts cash payments. All money orders are filled out by the customer. The payments are received and deposited into the cash drawer upon receipt. The cash drawer is maintained under lock and key. The key is kept in the safe until the end of the day when the drawer is opened to make the deposit.

ltr to Mr. Daryl G. Purpera
Re: Oakdale City Court

May 10, 2011
pg. 2

Case Tracking Computer System- A new system, Quick Court, was installed in May, 2010. This system prints out three (3) receipts. Each clerk has their own password to access the system. The clerk's do not have access to each other's password. The new system will not allow an employee to delete payments from the system. Quick Court also prints the name of the clerk who entered the payment and the date the payment was received on each of the three (3) receipts. All payments received from the old system are closed and re-entered into Quick Court with a new docket number.

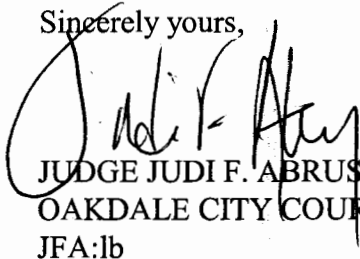
Failure to Issue Receipts and Document Transactions-The system prints out three (3) receipts: one (1) for the customer, one (1) for the file and one (1) for the judge. Daily, the recap report prints all receipts in sequential order. Quick Court will not allow deletions from the file. If a file is to be edited or changed, the system requires an explanation by the clerk who entered the payment.

Daily Deposits-The Criminal Clerk makes daily deposits, once again no cash is accepted. Customers are allowed to pay by money order, cashier's check or credit card. All money orders and cashiers' checks must be made payable to the Oakdale City Court.

If any additional information is needed, please do not hesitate to contact my office.

With kindest regards, I am

Sincerely yours,



JUDGE JUDI F. ABRUSLEY
OAKDALE CITY COURT
JFA:lb

**LAW OFFICE OF
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May 6, 2011

Mr. Greg Clapinski, CPA
Compliance Auditor Manager
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, La 70804-9397

RE: Christy Stapleton

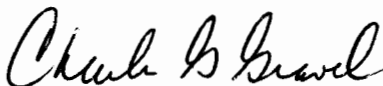
Dear Mr. Clapinski:

Please be advised that Mrs. Christy Stapleton has retained me to respond to your April 28, 2011 letter to her requesting a response, should she so choose, to your draft compliance audit document. At this time, we respectfully decline to respond.

Should you have any questions, please do not hesitate to give me a call.

With kind personal regards and all good wishes, I remain

Very truly yours,



Charles G. Gravel

CGG:tj

cc: Mrs. Christy Stapleton