

TOWN OF WALKER



COMPLIANCE AUDIT
ISSUED JULY 27, 2005

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

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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July 27, 2005

HONORABLE TRAVIS CLARK, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
Walker, Louisiana

We have audited certain transactions of the Town of Walker (Town) in accordance with Title 24 of the Louisiana Revised Statutes. We performed the audit to determine whether:

- (1) Town employees received free utilities;
- (2) the Town made excessive payments for leased equipment not on contract;
- (3) the Town paid for equipment parts and repairs for equipment not owned by the Town; and
- (4) the Town leased equipment from employees.

Our audit consisted primarily of inquiries and the examination of selected Town 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. We delivered copies of this report to the District Attorney for the Twenty-First Judicial District of Louisiana, the United States Attorney for the Middle District of Louisiana, and others as required by state law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

SDP:JLM:DGP:dl

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As of December 2004, the Town of Walker (Town) had uncollected inactive accounts totaling \$163,387 from utility operations. Accounts totaling \$55,676 were not turned over for collection, accounts totaling \$101,754 were deemed uncollectible by the collection agency, and accounts totaling \$5,957 are still being pursued for collection. In addition, the Town failed to ensure that all utility customers were being billed for their service and has not submitted delinquent accounts to its collection agency since December 2003. Furthermore, Ms. Tonya Clark, former Town utility billing supervisor, personally received \$1,558 in unpaid utility services. In addition, the Town rented an excavator without a written agreement at a price greater than available in the market and purchased parts and repairs for it. The excavator was then sold to a Town employee. Subsequent to the purchase, the Town purchased parts and repairs for the excavator and paid the employee for use of his equipment.

Utility Services

In July 2000, the Town hired Ms. Clark in the Utility Department. In April 2002, Ms. Clark became the utility billing supervisor, a position she held until her resignation in March 2005. Ms. Clark supervised two utility billing clerks. The Utility Billing Department is responsible for:

- (1) setting up new accounts;
- (2) sending out bills for utility usage;
- (3) collecting utility payments; and
- (4) updating accounts for payments received.

In addition to supervising those tasks, Ms. Clark was responsible for tracking active meters not associated with customer accounts and for modifying the list of delinquent customers to be disconnected.

Unbilled Meters

The Town uses meters located at each customer's residence or business to record monthly usage of gas and water. Customer accounts are divided into 20 routes and the corresponding meters are read monthly. Individuals contracted to read the meters record the current usage on the route sheets that contain the name and address of all customers with active accounts. If the meter reader found an active meter (one with current usage) that was not listed on the route sheet, he noted the address and the meter reading and reported that information to Ms. Clark. Ms. Clark was responsible for determining whether the usage was related to a new account or if the residence was improperly receiving unbilled utility services. If the residence was improperly receiving unbilled utility service, a notice was placed on the door offering the resident the opportunity to apply for services and pay the required deposit. If the resident did not respond, Town policy requires services to be disconnected.

Though state law generally requires that public records be maintained for three years, the Town was only able to provide route sheets for the seven month period from June 2004 through January 2005. During this period, the meter reader, Mr. Nelson Rogers, repeatedly reported active meters that were not listed on his route sheets thereby indicating these residences were improperly receiving unbilled utility services. Mr. Rogers indicated 18 residences that received unbilled utilities totaling \$2,406 during this period.

One of the meters that Mr. Rogers repeatedly reported was located at Ms. Clark's residence. During the period June 2004 through October 2004, Ms. Clark received unbilled utility services totaling \$146. Ms. Clark stated that she never saw reports from Mr. Rogers that indicated her residence was receiving unbilled utility services. Ms. Clark's residence was on these reports for five consecutive months.

In November 2004, an account in the name of T.C. Clark was established for Ms. Clark's residence. When the account was established, a deposit was not collected and the unbilled past usage was not paid. Ms. Clark stated that she was too busy to take action on the unbilled meters and was unaware that her usage had not been billed.

Delinquent Accounts

The Town's computer system generates a monthly listing of all utility accounts that are more than 30 days past due and with balances greater than \$50. Ms. Clark was responsible for reviewing the listing to determine which accounts should be disconnected and ordering the disconnection. From May 2002 through December 2003, Ms. Clark removed accounts from the disconnect list on 21 occasions thereby allowing these customers to continue services though their bill had not been paid. These instances involved eight customer accounts totaling \$3,535, which was eventually deemed uncollectible by the Town's collection agency. Two of these accounts were in the names of Ms. Clark's family members, her mother and her sister.

After utility services have been disconnected and Town employees determine an account is uncollectible, the account is classified as inactive. According to Town policy, inactive accounts should be turned over to a collection agency. The inactive accounts are placed in "99" status in the utility billing system, which indicates they no longer accrue interest or penalties and have been removed from the route sheets. These accounts are never removed from the inactive lists even if deemed uncollectible by the collection agency. Since December 2003, none of the Town's delinquent and/or inactive accounts have been reported to the collection agency. As of December 22, 2004, the Town had inactive accounts totaling \$163,387.

One of the inactive accounts is in the name of Martha Watson, Ms. Clark's mother. The service address on this account is Ms. Clark's current address. On October 24, 2003, this account was placed in "99" status with an unpaid balance totaling \$1,120. This account was not turned over to the collection agency.

Ms. Clark stated that she has lived at her current address since 1999. Ms. Clark also stated that she only looked at amounts and account numbers when she worked the disconnect list and moved accounts into "99" status. As a result, Ms. Clark indicated that she did not know the

account for her residence was delinquent and subsequently placed in “99” status. We were unable to contact Ms. Watson to discuss the situation with her.

Another inactive account is in the name of Charles Clark, Ms. Clark’s husband’s uncle. The service address for this account is the same as Ms. Clark’s current address. This account was placed in “99” status with an unpaid balance totaling \$292. The account was not turned over to the collection agency.

Mr. Charles Clark stated that he has lived at his current residence (which is not the same as Ms. Clark’s) for at least 30 years. Mr. Clark also stated that he has never lived at Ms. Clark’s current address and was not aware of a delinquent account in his name. On Friday May 17, 2005, Mr. Clark visited Town Hall to determine how much was listed as overdue in his name. Subsequently, a \$292 money order, signed by Ms. Tonya Clark, was placed in the Town’s night drop.

It appears that Ms. Clark set up two accounts, ran up charges of \$1,120 and \$292, failed to pay for the services received, moved the accounts into “99” status, and then failed to turn them over to the collection agency. Though the two accounts were classified inactive, utility services at Ms. Clark’s residence were never interrupted. In addition, though reported to her numerous times, Ms. Clark failed to set up an account for her residence thus receiving \$146 of utility services that were not billed. In total, Ms. Clark received \$1,558 of unbilled utility services.

Excavator

During March 2003 and April 2003, the Town made payments to Mr. Melvin Myers totaling \$5,600 (\$2,800 per month) for the rental of a 325 Bobcat mini-excavator (excavator). However, the Town and Mr. Myers failed to execute a rental contract for the use of the excavator specifying pertinent agreements including rental price, term, and who was responsible for maintenance and repairs. While not required by law, the Town failed to seek competitive bids for the excavator rental. We obtained telephone quotes for comparable equipment ranging from a high of \$1,980 to a low of \$1,485 per month. Had the Town sought bids, it may have saved \$1,640-\$2,630 (\$820-\$1,315 per month).

Though there were no written agreements, the Town continued to use the excavator even after the rental payments ceased. In April 2004, Mr. Lonnie Wiles, a Town employee, purchased the excavator from Mr. Myers. While the Town would have been prohibited by Louisiana Revised Statute 42:1113 from renting the excavator from an employee, the Town continued to use the excavator through December 2004.

During the period February through June 2004, the Town paid \$5,055 for parts and repairs to the excavator. In December 2004, a Town employee was injured when the excavator fell on him. After this accident, Town employees ordered an additional \$704 in parts for the excavator. The Town subsequently refused payment for these parts. However, in March 2005, Mayor Travis Clark (no relation to Tonya Clark) authorized a payment of \$1,100 to Mr. Wiles; the invoice states it was for rental of the excavator for October and November 2004. According

to Mayor Clark, the payment was compensation to Mr. Wiles for the Town's use of his excavator and payment for the \$704 in parts.

In total, the Town paid \$11,755 for parts, repairs, and rental payments for the excavator. Because a written agreement with Mr. Myers was never executed, it is not clear as to whether the Town had legal authority or obligation to pay for any parts or repairs. Likewise, because the Town is legally prohibited from entering into a rental agreement with one of its employees, the Town had no authority to pay for any rental fees or repairs to the excavator while it was owned by Mr. Wiles.

This information has been provided to the District Attorney for the Twenty-First Judicial District of Louisiana and others as required by law. The actual determination as to whether an individual is subject to formal charge is at the discretion of the District Attorney.¹

¹ **Louisiana Revised Statute 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.

Louisiana Revised Statute 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.

Louisiana Revised Statute 42:1113 provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

Louisiana Revised Statute 14:132 provides, in part, that injuring public records is the intentional removal, mutilation, destruction, alteration, falsification, or concealment of any record or document that is required to be preserved in any public office.

The Town should develop and implement written policies and procedures to ensure that all utility payments are posted to the proper accounts and all funds due the Town are deposited timely to the proper public accounts. These policies and procedures should:

- (1) provide for the segregation of duties between cash collection, preparing deposit slips, preparing bank deposits, and reconciling the bank statements;
- (2) provide for the segregation of duties between preparing customer billings, mailing disconnect notices, and making account adjustments;
- (3) institute controls to prevent employees from transferring active accounts to inactive status without proper approval;
- (4) ensure that all accounts are properly charged late fees and penalties; and
- (5) ensure that all accounts that are inactive are sent to the collection agency.

The Town should also enforce its current policies and procedures and not allow employees to waive meter deposits for new customers. Disconnections should be verified by someone independent of the Utility Department.

In addition, the Town should ensure that all rentals are covered by written contracts. The Town should limit the number of employees authorized to make purchases and ensure that written purchasing policies and procedures are followed to prevent excessive payments to vendors. The Town should cease contracting with its employees and permitting employees to perform work with equipment that does not belong to the Town. Finally, the Town should cease paying for parts and repairs on equipment that is leased from vendors or is owned by Town employees.

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The Town of Walker (Town), Louisiana, is located in Livingston Parish and has a population of 4,801. The Town was incorporated in 1909 and operates under the Lawrason Act. The Town elects five council members who serve four-year terms. The Town provides public operations consisting of the gas, water, streets, and beautification departments.

The Gas Department maintains and operates a gas system for over 5,000 customers covering over 300 miles of main lines. The Water Department maintains and operates four water wells with a 250,000 gallon water tank and services over 3,000 water meters in addition to 150 fire hydrants. These departments maintain the gas/waterlines and install new services and mains.

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Management's Response

TOWN OF WALKER

PINE TREE CAPITAL OF THE WORLD
TRAVIS CLARK, MAYOR

MAYOR PRO TEM:
Richard Wales

June 21, 2005

ALDERMAN
Gary Griffin
James Phillips
Rick Ramsey
Thomas Watson

CLERK
Myra Streeter, CAA/CMA

TOWN ATTORNEY
John Sharp

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Compliance Audit Report

Dear Mr. Theriot:

The purpose of this letter is to respond to the content of the above referenced report that was presented to me by Mr. John Moorehead and Mr. Steve Stevens of your staff on June 10, 2005. I will respond to each finding separately below, indicating our concurrence or exception with the findings. In addition, I will indicate the corrective actions taken by my administration to insure that each event sighted does not reoccur.

UTILITY SERVICES

We, in general, concur with the findings of your staff relative to utility services.

Unbilled Meters

We concur with the findings of your staff stating that there are residents receiving services who are not billed for those services they receive. Your findings further state that one of the residences was the home of Ms. Tonya Clark, our Utility Billing Supervisor. We do concur with this finding. However, we noted elsewhere in your report that you discuss the fact that Ms. Clark's account was carried under the name of Charles Clark, a relative who never resided or made application for utility service at the location. We do concur with this finding.

Delinquent Accounts

Your report states that Ms. Clark was responsible for generating a monthly list of utility accounts that were delinquent. Your report further states that Ms. Clark was in fact reviewing the list. While we agree that Ms. Clark did in fact operate the utility billing software that generated the list, it is our understanding that all accounts disconnected were in fact approved by Janet Borne, then Town Clerk, or Mike Grimmer, then Mayor of Walker. The same is true relative to accounts being moved into uncollectible status or

being transferred to a collection agency. I am attaching a copy of Ms. Borne's memorandum to Mayor Mike Grimmer dated October 27, 1999, in which she enumerates her job duties and includes utility billing as one of her many responsibilities.

EXCAVATOR

Your report states that in 2003, the Town rented a 325 Bobcat mini-excavator while executing no lease agreement with Melvin Myers, owner of the excavator. We concur with this finding. Your report goes on to state that in April, 2004, Mr. Lonnie Wiles, a town employee purchased the excavator from Mr. Myers. We agree with this finding. We further agree that the town did in fact continue to utilize the excavator after Mr. Wiles purchased it in April, 2004 through December, 2004. Your report further states that the town paid \$5,055.00 for parts and repairs on the excavator during the period of February thru June, 2004. Mr. Moorehead provided the town with the detail of the transactions that comprise this total. We agree with this finding. Your report then states that in March, 2005 the Town authorized a payment of \$1100.00 to Mr. Lonnie Wiles in payment of \$396.00 for rental of the equipment and for \$704.00 in repair parts replaced on the equipment. We are now very clear on the proper protocol for this type of activity and will strive diligently to circumvent future indiscretions. In our defense, we would point that this was an activity that was engaged by Mr. Grimmer's administration and we followed the advice of our Supervisors and existing policy in our interim term. Additionally, the value received for this equipment use versus the monthly rental payments made by Mr. Grimmer resulted in significant savings, if compared. We agree with this finding.

CORRECTIVE ACTIONS

Since becoming Mayor of the Town of Walker, I have attempted to implement better internal controls specifically to detect and/or eliminate transactions of the nature discussed in your report. These modifications and their impact are enumerated below:

1. We no longer allow reconciliation of daily cash in the utility department. Cashiers are now required to count their daily receipts of cash, checks, credit cards and money orders in the presence of their supervisor. They and the supervisor then sign off on a transmittal report. All funds and associated batch reports for the day are then transferred to the accounting department. The payments received into accounting are acknowledged via written receipt to the utility department. Accounting then takes the daily batch report for each cashier and reconciles credits posted to accounts receivable to cash deposited. All discrepancies are investigated. Preparation of deposits after reconciliation and transporting of those deposits to the bank are performed by different staff members in the accounting department. This new procedure is being extended to other points of collection in our operations.

2. The Town purchased new utility billing software which provides improved program controls and more extensive reporting that allows better control over the generation of bills, collection of payments, and notification of disconnects. Our new software allows us to restrict the functions performed within the software by individual employees, thus allowing for your recommendation separation of duties by function. This program was installed in October, 2004 and has been in operation since that time.
3. Adjustments to accounts receivable are performed by staff members in the gas utility department. They must be approved by the Accounts Receivable Supervisor. A report of all adjustments to accounts receivable and backup documentation is provided to the Financial Director and is reviewed for the propriety of all adjustments and to insure they are in accordance to promulgated policy.
4. The Town has adopted a procedure relative to rendering an inactive customer account to uncollectible status. This procedure requires continued billing for a period of ninety days subsequent to the disconnection of service. On all final billings, the amount billed is adjusted by the utility deposits held on said account, billing the customer only for the unsecured balance or refunding the customer any credit balance that might result from the application of their deposit. The Town is in the process of negotiating a new contract with an outside collection agency as an additional effort to collect balances due on its books. Our new software will prevent a customer from re-establishing service under a new account while having an account in uncollectible status. All accounts transferred to uncollectible status will simultaneously be transferred to the outside collection agency.
5. The new utility software installed by the Town provides for an automated assessment of late fees and interest. The Town is currently running the delinquency cycle on a monthly basis, specifically on the day after the due date printed on the previous month's billing.
6. New account applications are being reviewed on a sample basis by the Financial Director for completeness and the appropriate collection of deposit, tap and connection fees. We feel this will detect deviations from policy relative to deposits and connection fees.
7. Disconnected customers who do not pay their bills within seven days of the disconnect date will be reviewed and site visited to insure they have not illegally reconnected themselves to the utility system.
8. All equipment leased by the Town subsequent to my assumption of the Interim Mayor's position in January, 2004 have been via written agreement after securing bids on said agreements. The only exception to this representation would be the excavator agreement referenced in your report, which was in place as approved by the former Mayor, Mike Grimmer.
9. Subsequent to my assumption of the Interim Mayor's position in January, 2004 there has only been one incident of payment to an employee for use of personally owned equipment and repairs parts on said equipment. That occurred in March, 2005 with Mr. Lonnie Wiles on the excavator cited in your report. I ask that you

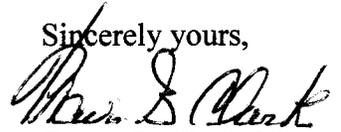
Mr. Steve J. Theriot, CPA

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understand that the amounts remitted were token for the rental portion of the payment and was done to draw the arrangement inherited by me to an amicable conclusion. I am implementing policy to insure that there will be no further incidents of this nature.

I hope this response adequately addresses the many circumstances disclosed in your report. I would also like to take this opportunity to thank you for the assistance of your staff and advise you that I am aware that the issues you have uncovered are based on procedures limited in scope. The problems faced in the day-to-day operations of this municipality far exceed those disclosed in your report. I would like to assure you that I am making every effort to prioritize the numerous issues I have inherited, and resolve them in the most expeditious manner possible. Should you require any further clarification to any of the responses herein, please feel free to call on me.

Sincerely yours,



Travis B. Clark, Mayor

TBC:rp