

HOUSING AUTHORITY OF THE VILLAGE OF FENTON



INVESTIGATIVE AUDIT
ISSUED NOVEMBER 15, 2017

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 15, 2017

**MS. SANDI BELLARD, CHAIRMAN
AND MEMBERS OF THE BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE VILLAGE OF FENTON**
Fenton, Louisiana

We have audited certain transactions of the Housing Authority of the Village of Fenton. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of complaints we received.

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 United States Attorney for the Western District of Louisiana, the District Attorney for the 31st Judicial District of Louisiana, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

FENTON HOUSING AUTHORITY

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EXECUTIVE SUMMARY

Former Executive Director Converted Public Funds for Her Personal Use

Gwen Jackson, former executive director for the Housing Authority of the Village of Fenton (FHA), converted \$34,105 of FHA funds for her personal use from March 31, 2017 to September 20, 2017. Ms. Jackson issued and negotiated 52 unauthorized checks, including extra payroll checks to herself and other FHA employees, checks to her family members for which no services were performed, and checks made payable to petty cash.

BACKGROUND AND METHODOLOGY

The Housing Authority of the Village of Fenton, Louisiana (FHA) was created by the Village of Fenton, Louisiana, pursuant to Louisiana Revised Statute 40:381, *et seq.*, to provide decent, safe, and sanitary housing affordable to persons of low and moderate income in Fenton, Louisiana. The FHA is governed by a five-member board appointed by the Village's mayor. Members of the board serve staggered five-year terms.

On July 19, 2017, former FHA Board Chairman Arthur Phillips notified the Louisiana Legislative Auditor (LLA) that Executive Director Gwen Jackson issued unauthorized checks to herself and her family members. LLA initiated this audit to determine the veracity of Mr. Phillips' complaint. The procedures performed during this audit included:

- (1) interviewing FHA employees;
- (2) interviewing other persons as appropriate;
- (3) examining selected FHA documents and records;
- (4) gathering documents from external parties; and
- (5) reviewing applicable state and federal laws and regulations.

FINDINGS AND RECOMMENDATIONS

Former Executive Director Converted Public Funds for Her Personal Use

Gwen Jackson, former executive director for the Housing Authority of the Village of Fenton, Louisiana (FHA), converted \$34,105 of FHA funds for her personal use from March 31, 2017 to September 20, 2017. Ms. Jackson issued and negotiated 52 unauthorized checks, including extra payroll checks to herself and other FHA employees, checks to her family members for which no services were performed, and checks made payable to petty cash. By issuing unauthorized FHA checks and converting FHA funds for her personal use, Ms. Jackson may have violated state and federal laws.^{1,2,3,4,5,6,7,8}

Ms. Jackson served as FHA's executive director from February 17, 2017 to September 20, 2017. As FHA's executive director, Ms. Jackson was responsible for overseeing the daily operations of the FHA, including collecting rent payments, recording financial transactions, approving time sheets, processing payroll, and paying vendors. FHA policies require two signatures on all FHA checks; checks may be signed by the executive director and a board member or two board members. During our audit, we found checks typically were signed by former board Chairman Arthur Phillips and former board member Jennifer Pousson, until Ms. Pousson resigned from the board in May 2017. After Ms. Pousson's resignation, Mr. Phillips was the only board member to sign FHA checks until board members Judy Bradley and Sandi Bellard obtained check signing authority in August 2017.

On July 19, 2017, Mr. Phillips notified the Louisiana Legislative Auditor that Ms. Jackson issued unauthorized checks to herself and family members. We met with Ms. Jackson on July 25, 2017, and she acknowledged issuing and negotiating unauthorized checks to herself, family members, and other FHA employees.

Unauthorized Checks

FHA records indicate that Ms. Jackson issued at least 47 of the 52 unauthorized checks (\$31,068 of the \$34,105) and converted those funds to her personal use from March 31, 2017 to July 20, 2017. These checks were comprised of the following:

- Twelve checks, totaling \$12,900, made payable to Ms. Jackson's husband, Michael Alfred, for maintenance and improvement jobs at FHA facilities. Ms. Jackson stated that her husband did not complete any of these jobs. Rather, Ms. Jackson said that she created fictitious invoices to support the checks and endorsed Mr. Alfred's signature to negotiate the checks.
- Fifteen payroll and expense reimbursement checks, totaling \$8,856, made payable to Ms. Jackson. According to Ms. Jackson, these checks were either additional payroll or reimbursements for expenses she did not incur.

- Ten additional payroll and expense reimbursement checks, totaling \$5,562, made payable to other FHA employees. Bank records indicate that the majority of these checks were negotiated by Ms. Jackson.
- Nine checks totaling \$3,150 made payable to petty cash. Bank records indicate that the majority of these checks were negotiated by Ms. Jackson. Ms. Jackson told us that she did not use this cash for FHA purposes.
- One check totaling \$600 made payable to Ms. Jackson's cousin, Ashley Alfred, for office services. FHA records indicate that Ms. Jackson issued Ms. Alfred four additional checks totaling \$2,100. Ms. Jackson stated that her cousin performed office duties and cleaning services for the additional checks, but no services were rendered for the \$600 check. Although it does not appear that Ms. Jackson negotiated any of the checks made payable to her cousin, FHA had no documentation to support any services allegedly provided by Ms. Alfred.

Our review of the 47 unauthorized checks indicates that former board Chairman Arthur Phillips signed all 47 checks, and former board member Jennifer Pousson signed 19 of them. We reviewed these checks with Mr. Phillips and Ms. Pousson; both stated they were not aware of these transactions and that they did not authorize them. They stated that Ms. Jackson frequently requested they sign checks without providing supporting documentation for the transactions, or requested they sign blank checks because she did not have time to write in the payee on the checks. Ms. Pousson also stated that her signature was forged on six of the unauthorized checks totaling \$5,450.

After we met with Ms. Jackson on July 25, 2017 – and after she acknowledged issuing and negotiating unauthorized checks to herself, family members, and other FHA employees – she continued issuing FHA checks. On September 20, 2017, we received complaints by current FHA board member Sandi Bellard and former FHA board member Judy Bradley that Ms. Jackson signed their names to FHA checks without authorization. Ms. Bellard told us that she received a call from a local bank on September 19, 2017, informing her that Ms. Jackson tried to cash an FHA check purportedly signed by Ms. Bellard; however, the bank questioned the signatures (including Ms. Bellard's signature) on the check. Ms. Bellard instructed the bank not to cash the check. Ms. Bellard stated that she confronted Ms. Jackson the next day about FHA checks. According to Ms. Bellard, Ms. Jackson refused to answer her questions and resigned.

During their review of FHA checks issued from July 20, 2017 to September 20, 2017, Ms. Bradley and Ms. Bellard identified eight checks that supposedly were signed by them; however, they said they neither signed the checks in question nor authorized Ms. Jackson to sign on their behalf. Of the FHA checks issued during this period, we found that Ms. Jackson received and negotiated five additional checks (bringing the total from 47 to 52 unauthorized checks) for an additional \$3,038 (bringing the total amount converted for personal use from \$31,068 to \$34,105) that she was not entitled to receive. The \$3,038 was comprised of two extra payroll checks totaling \$1,431 and one payroll check that included \$93 in excess of her weekly salary. Moreover, Ms. Jackson appears to have issued two checks to herself for accrued leave totaling \$1,514. Although terminating employees are entitled to receive payouts for accrued leave, it does not appear that Ms. Jackson was entitled to receive these checks for two reasons:

First, Ms. Jackson prepared and negotiated the checks before termination of her employment. Second, FHA policy prohibits the payout of accrued leave to employees who owe money to FHA. As discussed earlier, Ms. Jackson acknowledged converting FHA funds for her personal use approximately two months earlier and had not repaid those funds. As a result, she was not entitled to a payout of accrued leave.

Conclusion

FHA records indicate that Ms. Jackson issued a total of 52 unauthorized checks totaling \$34,105 from March 31, 2017 through September 20, 2017. By issuing unauthorized FHA checks and converting FHA funds for her personal use, Ms. Jackson may have violated state and federal laws.^{1,2,3,4,5,6,7,8}

Recommendations

We recommend that FHA management:

- (1) seek legal advice to determine the appropriate actions to be taken, including recovering funds related to Ms. Jackson's unauthorized checks;
- (2) evaluate the overall business operations and develop detailed written policies and procedures to ensure that all accounting functions are segregated and provide an adequate system of internal control;
- (3) develop detailed written policies and procedures for reviewing and approving invoices for payment. These policies and procedures should require dual signature of checks and prohibit the practice of signing blank checks;
- (4) comply with the Louisiana Code of Governmental Ethics (Louisiana Revised Statute 42:1101, *et seq.*) and prohibit employees, board members, and/or their family members from contracting with the FHA;
- (5) require the implementation and monitoring of controls to ensure services are necessary before seeking vendors to provide such services;
- (6) ensure that vendors and professional service providers have valid, written contracts before allowing them to provide services;
- (7) ensure that contracts and related documentation are maintained in an organized manner and in a central location;
- (8) ensure payments for services meet all contractual requirements prior to payment;
- (9) require proper review of invoices to ensure each payment has a legitimate public purpose as required by the Louisiana Constitution; and
- (10) require detailed invoices and supporting documentation of the business purpose for all expenditures.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:67(A)** states, 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. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

² **La. R.S. 14:72(A)** provides that “It shall be unlawful to forge, with intent to defraud, any signature to, or any part of, any writing purporting to have legal efficacy.”

³ **La. R.S. 14:72.2(A)** provides that “Whoever makes, issues, possesses, sells, or otherwise transfers a counterfeit or forged monetary instrument of the United States, a state, or a political subdivision thereof, or of an organization, with intent to deceive another person, shall be fined not more than one million dollars but not less than five thousand dollars or imprisoned, with or without hard labor, for not more than ten years but not less than six months, or both.”

⁴ **La. R.S. 14:132(B)** provides that, “Second-degree injuring public records is the intentional removal, mutilation, destruction, alteration, falsification, or concealment of any record, document, or other thing, defined as a public record pursuant to R.S. 44:1 *et seq.* and required to be preserved in any public office or by any person or public officer pursuant to R.S. 44:36.”

⁵ **La. R.S. 14:133(A)** provides 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, of any of the following: (1) Any forged document. (2) Any wrongfully-altered document. (3) Any document containing a false statement or false representation of a material fact.”

⁶ **La. R.S. 14:134(A)** provides 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; or (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.”

⁷ **La. R.S. 42:1461(A)** provides that “Officials, whether elected or appointed and whether compensated or not, and employees of any ‘public entity,’ which, for purposes of this Section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

⁸ **18 U.S.C. §666** provides that “whoever embezzles, steals, obtains by fraud, or otherwise without authority knowingly converts to the use of any person other than the rightful owner or intentionally misapplies property that is valued at \$5,000 or more [from an] organization, government, or agency [which] receives in any one year period, benefits in excess of \$10,000 under a Federal program involving a grant, contract, subsidy, loan, guarantee, insurance or other form of Federal Assistance.”

APPENDIX A

Management's Response

From: [Sandi Bellard](#)
To: jhodson@lla.la.gov
Subject: Thank you letter to Louisiana Auditors
Date: 10/30/2017 02:15 PM

Oct. 30, 2017

Louisiana auditors:

Thanks for all your help with the investigation concerning the Fenton Housing. We as the board have implemented some of your recommendations. As such as not having just one person over the bank statements, invoices, etc. Also ensure that contracts and related documentation are maintained in an organized matter and in a central location. We are in the process of hiring a new director, we now have new board members. With that said we are soon to be getting training. Without your help we would have not known the first thing to do of keep up with documents. So we thank you for that. We also are staying in contact with Hud housing with any problems we may have in the future.

Sincerely

Fenton Housing Board