

VILLAGE OF NOBLE



INVESTIGATIVE AUDIT
ISSUED APRIL 13, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

April 13, 2022

**HONORABLE LYNN MONTGOMERY, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
VILLAGE OF NOBLE**
Noble, Louisiana

We are providing this report for your information and use. This investigative audit was performed in accordance with Louisiana Revised Statutes 24:513, *et seq.* to determine the validity of complaints we received.

The procedures we performed primarily consisted of making inquiries and examining selected financial records and other documents and do not constitute an examination or review in accordance with generally accepted auditing or attestation standards. Consequently, we provide no opinion, attestation, or other form of assurance with respect to the information upon which our work was based.

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 11th Judicial District of Louisiana and others, as required by law.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Waguespack".

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW/ch

VILLAGE OF NOBLE

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EXECUTIVE SUMMARY

Former Village Clerk Converted Public Funds to Her Personal Use

Former Village of Noble (Village) Clerk Brenda Frederick converted \$7,463 of Village funds to her personal use from February 12, 2020 to August 10, 2021. Ms. Frederick issued 18 unauthorized checks to herself, including duplicate payroll checks and reimbursement checks for which there was no supporting documentation. In addition, it appears Ms. Frederick forged signatures on these checks and altered the Village's electronic accounting records to conceal her actions. By issuing unauthorized checks to herself, forging signatures on the checks, and altering accounting records, Ms. Frederick may have violated state laws.

BACKGROUND AND METHODOLOGY

The Village of Noble (Village) is located in Sabine Parish and has a population of 246 (Year 2010 Census). The Village was incorporated under the provisions of the Lawrason Act and has a mayor-board of aldermen form of government. The Village provides water to residential and commercial customers and general administrative services to residents and businesses.

On November 2, 2021, Mayor Lynn Montgomery informed the Louisiana Legislative Auditor (LLA) of a possible misappropriation of Village funds. According to Mayor Montgomery, Village Clerk Brenda Frederick signed the mayor's name on several unauthorized Village checks. The LLA initiated this investigative audit to determine the propriety of checks issued by Ms. Frederick.

The procedures performed during this audit included:

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

FINDING AND RECOMMENDATIONS

Former Village Clerk Converted Public Funds to Her Personal Use

Former Village of Noble (Village) Clerk Brenda Frederick converted \$7,463 of Village funds to her personal use from February 12, 2020 to August 10, 2021. Ms. Frederick issued 18 unauthorized checks to herself, including duplicate payroll checks and reimbursement checks for which there was no supporting documentation. In addition, it appears Ms. Frederick forged signatures on these checks and altered the Village's electronic accounting records to conceal her actions. By issuing unauthorized checks to herself, forging signatures on the checks, and altering accounting records, Ms. Frederick may have violated state laws.^{1,2,3,4,5,6}

During the period covered by our audit, Ms. Frederick was responsible for billing water customers, receiving and recording water payments, processing payroll, paying vendors, and recording transactions in the accounting system. According to Mayor Lynn Montgomery, two signatures are required on all checks; checks may be signed by the mayor, aldermen, and clerk. During our audit, we found checks were typically signed by Ms. Frederick and either Mayor Montgomery or former Alderman Alan Rike.

On November 2, 2021, Mayor Montgomery notified the Louisiana Legislative Auditor that Ms. Frederick issued duplicate payroll checks and reimbursement checks for which there was no supporting documentation. We met with Ms. Frederick on January 20, 2022, and she acknowledged issuing the unauthorized checks to herself by forging the signatures of Mayor Montgomery or Mr. Rike.

Unauthorized Checks

Village records indicate that Ms. Frederick issued at least 18 unauthorized checks totaling \$7,463 to herself from February 12, 2020 to August 10, 2021. These checks were comprised of the following:

- Ten reimbursement checks, totaling \$5,275, made payable to Ms. Frederick for expenses she did not incur. There was no documentation to support these payments, and the second authorizing signature was forged on nine of the 10 checks. In addition, we found that eight of these checks were improperly recorded in the accounting system under other vendors' names.
- Eight duplicate payroll checks, totaling \$2,188, made payable to Ms. Frederick. These checks were issued from three different funds (General, Operations & Maintenance, and Emergency), and the second authorizing signature was forged on each check. One of these checks was recorded in the accounting system under the name of another individual.

Our review of the 18 unauthorized checks indicates that Mayor Montgomery signed 13 of them, and former Alderman Rike signed five of them. We reviewed the 13 checks with Mayor Montgomery, who stated he was unaware of these transactions and did not authorize them. Mayor Montgomery stated that his signature was forged on these unauthorized checks totaling \$5,293. We reviewed the other five checks with former Alderman Rike who told us he, too, was unaware of four of the five checks and did not authorize them. Alderman Rike stated that he did sign one of the checks, but was not provided with any documentation to support the payment. Alderman Rike stated that his signature was forged on four of the five unauthorized checks totaling \$1,702.

Ms. Frederick acknowledged issuing and negotiating 17 unauthorized checks to herself by forging Mayor Montgomery or Alderman Rike's signatures. After speaking with Ms. Frederick, we identified another unauthorized check (reimbursement check to Ms. Frederick) for which there was no supporting documentation. According to Ms. Frederick, these checks were either duplicate payroll checks or reimbursement checks for expenses she did not incur. Ms. Frederick told us that she deposited the checks into her personal bank account and used the funds to pay personal bills.

Conclusion

Village records show that Ms. Frederick issued 18 unauthorized checks to herself totaling \$7,463 from February 12, 2020 to August 10, 2021. In addition, it appears Ms. Frederick forged authorizing signatures on 17 of the 18 checks and altered the Village's accounting records to conceal her actions. By issuing unauthorized checks to herself, forging signatures on the checks, and altering accounting records, Ms. Frederick may have violated state laws.^{1,2,3,4,5,6}

Recommendations

We recommend the Village seek legal advice to determine the appropriate actions to be taken, including recovering funds related to unauthorized checks improperly paid to the former clerk. In addition, the Village should:

- (1) Develop detailed written policies and procedures to ensure all accounting functions are segregated to ensure the same person is not responsible for issuing, approving, authorizing, recording, and reconciling accounting transactions and provide an adequate system of internal control;
- (2) Develop detailed written policies and procedures for reviewing and approving invoices for payment, and to ensure amounts paid to employees are appropriately earned and approved;
- (3) Require detailed invoices and supporting documentation of the business purpose for all expenditures;
- (4) Timely reconcile all bank accounts on a monthly basis;

- (5) Review the general ledger for the general fund and the water system to ensure the appropriate revenues and expenditures are correctly recorded;
- (6) Review all voided transactions in the general ledger to determine their validity and to ensure adequate supporting documentation is available; and
- (7) Inspect signatures on checks to ensure the maker of the check is authorized to sign and their signature has not been falsified.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:67(A)** states, “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)** states, “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. 14:70(A)** states, “False accounting is the intentional rendering of a financial statement of account which is known by the offender to be false, by anyone who is obliged to render an accounting by the law pertaining to civil matters.”

⁴ **La. R.S. 14:73.5(A)** states, “Computer fraud is the accessing or causing to be accessed of any computer, computer system, computer network, or any part thereof with the intent to: (1) Defraud; or (2) Obtain money, property, or services by means of false or fraudulent conduct, practices, or representations, or through the fraudulent alteration, deletion, or insertion of programs or data.”

⁵ **La. R.S. 14:134(A)** states, “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.”

⁶ **La. R.S. 42:1461(A)** states, “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.”

APPENDIX A

Management's Responses



THE VILLAGE OF NOBLE
Mayor Lynn Montgomery
P O Box 173
Noble, LA 71462

March 23, 2022

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

Dear Mr. Waguespack:

I would like to express my deepest gratitude to you and your staff for your assistance in a very difficult matter. I am referring to the audit of our financial records to verify our suspicions that the Village Clerk Brenda Frederick misappropriated Village funds for her own personal gain and forged my signature on checks. Being new to this position and not knowing the staff members well, I wanted to be sure before taking any legal action. Your investigative auditor, Troy Logarbo was a great help, and I truly appreciated his patience and ability to explain the details of his finding with me.

Thank you so much for helping me clear this matter up. I will meet with the local district attorney to discuss legal proceedings and get things cleared up with Ms. Frederick. I will follow your suggestions from the report to make sure our current staff and record keeping procedures are meeting our security needs and assure this won't happen again.

Regards,

A handwritten signature in cursive script that reads "Lynn Montgomery". The signature is written in black ink and is positioned below the typed name.

Mayor Lynn Montgomery

March 31, 2022

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O.Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

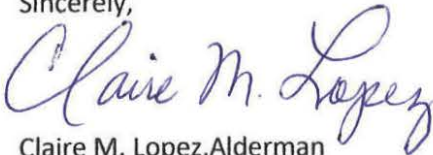
I am writing in response to the investigative audit report for the Village Of Noble dated March 22, 2022.

Upon review of the report, I do not find any misstated material facts. Upon recommendation from the auditors, the investigative audit report has been turned over by Lynn Montgomery, Mayor, to Don Burkett, District Attorney.

The Noble Town Council will develop better and more thorough procedures for accounting in our office now and in the future. "Accountability" has been highly stressed by myself in prior town meetings.

The Village of Noble town council would like to thank your office and the auditors who worked on this investigation. Their professional, thorough, and expert investigation deeply appreciated.

Sincerely,

A handwritten signature in blue ink that reads "Claire M. Lopez". The signature is written in a cursive, flowing style.

Claire M. Lopez, Alderman
Village of Noble