

OAKDALE RECREATION DISTRICT No. 1



INVESTIGATIVE AUDIT
ISSUED APRIL 6, 2022

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

April 6, 2022

**THOMAS J. DAVIS, JR., M.D., BOARD CHAIRMAN, AND
MEMBERS OF THE BOARD OF COMMISSIONERS
OAKDALE RECREATION DISTRICT NO. 1**
Oakdale, 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 33rd Judicial District of Louisiana, the United States Attorney for the Western 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/aa

OAKDALE RECREATION DISTRICT NO.1

TABLE OF CONTENTS

	Page
Executive Summary	2
Background and Methodology.....	3
Findings and Recommendations:	
Former Bookkeeper Used District Funds to Pay Two Personal Credit Card Accounts	4
Legal Provisions.....	6
Management’s Response	Appendix A
Randal Schaefer's Response.....	Appendix B

EXECUTIVE SUMMARY

Former Bookkeeper Used District Funds to Pay Two Personal Credit Card Accounts

Oakdale Recreation District No. 1 (District) funds were used to make 93 payments, totaling \$86,889, to two personal credit card accounts of the former bookkeeper, Melissa “Lisa” Schaefer, from January 11, 2012 to February 6, 2018. The District does not have any documentation to show Ms. Schaefer was entitled to receive the benefit of the payments or that the purchases were made to benefit the District. By using District funds she was not entitled to, Ms. Schaefer may have violated state law.

BACKGROUND AND METHODOLOGY

The Oakdale Recreation District No. 1 (District) was created by the Allen Parish Police Jury (Police Jury) and has seven non-compensated board members appointed by the Police Jury. The District manages a community pool located in the City of Oakdale and has one part-time employee (bookkeeper/secretary) and several seasonal part-time employees.

Melissa “Lisa” Schaefer served as the District’s bookkeeper/secretary from at least 2012^A until her death on March 11, 2021. Her duties included preparing agendas and minutes for all board meetings, payroll, vendor payments, monthly bank statement reconciliations, and bank deposits. Ms. Schaefer managed the day-to-day operations for the District in addition to her full-time job as the City Clerk for the City of Oakdale.

We initiated this audit after discovering improper transactions at the City of Oakdale and learning that the City’s former Clerk was the District’s bookkeeper. The procedures performed during this audit included:

- (1) interviewing District employees and officials and others as appropriate;
- (2) examining selected District documents and records;
- (3) gathering and examining external parties’ documents and records; and
- (4) reviewing applicable state laws and regulations.

^A The District did not have records of Ms. Schaefer’s employment. The earliest bank records available, dated 2012, indicate Ms. Schaefer was receiving a monthly salary from the District.

FINDINGS AND RECOMMENDATIONS

Former Bookkeeper Used District Funds to Pay Two Personal Credit Card Accounts

Oakdale Recreation District No. 1 (District) funds were used to make 93 payments, totaling \$86,889, to two personal credit card accounts of the former bookkeeper, Melissa “Lisa” Schaefer, from January 11, 2012 to February 6, 2018. The District does not have any documentation to show Ms. Schaefer was entitled to receive the benefit of the payments or that the purchases were made to benefit the District. By using Districts funds she was not entitled to, Ms. Schaefer may have violated state law.^{1,2,3,4}

Ms. Schaefer was the District’s part-time secretary and bookkeeper from at least 2012^B until her death on March 11, 2021. She was assigned responsibility for the District’s finances including, but not limited to, vendor payments, payroll, and reconciling the District’s accounting records to the bank statement. The board chairman told us that Ms. Schaefer also received the mail and prepared checks for signature by a board member.^C

The District’s bank statements and Ms. Schaefer’s credit card statements show that \$86,889 of District funds were used to pay two of Ms. Schaefer’s credit card accounts from January 11, 2012 to February 6, 2018.^D The former pool manager and the current District board chairman both told us it was not a common practice for Ms. Schaefer to make purchases for the District with her personal funds, as this duty was typically left to the pool manager. When Ms. Schaefer did make a purchase for the District, the board chairman approved the purchase first, and a reimbursement check was issued after proof of purchase. We found one negotiated check in the District’s bank records that was issued to Ms. Schaefer in February 2014, where the memo line of the check stated it was for a reimbursement; however, the District did not have documentation to explain the purpose of the reimbursement.

The District’s records do not include Ms. Schaefer’s credit card statements or invoices for the \$86,889 paid to her credit card accounts. It is a routine internal control to provide a receipt or invoice prior to any payment to explain what was purchased and when. The District’s current secretary and bookkeeper told us the District did not have a credit card, and that all expenses and reimbursements are paid by check except for direct deposits of payroll to employee bank accounts and online payments to Cleco Energy for electricity.

The District’s bank statements show all of these payments as “CAPITAL ONE MOBILE PMT” or “CAPITAL ONE ONLINE PMT,” which suggests Ms. Schaefer initiated the payment outside the District’s normal payment practices. The records from Ms. Schaefer’s credit card

^B The District did not have records of Ms. Schaefer’s employment. The earliest bank records available, dated 2012, indicate Ms. Schaefer was receiving a monthly salary from the District.

^C The District used two-party check approval. Ms. Schaefer and a board member signed most of the checks she prepared.

^D Bank records were not available prior to 2012.

accounts show the payment method was “Mobile Payments” or “Internet ACH Personal & Corporate.”

This type of activity can be detected by review of the District’s bank statements or during the monthly bank reconciliation process. However, Ms. Schaefer was responsible for reconciling the District’s records to the bank statements, and the Board did not review the bank statements. Since Ms. Schaefer received the benefit of these payments and the Recreation District has no records regarding these payments, Ms. Schaefer may have violated state law.^{1,2,3,4}

Recommendations

We recommend the District consult with its legal counsel to determine the appropriate actions to take, including recovery of improper payments. In addition, the District should:

- (1) Require District management to open, review, and approve the bank statement before it is provided to the bookkeeper;
- (2) Select an employee who cannot enter or authorize payments or accounting entries to reconcile the District’s accounting records to the bank statements on a monthly basis; and
- (3) Establish a written policy regarding reimbursements to employees.

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. 14:134(A)** states, in part, “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; ...”

³ **La. R.S. 42:1461(A)** states, in part, “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, ... 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.”

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.”

APPENDIX A

Management's Response



THOMAS J. DAVIS, Jr., M.D.

105 North Hospital Drive
Oakdale, LA 71463
Telephone: (318) 335-4320

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

March 23, 2022

Dear Mr. Waguespack:

Thank you for your investigative audit of the Oakdale Recreation District No. 1 dating back to 2012. We agree with your findings and see no errors in your material facts. Please give our thanks to your audit team. They were very courteous and helpful. We especially appreciate them taking the time to come to Oberlin to meet with us. Their explanation of all the material facts was very educational. They went to great lengths to explain the information so that even "nonfinancial" people could understand.

As per your recommendations we have referred this matter to the Allen Parish Police Jury's legal counsel to determine if there is any possibility of recovering the improper payments. Additionally we will now have all bank statements forwarded directly to our accountant. The accountant's office staff will review and reconcile the bank statement. The approved bank statement will then be presented to the recreation board for formal review and approval. Finally, we are in the process of establishing a written policy regarding reimbursements to employees.

Once again, thank you for your comprehensive audit and assistance in improving the Oakdale Recreation District's use of public funds. If you need further information or have any questions please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "T.J. Davis", is written over the word "Sincerely,".

Thomas J. Davis MD
Board of Commissioners
Oakdale Recreation District No. 1
PO Box 1201
Oakdale, LA 71463

APPENDIX B

Randal Schaefer's Response

March 23, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Waguespack:

I have reviewed your investigative audit report on the Oakdale Recreation District No.1. I appreciate your effort to ensure that your reports are accurate. However, I do have a few concerns and questions regarding the report.

- All the work that Lisa did for the Recreation Board was done at her office at City Hall. She did no work for Rec Board at home.
- I am wondering if her office at City Hall was ever searched for any Rec Board materials, checks, invoices, files or other items that you were searching for. I feel that is where she would have kept all information pertaining to her work with the board.
- Was her desk top computer searched? Were there any discs, USB flash drives etc... located in her office?
- Were the filing cabinets searched for any Rec Board files? If any files were removed from her office after her death by City Hall personnel, was it taken to the old hospital that they used for storage? If so, who removed it and do they know what or where they stored it or was it thrown away?
- Lisa told me in the past that she had purchased items for the swimming pool and would be reimbursed. I never questioned her, never thought I had any reason to.
- Lisa also told me that Royce Scimemi did the yearly audits for the Rec Board. If so, where are the audit reports and if they were available why weren't they mentioned in the audit report? It is my understanding that she had a clean audit every year for the Rec Board. I also remember her telling me that she had to present the audit report to the board.
- I feel that if you find the audit reports much of the information you need would be with them.
- She also made mentioned to me that she furnished the board with some type or form of financial report when they would meet. She would say that she had to present them with the financial statement.

- I know for certain that she took a notebook with her to the Rec Board meetings to take notes. It is not at my home. I have searched for it. Where is it? Was it in her office and possibly removed for storage at the old hospital with other records or thrown away?

I wish someone would have spoken to me before now. I would have helped in any way possible. I feel very strongly that there is or was documentation to be found that would help with this situation. I don't have any documentation to attach to this response to your audit. I only have knowledge of what my wife informed me of.

Sincerely,

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