

VILLAGE OF SIMSBORO



INVESTIGATIVE AUDIT
ISSUED JANUARY 6, 2016

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

DIRECTOR OF INVESTIGATIVE AUDIT
ROGER W. HARRIS, J.D., CCEP

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 6, 2016

**THE HONORABLE SYBIL SMALLING-FOSTER, MAYOR
AND MEMBERS OF THE BOARD OF ALDERMEN
VILLAGE OF SIMSBORO**
Simsboro, Louisiana

We have audited certain transactions of the Village of Simsboro. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of allegations 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 District Attorney for the 3rd Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

SIMSBORO DEC15

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EXECUTIVE SUMMARY

Former Clerk Took Village Utility Collections for Personal Use

Village of Simsboro (Village) records indicated that utility collections totaling \$5,096 were not deposited in the Village's bank account from July 1, 2013 through April 14, 2014. Former Village Clerk Kathy Davis said she took cash from utility deposits and backdated transactions to conceal the cash she took. By taking cash from utility collections, Ms. Davis may have violated state law.

Disorganized Records

The Village's records were disorganized, and certain records could not be located for our review. We found that (1) records were in multiple places or buildings and not filed in a central location; (2) certain records were stored in a building exposed to heat, cold, and moisture; and (3) it was time-consuming to find records we requested.

Inadequate Segregation of Duties

The Village has not established segregation of duties over the receipt, deposit, and recording of revenues. Adequate segregation of duties requires these activities to be performed by separate individuals; however, the Village has only one full-time employee (the Village Clerk). Without adequate segregation of duties, errors or fraud could occur and not be detected, increasing the risk of loss or theft of additional Village assets.

BACKGROUND AND METHODOLOGY

The Village of Simsboro (Village) is located in Lincoln Parish and has a population of 841 (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 utility, public safety (police), garbage, street maintenance, and general administrative services to the citizens of Simsboro.

The Louisiana Legislative Auditor (LLA) received notification from Mayor Sybil Smalling-Foster of a misappropriation of funds that may have occurred during the time of the former administration. The LLA joined the Lincoln Parish Sheriff's investigation and reviewed Village records to determine whether a misappropriation of funds had occurred and, if so, the amount of missing funds. The procedures performed during this audit included:

- (1) interviewing certain Village 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.

FINDINGS AND RECOMMENDATIONS

Former Clerk Took Village Utility Collections for Personal Use

Village of Simsboro (Village) records indicated that utility collections totaling \$5,096 were not deposited in the Village's bank account from July 1, 2013 through April 14, 2014. Former Village Clerk Kathy Davis said she took cash from utility deposits and backdated transactions to conceal the cash she took. By taking cash from utility collections, Ms. Davis may have violated state law.¹

Village records show that from July 1, 2013 to April 14, 2014, the Village collected utility payments totaling \$139,858; however, only \$134,762 of these collections were deposited into the Village's bank account. The \$5,096 collected but not deposited (\$139,858 - \$134,762) is comprised of cash payments.

Kathy Davis,^A the former village clerk for the Village, acknowledged that she took cash from the Village's utility deposits for her personal use. Ms. Davis further acknowledged that when she took cash from a deposit, she would backdate the transaction to a previous date to conceal the missing cash from her current day's collections.

The Village's records support Ms. Davis' statement and show that she backdated numerous cash payments between July 1, 2013 and April 14, 2014. As a result, the Village's bank deposits do not match daily collection amounts in the utility billing system; however, because Ms. Davis backdated cash transactions the bank deposits do match the Payment Summary Report. The Payment Summary Report summarizes transactions posted to customer accounts. The transactions Ms. Davis backdated allowed the customer to receive credit for making the payment so the customer was not notified of a delinquent balance, but reduced the amount of cash collected for that day to prevent detection of the cash she took. By taking \$5,096 in cash from Village utility deposits and creating backdated entries to conceal the cash she took, Ms. Davis appears to have violated state law.¹

Disorganized Records

The Village's records were disorganized, and certain records could not be located for our review. We found that (1) records were in multiple places or buildings and not filed in a central location; (2) certain records were stored in a building exposed to heat, cold, and moisture; and (3) it was time-consuming to find records we requested.

^A Kathy Davis was village clerk from June 3, 2013, until April 14, 2014, when she was dismissed by former Mayor Willie Hendricks for misconduct due to the theft of utility cash payments.

Inadequate Segregation of Duties

The Village has not established segregation of duties over the receipt, deposit, and recording of revenues. Adequate segregation of duties requires these activities to be performed by separate individuals; however, the Village has only one full-time employee (the Village Clerk). Without adequate segregation of duties, errors or fraud could occur and not be detected, increasing the risk of loss or theft of additional Village assets.

Recommendations

We recommend that the Village's management:

- (1) seek recovery of \$5,096 of missing utility collections from Ms. Davis;
- (2) require that all funds collected be documented, recorded, and deposited daily in accordance with state law;
- (3) review and compare the daily total deposits to the total receipts on a regular basis and immediately investigate any differences;
- (4) ensure that employees are properly trained on cash handling policies and procedures;
- (5) require a monthly reconciliation of customer accounts receivable balances. Any differences should be immediately investigated and resolved;
- (6) require the clerk to maintain the cash drawer under lock and key at all times and balance the cash drawer on a daily basis;
- (7) require written receipts for all payments received from all sources;
- (8) require that each employee establish and use a separate user account in the utility system billing software;
- (9) implement a centralized recordkeeping system; and
- (10) require the mayor or a designated board member to review and approve (documented in writing) the reconciliation of the daily deposits to the receipts and the monthly bank statements.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:67 (A)** provides that “Theft is the misappropriation 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.”

La. R.S. 14:73.5 (A) provides that “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.”

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.”

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.”

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.”

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.”

APPENDIX A

Management's Response

Village management was provided a copy of the draft report which they verbally agreed with; however, they chose not to respond to the report.