

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Ridgecrest
Ridgecrest, Louisiana

March 14, 2001



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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Town of Ridgecrest

March 14, 2001



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**



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March 14, 2001

**THE HONORABLE GUY R. LAIN, MAYOR, AND
MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF RIDGECREST**
Ridgecrest, Louisiana

Transmitted herewith is our investigative report of the Town of Ridgecrest. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendation as well as management's response. Copies of this report have been delivered to the Honorable John F. Johnson, District Attorney for the Seventh Judicial District of Louisiana, and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in black ink, reading "Daniel G. Kyle", is written over a horizontal line.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

SDP:EKL:DGP:dl

[RIDGCRST]

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Executive Summary

Investigative Audit Report Town of Ridgecrest

The following summarizes the finding and recommendation as well as management's response that resulted from this investigation. Detailed information relating to the finding and recommendation may be found at the page number indicated. Management's response may be found at Attachment I.

Town Clerk Used \$1,840 in Town Funds for Personal Use

(Page 5)

Finding:

During a two-year period, Ms. Pauline Palmer, Town Clerk, used petty cash for personal purposes, made checks payable to herself that she was not entitled to, and made a personal purchase using town funds totaling at least \$1,840. Furthermore, \$957 of petty cash cannot be accounted for. Ms. Palmer also borrowed money from the town in violation of the Louisiana Constitution by issuing herself payroll checks in advance on 71 occasions. In addition, Ms. Palmer made several questionable purchases of copier toner.

Recommendation:

We recommend that the town implement policies and procedures to ensure that employees not borrow from the town, not pay personal expenses with town funds, and not make payroll advances. In addition, all hours worked should be adequately documented. Furthermore, we recommend that if a signature stamp is deemed necessary, it should be kept under the control of the person whose signature it represents. Because the town has a small staff that limits the effectiveness of its internal controls, the mayor should periodically review the town's financial transactions, bank accounts, account reconciliations, petty cash transactions, charge accounts, and payroll. Finally, we recommend that the District Attorney for the Seventh Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Management's Response: Management agrees with the finding and states that it has implemented policies and procedures to fully address the recommendations. Furthermore, management states that it will fully cooperate with the district attorney in any investigation deemed necessary.

Background and Methodology

The Town of Ridgecrest was incorporated in 1962 under the provisions of the Lawrason Act. The municipality provides utility services, public safety, streets, sanitation, and general administrative services. The Board of Aldermen consists of five elected members. The town is located in Concordia Parish. The Town of Ridgecrest has a population of 835 residents.

We received allegations of possible improprieties in the handling of town funds. An investigative audit was performed by this office resulting in this report.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the town; (2) interviewing other persons as appropriate; (3) examining selected records of the town; (4) performing observations and analytical tests; and (5) reviewing applicable state laws and regulations.

The result of our investigative audit is the finding and recommendation herein.

Finding and Recommendation

TOWN CLERK USED \$1,840 IN TOWN FUNDS FOR PERSONAL USE

During a two-year period, Ms. Pauline Palmer, Town Clerk, used petty cash for personal purposes, made checks payable to herself that she was not entitled to, and made a personal purchase using town funds totaling at least \$1,840. Furthermore, \$957 of petty cash cannot be accounted for. Ms. Palmer also borrowed money from the town in violation of the Louisiana Constitution by issuing herself payroll checks in advance on 71 occasions. In addition, Ms. Palmer made several questionable purchases of copier toner.

Ms. Palmer has been the town clerk for the Town of Ridgecrest since March 1997. As town clerk, Ms. Palmer's duties included collecting funds due the town, paying the town's bills, payroll, and other administrative duties. In addition, Ms. Palmer had access to the signature stamp of the former mayor, Mr. David Cobb. During 1999 and 2000, Ms. Palmer used \$1,840 of town funds for her personal use as follows:

- Submitted petty cash vouchers for miscellaneous expenses that she did not incur allowing her to keep \$600 for her personal use
- Overpaid herself \$120 for sick leave that she was not entitled to
- Paid herself \$45 out of the General Fund that she was not entitled to
- Borrowed \$722 from the town's petty cash
- Paid herself \$175 out of the General Fund to repair her personal vehicle
- Used the town's charge account to purchase a \$144 air conditioner for her personal use
- Received a \$100 expense advance and failed to supply receipts for \$34 of the amount advanced

Ms. Palmer repaid the town \$195 in 1999 and \$20 in 2000, which leaves a balance of \$1,625 owed to the town. In addition, \$957 is missing from petty cash with no documentation as to how it was used.

All checks paid from town accounts require two signatures, Ms. Palmer and the mayor or the mayor pro tem. For the years 1999 and 2000, Ms. Palmer had unsupervised access to the signature stamp of the former mayor, Mr. David Cobb. Ms. Palmer used the mayor's signature stamp on some of the checks issued to herself.

In reference to the money that she took from the town, Ms. Palmer stated in part:

“ . . . Unfortunately, circumstances did not permit or allow me to pay it back. It was my intention to do so . . . ”

Over the same two-year period, Ms. Palmer borrowed other money from the town by issuing payroll checks to herself in advance on 71 occasions. Article 7, Section 14 of the Louisiana Constitution prohibits loaning town funds in this manner. Though Ms. Palmer claimed overtime on 70 of those occasions, she never adjusted her estimated time to actual. Ms. Palmer does not use a time clock or a time sheet, so there is no documentation of the hours that she actually worked.

Ms. Palmer stated that former Mayor Cobb knew about her loans from the town and about her prepayments from payroll. Mr. Cobb stated that he did know about most of the loans, but he assumed that Ms. Palmer was paying the town back. Mr. Cobb stated that he was not aware that she was prepaying herself payroll on a regular basis, but she had mentioned on a few occasions that she was paying herself early.

Questionable Toner Purchases

During 2000, Ms. Palmer made several questionable purchases of copier toner. First, the quantity of the toner purchased (13 boxes) appears to be far in excess of the needs of the town. Second, the price paid for 11 boxes of toner was more than double the amount paid for the two other boxes.

Ms. Mary Lawrence, Assistant Town Clerk, stated that Ms. Palmer directed her to place an order for copier toner with the Quill Corporation. On January 25, 2000, Ms. Lawrence placed an order for two boxes of toner from the Quill Corporation at a cost of \$38 each, which included a premium of two reams of paper.

On May 12, 2000, Ms. Palmer purchased six additional boxes of the same toner from Elmo Data Supply (EDS) at a cost of \$99 per box. On August 15, 2000, Ms. Palmer purchased five more boxes of the same toner from EDS at a cost of \$99 per box. On December 29, 2000, we counted 12 boxes of toner to be used with the town's copier. Therefore, for calendar year 2000, the town purchased 13 boxes of toner and had a year-end inventory of 12 boxes costing \$1,127. Both Ms. Palmer and the EDS representative stated that premiums were neither offered nor accepted on the transactions with the town. There were no invoices supporting these purchases in the records of the town.

Former Mayor David Cobb stated that he knew about the purchase of the toner from EDS. He further stated that he agreed with Ms. Palmer that the town should keep the toner because he believed it was cheaper because of the quantity purchased.

Mayor Cobb also borrowed town funds in violation of the Louisiana Constitution. In December 1998, former Mayor Cobb borrowed \$92 from petty cash. Mr. Cobb repaid the loan in March 1999. Mr. Cobb stated that he did borrow the money.

CONCLUSION

Ms. Palmer took at least \$1,840 from the town for her personal use and repaid only \$215. By their actions, Ms Palmer and Mr. Cobb may have violated the following Louisiana laws:

- R.S. 14:68, "Unauthorized Use of a Movable"
- R.S. 14:134, "Malfeasance in Office"
- Article 7, Section 14 of the Louisiana Constitution

Though the actions of the parties listed in this report appear to be within the scope of the laws listed above, the actual determination as to whether individuals are subject to formal charge is at the discretion of the district attorney.

We recommend that the town implement policies and procedures to ensure that employees not borrow from the town, not pay personal expenses with town funds, and not make payroll advances. In addition, all hours worked should be adequately documented. Furthermore, we recommend that if a signature stamp is deemed necessary, it should be kept under the control of the person whose signature it represents. Because the town has a small staff that limits the effectiveness of its internal controls, the mayor should periodically review the town's financial transactions, bank accounts, account reconciliations, petty cash transactions, charge accounts, and payroll. Finally, we recommend that the District Attorney for the Seventh Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Attachment I

Management's Response

TOWN OF RIDGECREST

116 FOSTER DRIVE
RIDGECREST, LA 71334
PHONE (318) 757-4497
FAX (318) 757-8240

MAYOR GUY R. LAIN

PAULINE PALMER, TOWN CLERK

TOWN COUNCIL
KEVIN GRAHAM, MAYOR PRO TEM
RONALD BARNHILL
MICHAEL ROBERTS
TONY WHITTINGTON
JAMES COWAN

JOHNNY JONES, POLICE CHIEF
LYNN DELANEY, FIRE CHIEF

March 13, 2001

Mr. Daniel G. Kyle, CPA, CFE
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Kyle:

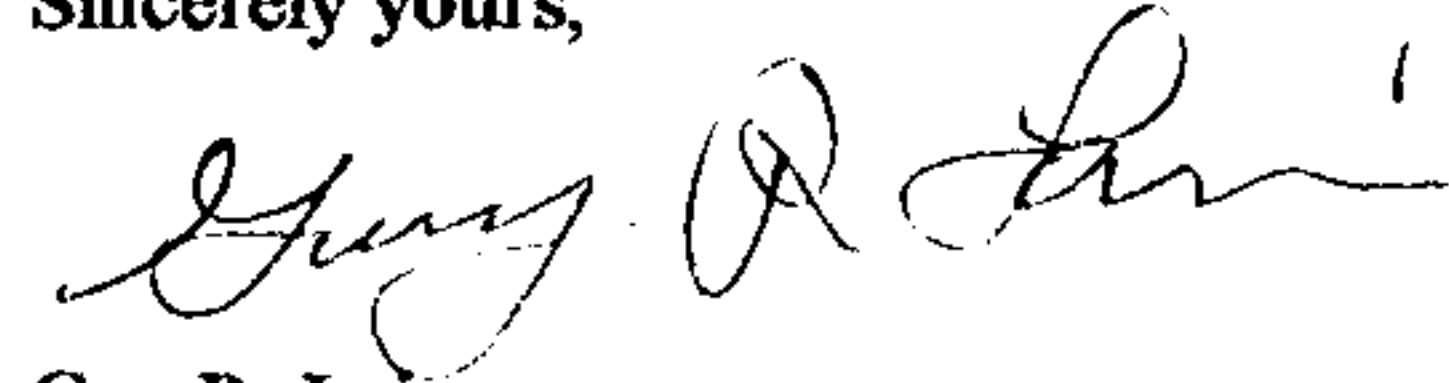
In response to a review of your preliminary audit report with representatives from your office on March 13, 2001, on behalf of the Town of Ridgcrest I would like to express the Town's agreement with the findings listed in the preliminary report.

Further, in response to the recommendations listed in the preliminary report the Town has already implemented policies and procedures that are in compliance with the recommendations and will be implementing further policies and procedures to fully address the recommendations.

The Town will fully cooperate with your office in any further action needed and will also be fully cooperating with the District Attorney's office in any investigation and/or actions deemed necessary by the District Attorney's office.

Thank you for your assistance in this matter. Please contact me if I can be of further help.

Sincerely yours,



Guy R. Lain

GRL/ifi

Attachment II

Legal Provisions

Legal Provisions

The following legal citations are referred to in the Finding and Recommendation section of this report:

R.S. 14:68 provides, in part, that unauthorized use of a movable is the intentional taking or use of a movable which belongs to another, either without the other's consent, or by means of fraudulent conduct, practices, or representations, but without any intention to *deprive the other of the movable permanently*.

R.S. 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.

Article 7, Section 14 provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

