

VILLAGE OF FENTON



INVESTIGATIVE AUDIT
ISSUED JULY 5, 2018

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 5, 2018

**THE HONORABLE EDDIE ALFRED, JR., MAYOR
AND MEMBERS OF THE BOARD OF ALDERMEN
VILLAGE OF FENTON**
Fenton, Louisiana

We audited certain transactions of the Village of Fenton. This investigative 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 District Attorney for the 31st Judicial District of Louisiana, the Louisiana Board of Ethics, and others, as required by law.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

THC/aa

VILLAGEOFFENTON

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EXECUTIVE SUMMARY

Mayor Received Excess Compensation

From April 2016 to September 2016, the Village of Fenton (Village) paid Mayor Eddie Alfred, Jr. \$15,000 in excess compensation. According to Mayor Alfred and the Village Clerk, a clerical error resulted in Mayor Alfred being paid his \$2,500 monthly salary twice each month during this period. This overpayment was brought to Mayor Alfred's attention in September 2016; however, he did not begin repaying the excess compensation until after we began this audit in November 2017. By failing to pay back the excess compensation in a timely manner, Mayor Alfred may have violated state law.

Former Clerk Received Extra Payroll Disbursements

From December 11, 2015 to March 10, 2016, former Village Office Clerk Shomikia Gradney received four extra payroll disbursements totaling \$5,864. The Village had no documentation to indicate that Ms. Gradney was entitled to receive these extra payroll disbursements. In addition, we found that the authorized signatures on two of these checks appear to have been forged. By receiving payroll disbursements she was not entitled to receive, Ms. Gradney may have violated state law.

Police Chief Paid Improper Overtime Payments

From January 2016 through October 2017, the Village paid Police Chief Luther Alfred \$21,669 in overtime without proper authority or adequate documentation supporting the overtime hours. Although Chief Alfred's salary was set by ordinance, Chief Alfred's overtime payments increased his salary above the amount fixed by ordinance. Moreover, Village policy required police officers to work at least 84 regular hours per pay period before claiming overtime. Chief Alfred told us that he worked eight regular hours per week then claimed overtime for additional hours worked. The improper overtime payments paid to Chief Alfred may violate Village policy and state law.

Traffic Citation Payments Not Deposited

Records indicate that the Village received \$5,195 in cash payments for traffic citations that were not deposited into the Village's bank account between May 4, 2017 and July 31, 2017. During this period, Administrative Assistant Cindy Cezar was responsible for receiving, recording, and preparing traffic citation collections for deposit, and Mayor Alfred was responsible for depositing the funds in the Village's bank account. Ms. Cezar and Mayor Alfred denied taking any of the missing funds. After the conclusion of our field work at the Village, Village management located several envelopes inside Ms. Cezar's desk that contained traffic

citation payments totaling \$10,215 that appear to have been collected between August 2017 and December 2017 but not deposited. By failing to deposit traffic citation collections, Ms. Cezar may have violated state law.

Mayor Borrowed Village Funds for Personal Use

Mayor Alfred acknowledged that he borrowed petty cash totaling \$160 from the Village on two occasions. By borrowing public funds, Mayor Alfred may have violated the Louisiana constitution and state law.

Village Improperly Adjusted Customer Utility Accounts and Failed to Disconnect Delinquent Customer Accounts

From April 12, 2016 through October 23, 2017, the Village improperly adjusted customer utility accounts totaling \$6,171 without adequate documentation to support the adjustments. This amount includes a \$1,694 adjustment to Mayor Alfred's father's utility account. In addition, the Village failed to disconnect utility services of delinquent customers in accordance with Village ordinance. By improperly adjusting customer accounts and failing to disconnect delinquent customer accounts, Village management may have violated Village ordinance, the Louisiana Constitution, which prohibits the donation of the Village's property and things of value, and state law. Further, by instructing Village staff to adjust an immediate family member's utility account, Mayor Alfred may have violated state law.

BACKGROUND AND METHODOLOGY

The Village of Fenton (Village) is located in Jefferson Davis Parish and has a population of 379 (2010 Census). The Village was incorporated under the provisions of the Lawrason Act and has a mayor-board of alderman form of government. The Village's mayor and three aldermen are elected at-large and serve four year terms. The Village provides utility, public safety (police), street maintenance, and general administrative services.

On October 12, 2017, we received complaints that Mayor Eddie Alfred, Jr. received salary payments in excess of the amount authorized by the Board of Aldermen. This audit was initiated to determine the validity of those complaints. The procedures performed during this audit included:

- (1) interviewing 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

Mayor Received Excess Compensation

From April 2016 to September 2016, the Village of Fenton (Village) paid Mayor Eddie Alfred, Jr. \$15,000 in excess compensation. According to Mayor Alfred and the Village Clerk, a clerical error resulted in Mayor Alfred being paid his \$2,500 monthly salary twice each month during this period. This overpayment was brought to Mayor Alfred's attention in September 2016; however, he did not begin repaying the excess compensation until after we began this audit in November 2017. By failing to pay back the excess compensation in a timely manner, Mayor Alfred may have violated state law.^{1,2,3,4,5,6}

State law⁵ requires the Board of Aldermen (Board) to set the mayor's compensation by ordinance. On July 12, 2011, the Board approved Ordinance No. 2011-10, setting the mayor's annual salary at \$30,000. Prior to April 2016, Mayor Alfred's salary was paid in monthly installments of \$2,500, which was deposited directly into his personal bank account. However, Village payroll records indicate that Mayor Alfred was paid his monthly salary twice each month from April 2016 to September 2016, resulting in a \$15,000 salary overpayment.

According to Village Clerk Krisi Boese, Mayor Alfred requested that he be paid twice monthly instead of once monthly. She stated that instead of splitting the Mayor's monthly salary into two separate payments, she made a clerical error and paid his full salary twice each month from April 2016 through September 2016. According to Ms. Boese, the clerical error was discovered in September 2016, and she informed Mayor Alfred of the mistake. Mr. Coy Vincent, the Village's external auditor, stated that he instructed Mayor Alfred to stop receiving salary payments until the overpayments were repaid to the Village. However, Village records indicate that Mayor Alfred continued receiving his Board-approved salary of \$2,500 per month from October 2016 to July 2017, when the Board increased Mayor Alfred's salary to \$3,500 per month. Mayor Alfred did not repay any portion of the overpayments until after we began our audit, more than a year after the overpayments were discovered. According to Village records, Mayor Alfred repaid the Village \$1,000 on November 14, 2017. As of the date of this report, Mayor Alfred has repaid \$7,000, leaving a balance owed of \$8,000.

During our initial interview with Mayor Alfred on October 18, 2017, he said he learned of the overpayments only a week ago. He subsequently acknowledged that Ms. Boese and Mr. Vincent notified him of the overpayments in September 2016. He stated that he did not realize he was being overpaid from April 2016 to September 2016 because he does not look at his personal bank statements. He stated that after being informed of the overpayments, he planned to reimburse the Village, but forgot to do so.

By failing to pay back excess compensation in a timely manner, Mayor Alfred may have violated state law.^{1,2,3,4,5,6}

Recommendations

We recommend the Village consult with legal counsel regarding repayment of duplicate payments to Mayor Alfred. We further recommend that the Village adopt policies and procedures to ensure municipal officers are paid according to the appropriate salary ordinance adopted by the Board.

Former Clerk Received Extra Payroll Disbursements

From December 11, 2015 to March 10, 2016, former Village Office Clerk Shomikia Gradney received four extra payroll disbursements totaling \$5,864. The Village had no documentation to indicate that Ms. Gradney was entitled to receive these extra payroll disbursements. In addition, we found that the authorized signatures on two of these checks appear to have been forged. By receiving payroll disbursements she was not entitled to receive, Ms. Gradney may have violated state law.^{1,3,6,7,8}

The Village processes payroll twice each month for most employees. Village employees use a time clock system that produces bimonthly time sheets to be approved by an appropriate supervisor. Information from the approved time sheets is manually entered into the payroll system to calculate amounts due to each employee. Payroll checks are disbursed using manual checks or through direct deposit. The amounts due to employees who opt for direct deposit are transferred to a separate bank account. In order to disburse funds from this account to the appropriate employees' bank accounts, an authorized employee is required to login to the account using a password from an electronic token. The net amount owed to each employee is then entered and directed to that employee's bank account.

According to Village personnel, the former Village Clerk processed payroll and maintained the electronic token for direct deposits until she resigned in January 2016. After the Village Clerk resigned, Ms. Gradney assumed all payroll responsibilities including entering time sheet information into the payroll system and processing manual payroll checks and direct deposit disbursements. From January 2016 until she resigned in March 2016, Ms. Gradney maintained the Village's electronic token to log in into the Village's bank account for direct deposit payroll disbursements. During our review of Village bank statements, we found instances in which it appeared that Ms. Gradney received multiple payroll disbursements (manual checks and/or direct deposits) on the same day. From December 11, 2015 to March 10, 2016, Ms. Gradney received four extra payroll disbursements totaling \$5,864. The extra disbursements are described below.

Extra Payroll Checks

Village records indicate that Ms. Gradney received two manual payroll checks on December 11, 2015. According to payroll records, the Village issued Ms. Gradney a check in the amount of \$1,212 through the payroll system that was authorized (signed) by Mayor Alfred and the Village Clerk. Village banking records indicate that Ms. Gradney also received a handwritten check in the amount of \$1,212. Although this check appears to have been authorized by the Village Clerk, she stated that the signature on the check was not her signature.

Additionally, we found that Ms. Gradney received two payroll checks on February 11, 2016. Both checks appear to have been authorized by Mayor Alfred and a Board member. We asked Mayor Alfred and the Board member to review each check and found that they had authorized one check (\$1,314); however, both stated that the signatures on the second check (\$1,312) were not their signatures.

Extra Direct Deposits

In addition to receiving extra manual payroll checks, we found that Ms. Gradney received two extra payroll disbursements through the Village's direct deposit bank account. Ms. Gradney received regular, manual payroll checks that were processed through the accounting system, supported by time sheets, and properly approved by Mayor Alfred and a Board member on February 26, 2016, and March 10, 2016. However, a review of the Village's direct deposit payroll account indicates that Ms. Gradney also received additional payments on these dates. According to Village bank records, \$1,088 was transferred to a Green Dot prepaid debit card account on February 26, 2016. Then \$2,250 was transferred to the same Green Dot prepaid debit card account on March 10, 2016, under the name "mike h." The Village did not have an employee that could be identified as "mike h." However, we spoke with Village Attorney Mike Holmes who told us he was not associated with the Green Dot account and did not receive the \$2,250 payment issued to "mike h" on March 10, 2016.

The Village did not have any records to support the direct deposit disbursements to the Green Dot bank account. Further, these transactions do not appear to have been posted to the Village's general ledger as payroll disbursements to Ms. Gradney. As such, it appears that these transactions were either not processed through the Village's accounting system or were processed through the accounting system, then deleted.

Although Green Dot bank account records list Tyron Deville as the account holder, Ms. Gradney's date of birth and email address were associated with the account. Mr. Deville told us Ms. Gradney is his sister and that he was unaware of the account and was not involved in any of the transactions related to the account. During our audit, Ms. Gradney agreed to an interview with us, but failed to show for the meeting. We attempted to contact Ms. Gradney on several occasions, but she did not return our calls. By receiving payroll disbursements she was not entitled to receive, Ms. Gradney may have violated state law.^{1,3,6,7,8}

Recommendations

We recommend that Village management consult with legal counsel to determine the appropriate actions to be taken, including recovering funds related to Ms. Gradney's unauthorized payments. We also recommend that Village management develop detailed written policies and procedures to ensure that all accounting and payroll functions are segregated and provide an adequate system of internal control. Village management should also require proper review, approval, and reconciliation of all time sheets and payroll disbursements to ensure each payment has a legitimate public purpose and is not duplicated.

Police Chief Paid Improper Overtime Payments

From January 2016 through October 2017, the Village paid Police Chief Luther Alfred \$21,669 in overtime without proper authority or adequate documentation supporting the overtime hours. Although Chief Alfred's salary was set by ordinance, Chief Alfred's overtime payments increased his salary above the amount fixed by ordinance. Moreover, Village policy required police officers to work at least 84 regular hours per pay period before claiming overtime. Chief Alfred told us that he worked eight regular hours per week then claimed overtime for additional hours worked. The improper overtime payments paid to Chief Alfred may violate Village policy and state law.^{3,4,5,6,9}

Louisiana Revised Statute (La. R.S.) 33:404.1 requires the Board to fix the Police Chief's compensation by ordinance.⁵ On July 12, 2011, the Board approved Ordinance No. 2011-10, setting the Police Chief's salary at \$54,000 per year. As an elected official, Chief Alfred is not required to work a specified number of hours each week and does not complete time sheets to document regular hours worked. The Village could not provide an ordinance authorizing overtime compensation for the chief of police. However, the Board approved Resolution No. 2017-01 on August 9, 2016, which authorized police officers and the chief of police to work overtime hours for the Selective Traffic Enforcement Detail (STED) at a rate from \$25 to \$35 per hour for hours in excess of their regular 84 hour biweekly pay period.

Louisiana Attorney General *Opinion (A.G. Op.) 08-0161* states, in part, "...absent an ordinance relative to overtime, a chief of police may not receive overtime compensation. This is because if the chief of police's salary is incommensurate with his duties, the mayor and board of aldermen are authorized to increase his salary pursuant to La. R.S. 33:404.1...." Although the Village did not approve an ordinance authorizing overtime compensation for the chief of police, the Village paid Chief Alfred \$21,669 in overtime from January 2016 through October 2017 for working STED details. Because Chief Alfred's salary was set by ordinance, and the Board did not authorize any increases by ordinance, the overtime payments received by Chief Alfred appear to have increased his compensation above the amount approved by ordinance.

Further, without completed time sheets documenting that he worked at least 84 regular hours each pay period, it does not appear that Chief Alfred was eligible to receive overtime compensation in accordance with Resolution No. 2017-01. Chief Alfred stated that he typically works eight hours per week before working 10 hours of overtime per week. He stated that because he is on call 24 hours per day, he is entitled to earn overtime working STED details. STED time sheets completed by Chief Alfred indicate that he worked 575 hours of overtime from January 2016 through October 2017. According to these time sheets, Chief Alfred worked 447.5 (78%) of the overtime hours Monday through Friday between the hours of 8 a.m. and 5 p.m. By receiving a monthly salary and overtime payments during regular working hours, Chief Alfred may have been paid twice for the same hours.

The improper overtime paid to Chief Alfred may violate Village policy and state law.^{3,4,5,6,9}

Recommendations

We recommend that the Village adopt policies and procedures to ensure municipal officers are paid according to the appropriate salary ordinances adopted by the Board.

Traffic Citation Payments Not Deposited

Records indicate that the Village received \$5,195 in cash payments for traffic citations that were not deposited into the Village's bank account between May 4, 2017 and July 31, 2017. During this period, Administrative Assistant Cindy Cezar was responsible for receiving, recording, and preparing traffic citation collections for deposit, and Mayor Alfred was responsible for depositing the funds in the Village's bank account. Ms. Cezar and Mayor Alfred denied taking any of the missing funds. After the conclusion of our field work at the Village, Village management located several envelopes inside Ms. Cezar's desk that contained traffic citation payments totaling \$10,215 that appear to have been collected between August 2017 and December 2017 but not deposited. By failing to deposit traffic citation collections, Ms. Cezar may have violated state law.^{3,6,10}

The Village did not have adequate written policies and procedures for the collection of traffic citation fines. Payments for traffic citations could be paid with cash, cashier's checks, money orders or online using a credit card. During the period covered by our examination of traffic citation collections (May 2017 to July 2017), Village Administrative Assistant Cindy Cezar was responsible for receiving traffic citation payments, recording payments into the computer system, and preparing traffic citation collections for deposit. Prior to deposit, collections appear to have been maintained in Ms. Cezar's unsecured cash drawer for several days until the funds were turned over to Mayor Alfred to drop in the bank's night deposit box. During this period, there was no reconciliation of the amounts received, recorded in the computer system, or deposited in the Village's bank account.

Cash Collections Received but Not Deposited

We compared the amounts recorded as cash collections for traffic citation fines from May 4, 2017 through July 31, 2017, and compared these amounts to cash deposits in the Village's bank account. During this period, cash collections totaling \$11,825 were recorded as received; however, bank records indicate that only \$6,630 in cash was deposited, resulting in a shortage of \$5,195.

Ms. Cezar denied taking any of the missing funds. She stated that when she received payments, she placed the funds in a bank bag inside her desk drawer and recorded the payments into the computer system. When the mayor was ready to make a deposit, she totaled the cash in her drawer and wrote the amount on the deposit along with any checks and provided the mayor with the bag containing the deposit slip and the corresponding funds for deposit. Ms. Cezar stated that she did not compare the amount of cash listed on the deposit slips to the amount she collected or entered into the system. Ms. Cezar failed to report back to work after our last interview with her on December 7, 2017.

Mayor Alfred indicated that he deposited the money bag in the bank's night deposit box but did not look into the money bag before he deposited the funds. Mayor Alfred denied taking any of the missing funds.

Additional Revenues Not Deposited

After the conclusion of our field work, Village management informed us that they located four envelopes in Ms. Cezar's desk. Two of the envelopes contained checks and deposit slips dated September 14, 2017, and October 3, 2017. The deposit slips totaled \$10,966, which included \$1,073 in cash and \$9,893 in checks associated with traffic citation collections. However, these two envelopes contained \$0 in cash and only \$9,567 in checks, leaving a shortage of \$1,399 that could not be located. The remaining two envelopes contained \$648 in cash. The contents of these four envelopes were documented and subsequently deposited into the Village's bank account. We attempted to speak with Ms. Cezar after these envelopes were located, but she failed to appear after agreeing to meet with us.

By failing to deposit traffic citation collections, Ms. Cezar may have violated state law.^{3,6,10}

Recommendations

We recommend that Village management consult with legal counsel to determine the appropriate legal actions to be taken, including the recovery of missing funds. We also recommend that Village management develop and implement policies and procedures to ensure that payments collected by the Village are accounted for and deposited daily in accordance with state law.

Village management should:

- (1) Require that all funds collected are adequately documented, accurately recorded, and deposited daily in accordance with state law;
- (2) Require the issuance of a receipt for all funds collected;
- (3) Review and compare the daily total deposits to the total receipts on a regular basis and any differences are immediately investigated;
- (4) Ensure that employees are properly trained on cash handling policies and procedures;
- (5) Adequately segregate the duties of collecting, recording, reconciling and depositing cash collections;
- (6) Require each clerk to maintain their own separate cash drawer and prohibit them from working out of each other's drawers;

- (7) Require that all cash drawers are maintained and locked at all times and balanced on a daily basis; and
- (8) Require all funds be secured until a daily deposit is made.

Mayor Borrowed Village Funds for Personal Use

Mayor Alfred acknowledged that he borrowed petty cash totaling \$160 from the Village on two occasions. By borrowing public funds, Mayor Alfred may have violated the Louisiana constitution¹¹ and state law.^{2,3,6}

During our review of cash collections (*see previous finding*), we spoke with Mayor Alfred regarding traffic citation payments that were received but not deposited. Although he denied taking cash collections from traffic citations, Mayor Alfred acknowledged that he borrowed funds totaling \$160 on two occasions. According to Mayor Alfred, he borrowed funds from the petty cash drawer in the Clerk's office on Fridays after the banks had closed and repaid the money the following Monday on each occasion. There was no documentation to support these transactions; however, Ms. Boese stated that in October or November 2016 Mayor Alfred informed her that he replaced the money that he had taken from the cash drawer. Ms. Boese stated that Mayor Alfred did not indicate how much he took or replaced. By borrowing public funds for personal use, Mayor Alfred may have violated the Louisiana constitution¹¹ and state law.^{2,3,6}

Recommendations

We recommend that Village management implement written policies and procedures to ensure that all Village expenditures comply with the Louisiana Constitution, which prohibits the donation of public funds. We also recommend that each clerk maintain and secure his/her own cash drawer.

Village Improperly Adjusted Customer Utility Accounts and Failed to Disconnect Delinquent Customer Accounts

From April 12, 2016 through October 23, 2017, the Village improperly adjusted customer utility accounts totaling \$6,171 without adequate documentation to support the adjustments. This amount includes a \$1,694 adjustment to Mayor Alfred's father's utility account. In addition, the Village failed to disconnect utility services of delinquent customers in accordance with Village ordinance. By improperly adjusting customer accounts and failing to disconnect delinquent customer accounts, Village management may have violated Village ordinance, the Louisiana Constitution,¹¹ which prohibits the donation of the Village's property and things of value, and state law.^{3,6} Further, by instructing Village staff to adjust an immediate family member's utility account, Mayor Alfred may have violated state law.^{3,6,12}

The Village provides water and sewer services to customers within the Village. The Village uses a utility computer billing system to track consumption and usage, calculate amounts due, generate customer bills, record payments to customer accounts, and track accounts receivable. Customers could mail their payments with their billing statements, pay in person at the Village hall, or pay online. According to Village Ordinance 2008-8-8, if customers fail to pay their utility bills, “disconnects [of utility services] shall take place 10 days after the due date, and may be subject to disconnection or interruption of services thereafter.”

Customer Utility Accounts Improperly Adjusted

Records indicate that from April 2016 to October 2017, the Village adjusted at least 76 customer utility accounts, for a total of \$6,171, without adequate documentation to support the adjustments. The Village’s written policy regarding utility account adjustments allows the Village to give customers one billing adjustment per year due to leaks. Each customer must complete an adjustment request form and provide sufficient proof (parts/labor receipts or if repaired themselves, ample proof in the meter reading that the leak has been repaired). Records and statements provided by Village personnel indicate that Mayor Alfred verbally approved most of the adjustments without requiring the customers to complete the adjustment request form or provide documentation of a leak.

Louisiana *A.G. Op. 16-0013*, states, in part, “...that a public entity has no authority to set-aside, reduce, or otherwise forgive a debt owed to the public entity.... This office has consistently opined that a public entity may not reduce, set aside or adjust downwards a particular resident’s utility account absent any error on the part of the public entity....the Village may not adjust a citizen’s sewer bill due to a broken water pipe on the customer’s side of the meter absent an error on the part of the Village. To do so would violate the La. Const. art. VII, §14(A).” Ms. Boese stated that she provided Mayor Alfred with a copy of this AG Opinion in early 2016, but he continued to instruct her to adjust customer’s utility accounts. For example, Ms. Boese stated that Mayor Alfred instructed her to adjust his father’s utility account by \$1,694 on January 24, 2017. According to Ms. Boese and the Village Water Superintendent, this account incurred a high balance due to a leak on the customer’s side of the meter.

Mayor Alfred stated that he approved adjustments to customer accounts after receiving complaints from customers. He acknowledged that he received a copy of *A.G. Op. 16-0013* in March 2016 before he approved an adjustment to his father’s account. Mayor Alfred stated he was aware that the leak was on his father’s side of the meter and that he adjusted the account because “he’s my dad.” State ethics law¹² prohibits public servants from participating in transactions involving the governmental entity in which any member of their immediate family has a substantial economic interest.

Failure to Disconnect Utility Services

According to Village Ordinance 2008-8-8, “disconnects [of utility services] shall take place 10 days after the due date....” During our review of the Village’s utility system, the Village Clerk informed us that she rarely generated a monthly disconnection report because the Village previously did not disconnect many customers with delinquent accounts based on the

instructions from Mayor Alfred. We asked the Village Clerk to run a disconnect report of active accounts with delinquent balances over 10 days as of December 1, 2017. That report showed the Village had 79 delinquent customers (26% of the Village's active customers), none of whom had been disconnected as required by Village Ordinance.

Mayor Alfred stated that the Village historically did not disconnect utility services for delinquent accounts if he received a call from the account's owner complaining. He stated that if a customer has family or financial issues, he will "give them a little more time." He added that as long as the customer is paying something on the bill, he would not disconnect utility services.

By improperly adjusting customer utility accounts and failing to disconnect customers with delinquent accounts, Village management may have violated Village ordinances, the Louisiana Constitution¹¹ (which prohibits the donation of public funds), and state law.^{3,6} Further, state law prohibits public servants from participating in transactions involving the governmental entity in which any member of their immediate family has a substantial economic interest. By approving an adjustment to his father's utility account, Mayor Alfred may have violated state law.^{3,6,12}

Recommendations

Village management should:

- (1) Comply with Village Ordinance 2008-8-8 and disconnect utilities 10 days after the due date. Furthermore, aggressive action should be taken, including legal action when necessary, to collect all delinquent balances;
- (2) Require monthly reconciliation of customer accounts receivable balances. Each month, the total of customer accounts balances in the utility system (subsidiary ledger) should be reconciled with the corresponding accounts receivable balance in the general ledger. Any differences should be immediately investigated and resolved. The monthly reconciliation of these two independent records is essential for a proper system of controls over customer accounts; and
- (3) Develop and implement written policies and procedures on utility billing adjustments, including requiring the mayor's written approval of all adjustments to customer accounts.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:67(A)** provides 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. 14:68(A)** provides 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. The fact that the movable so taken or used may be classified as an immovable, according to the law pertaining to civil matters, is immaterial.”

³ **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.”

⁴ **La. R.S. 42:1111(A)(1)** provides, in part, that “ No public servant shall receive anything of economic value, other than compensation and benefits from the governmental entity to which he is duly entitled, for the performance of the duties and responsibilities of his office or position...”

⁵ **La. R.S. 33:404.1** provides that “The board of aldermen shall by ordinance fix the compensation of the mayor, aldermen, clerk, chief of police, and all other municipal officers. The board of aldermen may by ordinance increase or decrease their compensation and the compensation of any nonelected municipal officer and may increase the compensation of other elected officials. However, the board of aldermen shall not reduce the compensation of any elected official during the term for which he is elected.”

⁶ **La. R.S. 42:1461** 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, 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.”

⁷ **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.”

⁸ **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.”

⁹ **La. R.S. 14:138(A)** provides that, “Public payroll fraud is committed when: (1) Any person shall knowingly receive any payment or compensation, or knowingly permit his name to be carried on any employment list or payroll for any payment or compensation from the state, for services not actually rendered by himself, or for services grossly inadequate for the payment or compensation received or to be received according to such employment list or payroll; or (2) Any public officer or public employee shall carry, cause to be carried, or permit to be carried, directly or indirectly, upon the employment list or payroll of his office, the name of any person as employee, or shall pay any

employee, with knowledge that such employee is receiving payment or compensation for services not actually rendered by said employee or for services grossly inadequate for such payment or compensation.”

¹⁰ **La. R.S. 39:1212** states, in part, “...all funds of local depositing authorities shall be deposited daily whenever practicable, in the fiscal agency provided for, upon the terms and conditions, and in the manner set forth in this Chapter.”

¹¹ **Article VII, Section 14 of the Louisiana Constitution** 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.”

¹² **La. R.S. 42:1112(B)** states, in part, “No public servant, except provided in R.S. 42:1120, shall participate in a transaction involving the governmental entity in which, to his actual knowledge, any of the following persons has a substantial economic interest: (1) Any member of his immediate family.”

APPENDIX A

Management's Response

VILLAGE OF FENTON

OFFICE OF MAYOR

HON. EDDIE B. ALFRED, JR.

Post Office Box 310
Fenton, Louisiana 70640
Telephone: (337)756-2321

June 28, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Response to Investigative Audit Report of Louisiana Legislative Auditor

Dear Mr. Purpera,

The Village of Fenton, Louisiana wishes to thank you and the staff of the Louisiana Legislative Auditor for its service to the village in connection with its recent comprehensive review of our village's finances and policies and procedures. Our village's small staff and limited resources would have made such an undertaking on our own quite difficult. Our village deeply appreciates the information and insights provided in your recent report as well as the benefit of the technical and professional resources made available through your office.

As you know, our village is a municipality – a community really – made up of its citizens. Village leaders are chosen and entrusted by its citizens to administer the governmental functions of the community and to serve as good stewards of the community's resources in compliance with the law. While village leaders have always striven to comply fully with the letter of the law, sometimes our efforts fall short of that goal. The recent report our village received from your office brings such shortcomings into the light. And so, as it is true in all human endeavors, village leaders must acknowledge their shortcomings and firmly resolve to work harder and commit themselves to continue giving their best efforts to achieve better results. The Village of Fenton resolves to plot a better path forward for the future using the valuable recommendations in your report.

Although our village leaders do not necessarily agree with 100% of the factual findings in your report, we see little wisdom or purpose in detailing points of contention concerning the past. Rather, our village chooses to look to the future - to implementation of the recommendations; to establishment of better policies and procedures; to improvement of our efforts and results; and, ultimately, to achievement of compliance in all aspects of governmental operations. That said, one point of contention which I feel bears mention is this: Eddie Alfred, Sr. did not receive special consideration due to his relationship to the mayor; rather, he was afforded the same consideration other citizens have received in the past in similar situations - facing an extraordinarily high water bill resulting from unusual circumstances beyond their control.

Consistent with our village's choice to focus on future improvement, the Village of Fenton has already implemented positive changes to its accounting practices and processes. To that end, our village has engaged an outside, independent Certified Public Accountant who is assisting with bookkeeping/accounting functions and providing professional oversight on an ongoing basis. Additionally, our village has engaged a second independent CPA who has assisted our village in formulation of a corrective action plan and who will continue to assist our village to make meaningful progress to correct issues of non-compliance. This CPA is charged with providing your office with periodic reports of our progress on this plan. Also, in accordance with your recommendations, our village has made changes to its financial policies and procedures, including instituting thorough, periodic reviews of our village's finances by the mayor and board of aldermen. Finally, our village leaders and employees have received additional training to ensure our village has the proper tools to successfully implement our improved financial policies and procedures to remain in full compliance with law.

In closing, the leaders and employees of our village acknowledge their shortcomings; they thank you and your staff for your insight, assistance and recommendations; and they firmly resolve to continue to improve upon their stewardship of the resources of the Village of Fenton for the benefit of all citizens which they humbly serve.

Respectfully,

HON. EDDIE ALFRED, JR.
Mayor, Village of Fenton, Louisiana