

VILLAGE OF FENTON



COMPLIANCE AUDIT
ISSUED JUNE 22, 2005

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June 22, 2005

**HONORABLE JANET MANUEL, MAYOR PRO-TEM,
AND MEMBERS OF THE VILLAGE COUNCIL
VILLAGE OF FENTON**
Fenton, Louisiana

We have audited certain transactions of the Village of Fenton (Village). Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes. The purpose of our audit was to determine the propriety of certain allegations and to review management's policies and procedures for the purpose of recommending corrective actions if needed.

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*; therefore, we are not offering an opinion on the Village's financial statements or system of internal control nor assurance of compliance with laws and regulations. Also, as part of our audit, we applied our *Checklist of Best Practices in Government* to the procedures and practices of the Village.

The accompanying report represents our findings and recommendations as well as management's response. Copies of this report have been delivered to the Honorable Michael C. Cassidy, District Attorney for the Thirty-First Judicial District of Louisiana, and others as required by law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

SDP:JLM:DGP:dl

FENTON05

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In October 2004, Ms. Janet Manuel, mayor pro-tem for the Village of Fenton (Village), conducted an internal review of the Village's financial records. Ms. Manuel determined that there appeared to be some financial improprieties and requested a formal audit. The legislative auditor reviewed certain Village transactions and procedures for the period June 1, 2002, through October 31, 2004, and determined the following:

- A total of \$4,925 in cash was missing.
- Accounts receivable totaling \$21,527 were over 90 days past due.
- Uncollected traffic fines totaled \$12,736.
- Dedicated tax funds totaling \$45,775 were improperly deposited to the General Fund.
- Travel expenses totaling \$6,449 were undocumented and/or unapproved.
- Mayor Frank Broxton charged \$297 in personal telephone calls to the Village.
- A VCR and digital camera purchased for the Police Department were missing.

Missing Cash

Ms. Darla Kirklin, former Village clerk, did not deposit funds received in a timely manner. Ms. Kirklin prepared deposit slips that did not correspond directly to a specific day's receipts. In addition, several days' receipts were combined into one deposit and in some cases one day's receipts were split into more than one deposit. Furthermore, the same person updated the computer for payments received, prepared deposit slips, and physically transported the deposits to the bank. Finally, cash receipts were sometimes left unattended and more than one person had access to cash that was held overnight. From June 1, 2002, through October 31, 2004, cash received exceeded cash deposited by \$4,925. Because of weak internal controls and a lack of segregation of duties, it cannot be determined what happened to the missing cash.

We recommend that the Village:

- (1) deposit funds received in a timely manner;
- (2) prepare a separate deposit slip to correspond to each day's receipts;
- (3) safeguard cash during the day and overnight in a locked, single-person access safe;
- (4) ensure cash received and postings to customer accounts balance to bank deposits;
and
- (5) segregate duties as much as possible.

Accounts Receivable

As of February 23, 2005, the Village had \$21,527 of utility accounts receivable that were more than 90 days past due. Of that total, \$10,940 is classified as inactive. Inactive accounts are deemed uncollectible and no longer accrue late charges. Mayor Broxton; his daughter, Ms. Keisha German; and his nephew, Mr. Chris Broxton, owe \$352, \$569, and \$481, respectively. However, all three accounts are inactive and are not accruing late charges.

On May 27, 2004, a utility customer's account balance was reduced by \$228.19: \$142.19 for a water payment and \$86.00 for a sewer payment. The Village deposited this payment on May 31, 2004, and on June 4, 2004, was notified by the bank that the check had been returned for insufficient funds. The bank reduced the Village's bank account by \$228.19 plus an additional charge of \$2.00. Though there is no record of the payment being honored, the utility customer's account was not restored to its proper balance.

The Village should reverse the credit to the utility customer's account and initiate steps to collect the funds owed. We also recommend that the Village implement policies and procedures to ensure that NSF fees are handled properly. The Village should also take additional measures to collect all delinquent amounts to include turning inactive accounts over to a collection agency.

Traffic Fines

As of February 25, 2005, the Village had 64 unpaid traffic fines totaling \$12,736. For each of these traffic violations, the ticketed individuals had not paid their fines, their court dates had passed, and bench warrants were not issued.

We recommend that the Village aggressively collect traffic violation fines as these funds are a major source of revenue for the Village. We also recommend that the Village implement policies and procedures to ensure that traffic fines are collected in a timely manner. These policies and procedures should include provisions for issuing bench warrants when individuals fail to appear in Mayor's Court and have not paid their fines.

Dedicated Streets Sales Tax Funds

The Jefferson Davis Parish School Board (School Board) collects a 2% sales tax for the Village. The tax is dedicated to constructing and improving streets and for capital improvements. The School Board disburses funds to the Village monthly. These funds are supposed to be deposited into the Village's Streets Account and used solely for their dedicated purposes.

Since August 2003, the Village used \$45,775 of the dedicated funds to pay for general operating expenses of the Village. Of the \$45,775, a total of \$35,629 was transferred from the Streets Account to the General Fund and the remaining \$10,146 was directly deposited into the General Fund instead of the Streets Account. Over the same period, the Village transferred \$25,868 from the General Fund back to the Streets Account, but the General Fund still owes the Streets Account \$19,907.

We recommend that the Village reimburse all funds still due to the Streets Account and refrain from borrowing from these dedicated funds in the future.

Travel

From June 1, 2002, through October 31, 2004, Mayor Broxton was reimbursed \$6,449 for travel expenses. Mayor Broxton did not submit travel reimbursement forms or odometer readings and on numerous occasions did not document the business purpose of the trip even though required by Village policy. In addition, Mayor Broxton did not seek approval of the Village Council for many of these travel expenditures and rarely submitted receipts as required by policy. For example:

- On August 2, 2002, the Village paid Mayor Broxton \$506, which included a \$300 reimbursement for registration fees for the Louisiana Municipal Association (LMA) annual convention that the Village had already paid directly to the LMA on July 26, 2002. Providing travel reimbursement forms with supporting documentation to the Village Council as required by policy may have prevented this overpayment.
- Though two signatures are required on Village checks, Mayor Broxton cashed three checks for \$50.00, \$29.70, and \$15.36 on his signature alone. No receipts, odometer readings, or other documentation support these payments.
- Mayor Broxton and the Village clerk maintained travel logs. However, the travel logs are incomplete as they do not contain odometer readings and do not indicate the purpose of travel.

Though a travel policy exists, the provisions have not been followed. This policy is in the form of a Village ordinance that is unsigned and undated. We recommend that the Village Council formally adopt a travel policy and ensure that all travel reimbursements are prepared in accordance with this policy and properly approved. The newly adopted travel policy should require the submission of odometer readings for travel in personal vehicles, documentation of the business purpose of the trip, and inclusion of receipts if applicable. We also recommend that the Village take steps to recover improper reimbursements paid to Mayor Broxton.

Telephone

During our sample period of March 1, 2003, through August 31, 2003, Mayor Broxton used the Village calling card to place 178 personal calls. These calls lasted a total of 928 minutes (15 hours and 28 minutes) and cost the Village \$297. Mayor Broxton used the Village cell phone for personal purposes. During our sample period of August 15, 2004, through November 15, 2004, Mayor Broxton also used the Village cell phone to place at least 200 personal calls. These calls lasted a total of 369 minutes (6 hours and 9 minutes). The number of personal incoming calls Mayor Broxton received, if any, cannot be determined because the bill does not provide enough detail.

We recommend that the Council develop and implement telephone and cell phone policies. These policies should:

- (1) require review of monthly bills to identify personal calls;
- (2) require employees to reimburse the Village for personal long distance calls and all personal cellular phone calls; and
- (3) require review of monthly bills for propriety and reasonableness of phone usage.

The Council should also determine the mayor's total personal use of the Village's phones and seek restitution.

Police Department

The Village pays all of the operating expenses of its one-man Police Department. The Police Department finances equipment purchases through law enforcement grants.

Though the Police Department has a bank account, the Chief of Police does not have access to it and is not allowed to review it. The chief is involved in the grant application process and selects the items he wants to purchase but does not order the equipment or know the actual final cost. A fixed asset listing is not maintained to account for the items purchased. From Village invoices, we created an inventory of equipment purchased in the last three fiscal years. All of the equipment purchased was located with the exception of a VCR and a digital camera.

We recommend that the Police Department and Village create an inventory listing and verify its accuracy at least annually. The Village clerk should provide the Chief of Police periodic financial statements and allow him to review the department's financial activity to enable him to properly manage the finances of the Police Department as well as ensure accurate financial reporting.

Current Status

Mayor Broxton has not lived in Fenton since October 2004. Since February 15, 2005, he has been on unpaid, indefinite sick leave.

In February 2005, Ms. Janet Manuel assumed the role of acting mayor. As of March 30, 2005, the delinquent accounts receivable balance has been reduced by \$2,361 and all delinquent fines and utility accounts are being pursued. Deposits are being made daily. All outstanding loans are current and Ms. Manuel anticipates developing a plan to repay the Streets Account from the General Fund once the total amount owed is determined. The Village hired a new clerk and construction on the new Village Hall is scheduled for completion by the end of May 2005.

The Village of Fenton was incorporated in 1951 under the Lawrason Act. The Village provides services including police protection, fire protection, sanitation, utilities, and general administrative services.

The legislative auditor received allegations of missing cash, improper expenditures, unsupported travel expenditures, and lack of sufficient controls. The procedures performed during the audit consisted of the following:

- (1) interviewing employees of the Village;
- (2) applying our *Checklist of Best Practices in Government*;
- (3) examining selected Village records;
- (4) performing observations and analytical tests; and
- (5) reviewing applicable Louisiana laws.

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Management's Response

VILLAGE OF FENTON

Mr. Steve Theriot
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, La 70804-9397

Dear Mr. Theriot,

In response to the Audit Report delivered to me by Mr. Dupree Parker:

The internal review conducted was prompted by a report from our CPA firm, Gragson, Casiday and Guillory based on the compilation done for FY 2003-2004. Office procedures and security procedures have been adopted and implemented by the Board of Aldermen to prevent problems that have occurred in the past.

Missing Cash

Deposit slips are now prepared for each day and deposited in a timely fashion. Cash sheets are primarily the responsibility of the Deputy Clerk. The Clerk enters payments into the computer. The Clerk also makes out the deposit slip. The Mayor Pro-Tem (Janet Manuel) transports the deposits to the bank and checks them against cash sheets and computer postings. The Deputy Clerk also checks deposit amounts compared to cash sheets.

Accounts Receivable

We will pursue payment of all accounts receivable, utilizing a collection agency if needed. Non-sufficient fund check procedures will be clearly stated and added to the office procedures policy implemented in March 2005. Accounts that have been paid with NSF checks will be checked to insure that full payment has been received.

Traffic Fines

We will engage our attorney to help us adopt and implement policies and procedures for Mayor's Court and for the collection of unpaid fines. Provisions will be included for the issuance of bench warrants when deemed necessary.

Janet N Manuel, Acting Mayor
Eddie Alfred, Alderman
Mark S Reed, Alderman
Luther Alfred, Chief of Police

P O Box 310
Fenton, La 70640

PHONE (337) 756-2321
FAX (337) 756-2242

Dedicated Street Sales Tax Funds

All dedicated funds including the Streets account (for Capital Improvements) will be used according to the restrictions set forth. As other overdue financial obligations are met, we will begin to reimburse the Streets account with money from the General Fund.

Travel

The travel policy will be adopted again by the Board to include requiring odometer readings, purpose of travel, and receipts when applicable. Mayor Broxton will be asked to make restitution to the Village for improper reimbursements received.

Telephone

Our office procedures policy will be expanded to include telephone use. Included in the policy will be reviewing the monthly bills for personal calls and reasonableness of phone usage. An attempt will be made to determine the Mayor's personal use and seek reimbursement to cover this usage.

Police Department

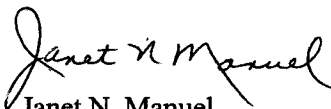
It is the intention of the Board of Aldermen to have Chief Luther Alfred added as a signer on the Police account. Chief Alfred will receive copies of account statements and have access to all financial records related to his department.

An inventory listing for all equipment will be generated for all departments and will be updated as necessary. The list will be checked and verified at the end of each fiscal year.

Status

We will continue to implement policies and procedures that will improve the financial outlook for the Village. Purchase orders and work orders are being used to help control spending and document costs and work done. The Clerk has been removed from the list of check signers - checks must be signed now by the Mayor (or Pro-Tem) and one Alderman. Upgrades and additions to our computer system will assist in accurate record keeping and tracking of expenditures, delinquent water/sewer payments, and traffic fines. We will continue to pursue collection of all debts owed to the Village.

Sincerely,



Janet N. Manuel
Mayor Pro-Tem
Village of Fenton