

TOWN OF EROS



INVESTIGATIVE AUDIT
ISSUED JUNE 22, 2022

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LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK

June 22, 2022

**HONORABLE KELLY GRYDER, MAYOR
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF EROS**
Eros, 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 2nd Judicial District of Louisiana and others, as required by law.

Respectfully submitted,

A handwritten signature in blue ink, appearing to be "MW", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW/aa

TOWNOFEROS

TABLE OF CONTENTS

	Page
Executive Summary	2
Background and Methodology.....	4
Findings and Recommendations:	
Town Employees/Officials Provided Inaccurate and Incomplete Information to Obtain Unemployment Benefits	5
Excess Compensation Paid to Town Employees/Officials	9
Utility Payments Not Deposited.....	10
Municipality Improperly Classified as a Town	12
Legal Provisions.....	14
Management’s Response	Appendix A
Aaron Rayburn’s Response.....	Appendix B

EXECUTIVE SUMMARY

Town Employees/Officials Provided Inaccurate and Incomplete Information to Obtain Unemployment Benefits

Town of Eros (Town) Mayor Kelly Gryder, Maintenance Operator Brian Costin, and former Police Chief Aaron Rayburn provided inaccurate and incomplete information to the Louisiana Workforce Commission (LWC) to obtain COVID-19 Pandemic unemployment benefits. LWC paid \$36,086 in unemployment benefits to Mayor Gryder (\$13,047), Mr. Costin (\$11,633), and Mr. Rayburn (\$11,406) from April 13, 2020 to September 18, 2020. The unemployment applications submitted by Mayor Gryder and Mr. Costin falsely claimed they were employed by Aaron Rayburn Enterprises, LLC, a company owned by Mr. Rayburn, prior to the Pandemic. In addition, Mr. Costin and Mr. Rayburn's unemployment applications failed to disclose their employment with the Town. Had Mayor Gryder, Mr. Costin, and Mr. Rayburn provided complete and accurate information, they may not have been eligible to receive unemployment benefits. By providing incomplete and inaccurate information to LWC, Mayor Gryder, Mr. Costin, and Mr. Rayburn may have violated state law.

Excess Compensation Paid to Town Employees/Officials

From April 9, 2019 to December 28, 2021, the Town paid Mayor Gryder and other Town employees excess compensation totaling \$7,930. This amount included improper leave payouts totaling \$7,080 and Christmas bonuses totaling \$850. During this period, these employees/officials did not complete timesheets and may not have been entitled to leave benefits. Further, the payment of Christmas bonuses may have violated the Louisiana Constitution, which prohibits the donation of public funds. The payment of excess compensation to Town employees/officials may have violated the Louisiana Constitution and state law.

Utility Payments Not Deposited

Town records indicate that utility payment transactions totaling \$28,088 were received and/or recorded in the utility system but not deposited in the Town's bank accounts from January 1, 2020 through December 31, 2021. This includes \$834 in credits to Mayor Gryder's utility account, for which the Town did not receive payment. During this period, Mayor Gryder and four different Town clerks were responsible for handling utility collections. Records show that the Town did not issue receipts for all payments collected and failed to deposit collections daily into the Town's bank account. By failing to ensure that all monies were properly documented and deposited on a daily basis, Mayor Gryder may have violated state law.

Municipality Improperly Classified as a Town

The Town appears to be improperly classified as a town under the provisions of the Lawrason Act. Because the Town has less than 1,000 inhabitants, state law requires the Board to adopt a resolution requesting the governor to change its classification to the appropriate classification based on the Town's current population.

BACKGROUND AND METHODOLOGY

The Town of Eros (Town) is located in Jackson Parish and has a population of 130 (Year 2020 Census). The Town was incorporated under the provisions of the Lawrason Act and has a mayor-board of aldermen form of government. The Town provides utility services (water and sewer), public safety, and general administrative services to residents and businesses.

In September 2021, the Louisiana Legislative Auditor (LLA) received a complaint stating that Mayor Kelly Gryder and other Town employees improperly received unemployment benefits during the COVID-19 Pandemic while working for the Town. The LLA initiated this investigative audit to determine the validity of this complaint. In addition, the Town did not submit its 2019 annual audit, which initially was due on June 30, 2020, until March 28, 2022; and has not submitted the compilation of its financial statements for the fiscal year ended December 31, 2020, which was due on June 30, 2021.

The procedures performed during this audit included:

- (1) interviewing Town officials and employees;
- (2) interviewing other persons, as appropriate;
- (3) examining selected Town documents and records;
- (4) gathering and examining external parties' documents and records; and
- (5) reviewing applicable state laws and regulations.

FINDINGS AND RECOMMENDATIONS

Town Employees/Officials Provided Inaccurate and Incomplete Information to Obtain Unemployment Benefits

Town of Eros (Town) Mayor Kelly Gryder, Maintenance Operator Brian Costin, and former Police Chief Aaron Rayburn provided inaccurate and incomplete information to the Louisiana Workforce Commission (LWC) to obtain COVID-19 Pandemic unemployment benefits. LWC paid \$36,086 in unemployment benefits to Mayor Gryder (\$13,047), Mr. Costin (\$11,633), and Mr. Rayburn (\$11,406) from April 13, 2020 to September 18, 2020. The unemployment applications submitted by Mayor Gryder and Mr. Costin falsely claimed they were employed by Aaron Rayburn Enterprises, LLC, a company owned by Mr. Rayburn, prior to the Pandemic. In addition, Mr. Costin and Mr. Rayburn's unemployment applications failed to disclose their employment with the Town. Had Mayor Gryder, Mr. Costin, and Mr. Rayburn provided complete and accurate information, they may not have been eligible to receive unemployment benefits. By providing incomplete and inaccurate information to LWC, Mayor Gryder, Mr. Costin, and Mr. Rayburn may have violated state law.^{1,2,3,4,5,6}

LWC administers unemployment insurance (UI) benefits pursuant to the Louisiana Employment Security Law (La. R.S. 23:1471, *et seq.*). The federal Coronavirus Aid, Relief, and Economic Security Act (H.R. 748, CARES Act, Public Law 116-136) (CARES Act) was signed into law on March 27, 2020. The CARES Act expanded Louisiana's ability to provide UI benefits for many workers adversely impacted by the COVID-19 pandemic. Under the CARES Act, Louisiana claimants eligible for regular UI benefits are also entitled to Federal Pandemic Unemployment Compensation (FPUC), an emergency program established by the CARES Act to increase unemployment benefits by \$600 per week. The CARES Act also established the Pandemic Unemployment Assistance (PUA) to provide unemployment compensation for Louisiana claimants not eligible for regular UI benefits (e.g., self-employed persons, independent contractors, gig economy workers, workers with a limited work history, etc.). Claimants that qualified for PUA benefits were entitled to the \$600 weekly FPUC benefits under the CARES Act.

Applicants for unemployment benefits can create an account and apply for benefits using LWC's online HIRE application. Applicants are required to provide their employment status, former employers, dates of employment for their former employers, the date of layoff, termination, or separation from their former employer, and whether they are able to work and currently seeking employment. Each applicant is required to respond positively to an agreement indicating they certify that the information provided in their claim is true to the best of their knowledge, and they understand that giving false information can be penalized as perjury. Once eligible for benefits, the applicant must access their HIRE account weekly to certify that they are able to work, seeking work, and would accept work if they were offered a job. Eligible applicants are provided the option of having their weekly benefits direct deposited to their bank

account or having their benefits loaded onto a debit card issued by the state's third-party debit card provider, US Bank.

In September 2021, LLA received a complaint from Mr. Rayburn stating that Mayor Gryder, Mr. Costin, and another former Town employee^A received unemployment benefits during the Pandemic by claiming they had worked for, and were terminated from, Mr. Rayburn's company, Aaron Rayburn Enterprises, LLC.^B Mr. Rayburn's complaint further indicated that the three individuals received their regular paychecks from the Town during this period; however, their payroll checks were manually issued (not processed through the computerized accounting system) to disguise the fact that they received the checks and allow them to continue to collect unemployment benefits. In his complaint, Mr. Rayburn stated that none of these individuals ever worked for his company.

Based on Mr. Rayburn's complaint, we reviewed the unemployment claims filed by Mayor Gryder, Mr. Costin, Mr. Rayburn, and others, and compared that information to Town payroll records, Town bank records, and personal and/or business bank records of Mayor Gryder, Mr. Costin, and Mr. Rayburn. During our audit, we found that the unemployment applications submitted by Mayor Gryder and Mr. Costin falsely claimed that they worked for Aaron Rayburn Enterprises, LLC prior to the Pandemic, and that Mr. Costin and Mr. Rayburn's unemployment applications failed to disclose their employment with the Town. In addition, records and statements made by Mr. Rayburn show that he continued to work for the Town and his personal business while he received unemployment benefits. Details regarding the unemployment benefits that these individuals received while they continued to work are provided below.

Mayor Kelly Gryder

LWC records show that Mayor Gryder filed an application for unemployment benefits on April 16, 2020. According to the application, Mayor Gryder worked for Aaron Rayburn Enterprises, LLC from January 16, 2019 to March 23, 2020, as a full-time employee with a gross salary of \$1,825 per month. The application indicated that she was an elected official (mayor) who performed five hours of services for the Town on a weekly basis. In addition, Mayor Gryder's LWC file included several benefit notices that appear to have been sent to her mailing address by LWC from April 17, 2020 to January 27, 2021, including an Internal Revenue Service (IRS) Form 1099-G. According to LWC records, Mayor Gryder received gross benefits totaling \$13,047 from April 27, 2020 to September 18, 2020. Her net benefits totaling \$11,736 were direct deposited to her bank account.

^A The third Town employee mentioned by Mr. Rayburn did not work for or receive wages from the Town while she collected unemployment benefits. It appears that this former Town employee did list Aaron Rayburn Enterprises, LLC as an employer on her unemployment application but may have received benefits based on employment with another employer.

^B The Louisiana Secretary of State's (SoS) website shows that Aaron Rayburn Enterprises, LLC is a limited liability company domiciled in Ouachita Parish. According to the SoS website, Aaron D. Rayburn and Kaleb Rayburn are the only members of the corporation.

Brian Costin – Maintenance Operator

According to LWC records, Mr. Costin filed an unemployment application on April 27, 2020. Mr. Costin's application did not list the Town as one of his employers;^C however, the application indicated he worked for Aaron Rayburn Enterprises, LLC from February 4, 2019 through April 17, 2020, as a part-time employee (30 hours per week) with a gross salary of \$2,000 per month. In addition, Mr. Costin's LWC file included several benefit notices that appear to have been sent to his mailing address by LWC from April 27, 2020 to January 27, 2021, including an IRS Form 1099-G. According to LWC records, Mr. Costin received gross benefits totaling \$11,633 from May 7, 2020 to September 18, 2020. His net benefits totaling \$10,464 were loaded onto a debit card issued by the state's third-party debit card provider, U.S. Bank.

Aaron Rayburn – Former Police Chief

Records show Mr. Rayburn filed an unemployment application on April 1, 2020. Mr. Rayburn's application indicated he previously worked for the Town of North Hodge; Aaron Rayburn Enterprises, LLC; Southside Bail Bonds;^D and the Town of Port Barre; however, it does not appear that he disclosed his employment with the Town of Eros.^E LWC records indicate a Notice of Unemployment Claim Filed was sent to Southside Bail Bonds on April 2, 2020, requesting information on Mr. Rayburn's employment including dates worked, wages earned, last date worked, and reason for separation. Mr. Rayburn appears to have completed the form (as a member/manager of Southside Bail Bonds), indicating he worked 60 hours per week for \$1,000 per week, and that his last day worked was March 16, 2020, due to part-time or reduced hours. LWC records show Mr. Rayburn received gross benefits totaling \$11,406 from April 13, 2020 to August 5, 2020. His net benefits totaling \$10,260 were direct deposited to one of his business bank accounts.

After reviewing the LWC files for the individuals mentioned above, we visited the Town and reviewed Town payroll records and bank statements. These records show Mayor Gryder and Mr. Costin each received their regular payroll checks from the Town while they also received unemployment benefits from April 2020 to September 2020. During this period, the Town paid Mayor Gryder her salary of \$456 per week and paid Mr. Costin's regular salary, which was \$460 per week, then increased to \$500 per week. In addition, these records confirmed that payroll checks issued to Mayor Gryder and Mr. Costin were not processed through the computerized accounting system; rather, they were handwritten checks that appear to have been issued by Mayor Gryder.

^C According to LWC records, the Town does not report quarterly wages paid to its employees to LWC as required by Louisiana Administrative Code Title 40, Part IV, §377(A). As such, LWC was unaware that Mr. Costin was employed by the Town when he submitted his unemployment claim.

^D According to the Louisiana Department of Insurance's website, Southside Bail Bonds is a trade name associated with Aaron Rayburn Enterprises, LLC.

^E According to LWC records, the Town does not report quarterly wages paid to its employees to LWC as required by Louisiana Administrative Code Title 40, Part IV, §377(A). As such, LWC was unaware that Mr. Rayburn was employed by the Town when he submitted his unemployment claim.

We spoke with Mayor Gryder and Mr. Costin, both of whom acknowledged they worked for, and were paid by, the Town on a full-time basis throughout calendar year 2020 and that they had no other employers during this period. When asked about unemployment benefits, Mayor Gryder and Mr. Costin both claimed they did not file for, nor receive, any unemployment benefits; they were unaware that benefits were provided in their names; and they did not receive any correspondence from LWC in the mail. In addition, Mayor Gryder denied having a bank account at the institution where benefits in her name were deposited, and Mr. Costin denied receiving a debit card issued by the state's third-party debit card provider, US Bank.

Bank records for the account in which Mayor Gryder's benefits were deposited showed that Mayor Gryder was the account holder and only signatory on the account when she began receiving benefits. We presented this information to Mayor Gryder, who then acknowledged she applied for and received the benefits. According to Mayor Gryder, Mr. Rayburn told her and Mr. Costin they could apply for benefits using his company (Aaron Rayburn Enterprises, LLC) because he wanted to sign up enough employees so that his company would be eligible to receive Paycheck Protection Program funds. Mr. Costin also acknowledged that he applied for and received unemployment benefits using Mr. Rayburn's company at Mr. Rayburn's instruction. Both Mayor Gryder and Mr. Costin told us Mr. Rayburn was present when they applied online for benefits and provided them with information about his company to include on their applications. Mayor Gryder also told us Mr. Rayburn suggested she manually process Town payroll checks during this period. In addition, Mayor Gryder told us Mr. Rayburn continued to work for the Town (while receiving unemployment benefits), and that Mr. Rayburn asked to defer his paychecks to a later date so he would not receive them while he was drawing unemployment benefits.

Mr. Rayburn told us he did not know Mayor Gryder and Mr. Costin used his company to file for unemployment benefits and said he had nothing to do with them applying for benefits or handwriting Town payroll checks. He stated that although he was working for the Town, he did not want to receive payment from the Town while drawing unemployment. Mr. Rayburn further stated that because he had to certify (weekly) with the unemployment office that he was not making any money, he did not want to get paid (by the Town). He also told us that, although he was writing bonds and making money through his bonding company, he did not take any money out of his business. He added that if he did not take any money out of the business during that time, then it was okay to draw unemployment.

Conclusion

Mayor Gryder, Mr. Costin, and Mr. Rayburn provided inaccurate and incomplete information to LWC to obtain Pandemic unemployment benefits. LWC paid \$36,086 in unemployment benefits to Mayor Gryder, Mr. Costin, and Mr. Rayburn from April 13, 2020 to September 18, 2020. The unemployment applications submitted by Mayor Gryder and Mr. Costin falsely claimed they were employed by Aaron Rayburn Enterprises, LLC prior to the Pandemic. In addition, Mr. Costin and Mr. Rayburn's unemployment applications failed to disclose their employment with the Town. Had Mayor Gryder, Mr. Costin, and Mr. Rayburn provided complete and accurate information, they may not have been eligible to receive

unemployment benefits. By providing incomplete and inaccurate information to LWC, Mayor Gryder, Mr. Costin, and Mr. Rayburn may have violated state law.^{1,2,3,4,5,6}

Excess Compensation Paid to Town Employees/Officials

From April 9, 2019 to December 28, 2021, the Town paid Mayor Gryder and other Town employees excess compensation totaling \$7,930. This amount included improper leave payouts totaling \$7,080, and Christmas bonuses totaling \$850. During this period, these employees/officials did not complete timesheets and may not have been entitled to leave benefits. Further, the payment of Christmas bonuses may have violated the Louisiana Constitution,⁷ which prohibits the donation of public funds. The payment of excess compensation to Town employees/officials may have violated the Louisiana Constitution and state law.⁸

La. R.S. 33:404.1⁹ requires the Board of Aldermen (Board) to fix the compensation of the mayor by ordinance. The Town could not provide an ordinance fixing the salary of the mayor and did not maintain personnel files for Town employees. In addition, the Town did not have any written policies and procedures regarding payroll or leave policies. Further, the Town did not require employees or officials to complete timesheets to account for their time worked, and the Town did not maintain any records pertaining to leave accrued or leave used.

Leave Payouts

Payroll records show the Town issued extra paychecks labeled “Vacation Pay,” totaling \$7,080, to Mayor Gryder (\$4,560), Mr. Costin (\$2,020), and a former police department employee (\$500) from April 9, 2019 to December 28, 2021. Mayor Gryder told us that the extra checks were for unused leave. Mayor Gryder told us that although the Town does not have a written leave policy, each employee receives one week of vacation for each year of employment. Mayor Gryder stated that neither she nor Mr. Costin ever takes leave, so they opted to have their vacation time paid out.

During our meeting with Mayor Gryder on November 3, 2021, we informed her that in order to pay employees for unused leave, the Town would need to show the following: (1) a written leave policy; (2) timesheets to show that employees worked full-time and accrued leave; and (3) leave records to account for leave accrued, leave taken, and/or leave paid out. We later obtained the Town’s bank statements for the following month (December 2021) and found that Mayor Gryder issued extra payroll checks labeled “Vacation Pay” to herself and Mr. Costin on December 28, 2021.

Christmas Bonuses

Records show that the Town paid Christmas bonuses totaling \$850 to Mayor Gryder (\$350), Mr. Costin (\$350), and Mr. Rayburn (\$150) from December 2019 to December 2020. Mayor Gryder told us that Christmas bonuses are issued at the Mayor’s discretion. She also told us the previous mayor began paying Christmas bonuses (\$150) to all employees who were

employed by the Town for the entire year. Mayor Gryder stated that she continued the former mayor's practice. The payment of Christmas bonuses may have violated the Louisiana Constitution,⁷ which prohibits the donation of public funds.

Utility Payments Not Deposited

Town records indicate that utility payment transactions totaling \$28,088 were received and/or recorded in the utility system but not deposited in the Town's bank accounts from January 1, 2020 through December 31, 2021. This includes \$834 in credits to Mayor Gryder's utility account, for which the Town did not receive payment. During this period, Mayor Gryder and four different Town clerks were responsible for handling utility collections. Records show that the Town did not issue receipts for all payments collected and failed to deposit collections daily into the Town's bank account. By failing to ensure that all monies were properly documented and deposited on a daily basis, Mayor Gryder may have violated state law.^{6,10,11}

The Town did not have written policies and procedures relating to utility collections. During the period covered by our audit, Mayor Gryder and four different town clerks were responsible for collecting utility payments. It does not appear that the Town regularly issued receipts for utility payments; however, some payments were recorded on handwritten logs and then posted to the Town's computerized utility system by either Mayor Gryder or a Town clerk. Payments received were kept in a money box in an unlocked drawer in the front counter. According to Mayor Gryder, a Town clerk counted the funds and prepared the deposits and either she (Mayor Gryder) or the clerk transported deposits to the Town's bank. Bank records show that the Town deposited utility funds two to three times per month. During this period, no daily reconciliation procedures were performed to ensure that all funds collected were recorded in the Town's utility system and deposited in the Town's bank account.

Utility Payments Not Deposited

Utility payments, totaling \$28,088, were received and/or recorded to customer accounts but not deposited into Town bank accounts. Town utility system records indicate that from January 1, 2020 through December 31, 2021, payments totaling \$143,336 were recorded in the Town's utility system to customer accounts. However, for the same period, the Town's bank records reflect that only \$115,248 was deposited, leaving a shortage of \$28,088. This amount includes a \$14,083 difference between the amount of cash recorded as collected on the handwritten payment logs and the amount of cash deposited into the Town's utility bank account. It appears that the remaining \$14,005 shortfall includes payments recorded to customer accounts for which the Town either did not receive payment or the Town received a payment for which there was no corresponding deposit.

Cash Collected But Not Deposited

We examined the handwritten payment logs maintained by the Town and then compared the amount of cash payments recorded on the payment logs to the cash deposited into the

Town's utility fund bank account. These records indicate that, from January 1, 2020 to December 31, 2021, the Town collected cash payments in the amount of \$25,008. However, for the same period, the Town's bank records reflect that cash totaling \$10,925 was deposited, leaving a shortage of \$14,083.

For example, from November 9, 2020 to November 23, 2020, the amounts recorded on the handwritten payment logs (\$4,250) matched the payments posted to the utility system. Of the amounts recorded, only checks totaling \$3,063 were deposited on December 2, 2020, leaving a shortage of \$1,187. We reconciled the amounts recorded on the handwritten logs to the actual items (checks and money orders) deposited on December 2, 2020, and found that the shortage (\$1,187) consisted of the cash payments (\$1,134) and one check payment in the amount of \$53 that was posted to Mayor Gryder's account. As such, it appears that the deposit did not include a check payment from Mayor Gryder nor any of the cash payments recorded from November 9, 2020 to November 23, 2020.

Payments Recorded with No Deposit

Because the shortage (\$28,088) between payments posted to the utility system and deposits to the utility fund bank account included cash totaling \$14,083, it appears that the remaining shortage (\$14,005) included payments recorded to customer accounts for which the Town either did not receive payment or the Town received a payment and the amount received was not deposited.

For example, while reviewing the cash amounts deposited (see *Cash Collected But Not Deposited*, above), we found a \$53 check payment that was recorded to Mayor Gryder's utility account, but no such check was deposited to the Town's utility fund bank account. We then reviewed all check payments recorded to Mayor Gryder's utility account and the Town's corresponding deposits. These records show that 15 check payments, totaling \$958, were recorded to Mayor Gryder's utility account from January 20, 2020 to December 17, 2021; however, only two such checks totaling \$124 were deposited to the Town's utility fund bank account, leaving a shortage of \$834. Based on this information, it appears that payments totaling \$834 were recorded to Mayor Gryder's utility account even though the Town did not receive payment.

Mayor Gryder stated that she would collect payments when the clerks were out of the office or when the Town was in between clerks. Mayor Gryder stated that she did not reconcile the utility payments recorded in system with the deposits made in the bank. When asked about the discrepancies between the utility payments recorded and the amounts deposited, Mayor Gryder denied taking any missing funds and stated that people came in and out of the office at all hours of the day. According to Mayor Gryder, anyone could have taken the missing funds.

Municipality Improperly Classified as a Town

The Town appears to be improperly classified as a town under the provisions of the Lawrason Act. Because the Town has less than 1,000 inhabitants, state law requires the Board to adopt a resolution requesting the governor to change its classification to the appropriate classification based on the Town's current population.

According to the 2020 federal census, the Town had 130 residents. La. R.S. 33:341 classifies municipalities with 1,000 or fewer inhabitants as villages. Because the Town has less than 1,001 inhabitants, La. R.S. 33:342 also requires the Board to adopt a resolution requesting the governor change its classification from a town to a village based on the Town's current population.

The Town operates under the Lawrason Act (La. R.S. 33:321, *et seq.*) as a Town and has five elected aldermen. Federal census data indicates that Eros has had fewer than 1,001 inhabitants since at least 1990. Based on this information, the Town should be classified as a village and have only three elected aldermen. Because the Town has had less than 1,001 inhabitants since at least 1990 and did not adopt a resolution requesting the governor to change its classification, the Town may be in violation of state law.

Recommendations

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

- (1) Report quarterly wages paid to its employees to LWC as required by the Louisiana Administrative Code;
- (2) Develop and implement policies and procedures to ensure that payroll is processed within the computerized accounting system and that amounts paid to employees are appropriately earned and approved;
- (3) Implement policies and procedures to ensure that compensation for municipal officers is set by ordinance in accordance with state law;
- (4) Require all employees to complete time sheets that are reviewed and approved by an appropriate supervisor;
- (5) Adopt policies and procedures that address the awarding of pay increases and require appropriate documentation to be maintained within each employee's personnel file;
- (6) Discontinue the practice of allowing employees to be paid for unused leave;

- (7) Develop and implement policies and procedures to ensure payments collected by the Town are adequately documented, accurately recorded, and deposited daily in accordance with state law;
- (8) Require Town employees to issue receipts for all payments received;
- (9) Review and compare the daily total deposits to the total receipts on a regular basis and immediately investigate any differences;
- (10) Require a 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;
- (11) Require management to approve (in writing) all adjustments to customer accounts;
- (12) Require each clerk to maintain their own separate cash drawer and prohibit them from working out of each other's drawer. Each drawer should be maintained and locked at all times and balanced on a daily basis;
- (13) Require that each clerk establish and use a separate user account in the utility system; and
- (14) If the Town contends that the 2020 federal census is incorrect, and that the Town's population currently exceeds 1,000 citizens, the Board should pass a resolution to take its own census to establish the correct number of its citizens. If, on the other hand, the Town concedes that its population has dropped below 1,001 citizens, the Board should adopt a resolution requesting the governor to change the Town's municipal classification to a Village as required by the Lawrason Act.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:26(A)** states, “Criminal conspiracy is the agreement or combination of two or more persons for the specific purpose of committing any crime; provided that an agreement or combination to commit a crime shall not amount to a criminal conspiracy unless, in addition to such agreement or combination, one or more of such parties does an act in furtherance of the object of the agreement or combination.”

² **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.”

³ **La. R.S. 14:70.8(A)** states, “Whoever with intent to defraud either transmits, attempts to transmit, causes to be transmitted, solicits a transmission, or receives a transmission, by wire or radio signal, any stolen or fraudulently obtained monetary funds shall be imprisoned, with or without hard labor, for not more than ten years, or fined not more than one hundred thousand dollars, or both.”

⁴ **La. R.S. 14:70.9(A)** states, “The crime of government benefits fraud is the act of any person who, with intent to defraud the state or any person or entity through any government benefits administered by any state department, agency, or political subdivision, does any of the following: (1) Presents for allowance or payment any false or fraudulent claim for furnishing services, merchandise, or payments. (2) Knowingly submits false information for the purpose of obtaining greater compensation than that to which he is legally entitled for furnishing services, merchandise, or payments. (3) Knowingly submits false information for the purpose of obtaining authorization for furnishing services, merchandise, or payments. (4) Knowingly makes or causes to be made a false statement or representation of material fact on an application or form for assistance, goods, services, or payments when the false statement or representation is made for the purpose of determining the person's eligibility to receive benefits or payments. (5) Knowingly conceals or fails to disclose any material fact affecting the applicant's or recipient's initial or continued eligibility to receive benefits or payments.”

⁵ **La. R.S. 14:133(A)** states, “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.”

⁶ **La. R.S. 14:134(A)** states, “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.”

⁷ **Article VII, Section 14(A) of the Louisiana Constitution** states, in part, “Prohibited Uses. 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.”

⁸ **La. R.S. 42:1461(A)** states, “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.”

⁹ **La. R.S. 33:404.1** states, “Compensation of municipal officers. 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.”

¹⁰ **La. R.S. 39:1212** states, in part, that “After the expiration of existing contracts, 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 **La. R.S. 42:282** states, in part, that “All public officers except notaries public, shall keep a full and complete record of all monies received by them for account of the state or its subdivisions or as fees for services rendered.”

APPENDIX A

Management's Response

TOWN OF EROS

May 27, 2022

Mr. Michael Waguespack
Legislative Auditor
1600 North 3rd Street
Baton Rouge, LA 70802-9397

Dear Mr. Waguespack,

As the current Mayor of the Town of Eros, please accept this as the response to the Louisiana legislative Auditor's findings.

First and foremost, we would like to thank you for the work you have put into these findings.

The Town has already put some of your recommendations into place and we are working diligently to finish all recommendations.

The Town of Eros will seek legal counsel on missing monies to find out which clerk is responsible for these actions.

I as the mayor do not agree with some of the findings. And do not find them as accurate. During the covid months there were multiple water bills not paid so I have a hard time understanding why mine was the only written about.

The following is a list of recommendations that we are already implementing:

I do reconcile the bank accounts monthly and always have.

Our CPA has started reporting to the LWC and reported back wages.

We will set ordinances for each position on pay at our June board meeting.

We will pass a resolution to make it a village at our June board meeting.

Vacation time is accrued over each pay period and our sage accounting program keeps track of the time and hours.

A policy and procedure book has been written and will be voted on at our June board meeting.

The town also had a single audit done for the year in question and he did not find any of these things so it's hard to understand why he didn't find what you all found when he had the same paperwork. The town paid nine thousand dollars for that audit.

In particular, and as more specifically recommended in your report, I will diligently work to get these recommendations put in to affect immediately.

Thank you again for your prompt and comprehensive response.

Sincerely,

A handwritten signature in black ink that reads "Kelly Gryder, Mayor". The signature is written in a cursive, flowing style.

Kelly Gryder

Mayor

APPENDIX B

Aaron Rayburn's Response

AARON DEWAYNE RAYBURN'S CORRECTIONS
AND CLARIFICATION TO FINDINGS AND RECOMMENDATIONS OF LLA

Error in online HIRE application, not a purposeful omission.

A review of Mr. Rayburn's online HIRE application will show that he listed Town of North Hodge twice. This was a non-purposeful error made by Mr. Rayburn when entering his employment history. Regarding his most current employment, wherein Town of North Hodge was listed, it should have listed Town of Eros, with the employment dates of 10/2019-03/2020.

The second listing with regard to Town of North Hodge showing employment from 10/2019-12/2019 is correct.

Aaron Rayburn received no income while receiving unemployment benefits

Mr. Rayburn did not receive deferred compensation from the Town of Eros. On Page 5 of 8 in the first paragraph, last sentence of LLA's Findings and Recommendations, it indicated that Mr. Rayburn "asked to defer his paychecks to a later date so he would not receive them while he was drawing unemployment benefits." That statement is incorrect. Mr. Rayburn did not ask that his paychecks be deferred. Mr. Rayburn never received payments from the Town of Eros while he received unemployment benefits. He was never subsequently compensated for this time.

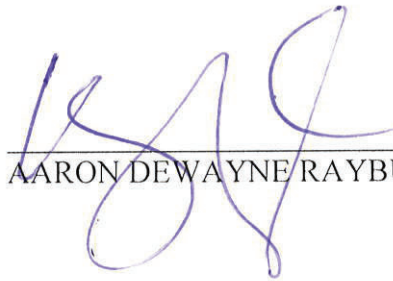
His work for the Town of Eros as a law enforcement officer was more of a hobby for Mr. Rayburn than a source of income. Mr. Rayburn enjoyed working in law enforcement. During the time he was receiving unemployment benefits, had Mr. Rayburn received his regular income, it would have been only \$500.00 a month. Again, he did not receive this money. As the money he would have received from the Town of Eros was nominal at best, he felt that he should not receive any money while he was receiving unemployment. *Again, Mr. Rayburn did not receive the \$500.00 a month from the Town of Eros while he was receiving unemployment benefits, nor did he subsequently receive compensation for the time that he was on unemployment benefits from the Town of Eros.*

Historically, Mr. Rayburn's primary source of income has been working in the bail bond profession. During the pandemic, law enforcement agencies greatly reduced the arrests they were making for misdemeanors and lesser felonies. Accordingly, fewer people were needing the services of a bail bondsman. He did keep his business open during the pandemic as did many small businesses; however, what little money may have come through the door was used for business expenses, not profit or income. In other words, Mr. Rayburn, with regard to his bail bonding business, was doing what he needed to do to keep his business afloat so that once the pandemic ended, hopefully, he could start generating income again.

Other incorrect inferences in LLA Findings and Recommendations

With regard to Mr. Rayburn representing to others that he needed additional people to get PPP funds, this is denied. Mr. Rayburn is unaware of any such requirement. It was his understanding that to get PPP funds only one person was needed. Again, accordingly, he denies any allegation with regard to encouraging others to sign up with Aaron Rayburn Enterprises, LLC for this reason.

Any inference that Mr. Rayburn encouraged others to handwrite their checks is denied. From reading the Findings and Recommendations, it appears that Mayor Gryder and Mr. Costin initially denied that they were receiving unemployment benefits. After it was disclosed to them that LLA was aware that they were receiving unemployment benefits and it was discovered that they had stopped electronic disbursements of their paychecks and had started handwriting their own paychecks, it appears they directed the blame toward Mr. Rayburn. Again, keep in mind, Mayor Gryder was the boss of Mr. Rayburn and once again, Mr. Rayburn never had the authority nor control to instruct anyone with regard to the Town of Eros to undertake such actions. Lastly, Mr. Rayburn did not tell anyone from the Town of Eros to sign up for unemployment under Aaron Rayburn Enterprises, LLC.



AARON DEWAYNE RAYBURN