

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Ferriday
Ferriday, Louisiana

March 8, 2000



Investigative Audit

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

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Town of Ferriday

March 8, 2000



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

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

Table of Contents

	Page
Executive Summary	1
Background and Methodology.....	3
Finding and Recommendation:	
Town Funds Taken for Personal Use by Two Employees	5
Attachment I - Management's Response	7
Attachment II - Legal Provisions.....	9

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March 8, 2000

**THE HONORABLE ODEAL J. MONTGOMERY,
MAYOR, AND MEMBERS OF THE
BOARD OF ALDERMEN
TOWN OF FERRIDAY**
Ferriday, Louisiana

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

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

Respectfully submitted,

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

Daniel G. Kyle, CPA, CFE
Legislative Auditor

SLC:EKL:AFB:ss

[FERRIDAY]

Executive Summary

Investigative Audit Report Town of Ferriday

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

Town Funds Taken for Personal Use by Two Employees

(Page 5)

Finding:

Cash totaling \$90,947 received by the Town of Ferriday (Town) for utility services from July 1998 through February 2000 and cash totaling \$23,980 for 1998 property taxes were not deposited into the Town's bank accounts. Ms. Kathy Green, Town Water Clerk, and Ms. Ida Johnson Tolliver, Town Clerk, admitted taking this money for their own personal use. In addition, Ms. Green and Ms. Tolliver admitted to posting payments totaling \$1,820 to their own utility accounts and the utility account of Ms. Green's sister even though the Town did not receive these payments. Computer records also indicate that Ms. Tolliver's utility account was credited by \$1,075 in July 1998 even though no payment was received by the Town. Therefore, receipts totaling at least \$117,822 were not deposited into the Town's accounts.

Tax records for 1999 are currently being reviewed and will be addressed in a subsequent report, as necessary.

Recommendation:

We recommend that the Town implement policies and procedures to ensure that all funds collected by the Town are properly deposited into the Town's bank accounts. We also recommend that the District Attorney for the Seventh Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Management's Response: Management for the Town concurs with the finding. Further, management took immediate action to terminate both employees involved. Finally, management will implement policies and procedures to ensure that all funds collected by the Town are properly deposited into the Town's bank accounts.

Background and Methodology

The Town of Ferriday is located in Concordia Parish and was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor/Board of Aldermen form of government. The Board is comprised of five members. The Town of Ferriday has a population of approximately 4,125.

During January 2000, the Legislative Auditor received a call from Mr. Myles Hopkins of Switzer, Hopkins, and Mange, CPAs, indicating that the Town of Ferriday's deposits related to the 1998 property tax collections were short by at least \$21,000. In addition, the auditor determined that the deposits related to the utility department collections were short. This investigation was conducted to determine the cause of these shortages.

Our procedures consisted of (1) interviewing employees and officials of the Town; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the Town; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable state laws.

The result of our investigation is the finding and recommendation herein.

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Finding and Recommendation

TOWN FUNDS TAKEN FOR PERSONAL USE BY TWO EMPLOYEES

Cash totaling \$90,947 received by the Town of Ferriday (Town) for utility services from July 1998 through February 2000 and cash totaling \$23,980 for 1998 property taxes were not deposited into the Town's bank accounts. Ms. Kathy Green, Town Water Clerk, and Ms. Ida Johnson Tolliver, Town Clerk, admitted taking this money for their own personal use. In addition, Ms. Green and Ms. Tolliver admitted to posting payments totaling \$1,820 to their own utility accounts and the utility account of Ms. Green's sister even though the Town did not receive these payments. Computer records also indicate that Ms. Tolliver's utility account was credited by \$1,075 in July 1998 even though no payment was received by the Town. Therefore, receipts totaling at least \$117,822 were not deposited into the Town's accounts.

The Town provides water, sewer, and garbage collection services to the businesses and residents of the Town. Customer billings for these services are computer generated on a monthly basis and customer accounts are credited when payments are received. In addition, the Town bills and collects property taxes that are due by March 31 of each year.

Cash totaling \$90,947 received by the Town for utility services from July 1998 through February 2000 and cash totaling \$23,980 for 1998 property taxes were not deposited into the Town's bank accounts. The taking of this cash was concealed through a check substitution scheme whereby checks received by the Town were substituted for cash within the deposits. Ms. Green and Ms. Tolliver further concealed this scheme by creating two posting reports, one that reflected the substituted checks and one that was attached to the daily deposits filed in the Town Clerk's office.

In addition, during the period July 1998 through February 2000, utility accounts for Ms. Green, Ms. Tolliver, and Ms. Lucille Wells, Ms. Green's sister, were posted as having been paid in the total amount of \$1,820 even though the Town did not receive these payments. These postings occurred on numerous occasions and totaled \$735 for Ms. Green, \$616 for Ms. Tolliver, and \$469 for Ms. Wells. Computer records also indicate that Ms. Tolliver's utility account was credited by \$1,075 in July 1998 even though no payment was received by the Town.

Ms. Green and Ms. Tolliver have admitted taking cash from the Town for their own use. Ms. Green and Ms. Tolliver stated that they substituted checks and removed equivalent amounts of cash from the Town's deposits. Ms. Green stated that she created two different posting reports each day that cash was taken. Ms. Green further stated that she destroyed the posting reports that reflected the substituted checks. Ms. Green and Ms. Tolliver stated that they split the cash proceeds evenly and used the money for their own personal benefit. Ms. Green and Ms. Tolliver also admitted posting payments to their own accounts and Ms. Wells' account even

though no payments were made. Ms. Wells stated that she has always paid her utility bill either by check, money order, or cash.

As a result of these actions, receipts totaling at least \$117,822 were not deposited into the Town's accounts. By taking cash from the Town for their own personal use and posting accounts when payments were not received, Ms. Green and Ms. Tolliver may have violated one or more of the following state laws:

- R.S. 14:26, "Conspiracy"
- R.S. 14:67, "Theft"
- R.S. 14:72, "Forgery"
- R.S. 14:133, "Filing False Public Records"
- R.S. 14:134, "Malfeasance in Office"
- R.S. 42:1461(A), "Obligation Not to Misuse"

We recommend that the Town implement policies and procedures to ensure that all funds collected by the Town are properly deposited into the Town's bank accounts. We also recommend that the District Attorney for the Seventh Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Tax records for 1999 are currently being reviewed and will be addressed in a subsequent report, as necessary.

Attachment I

Management's Response



COUNCIL MEMBERS
WILLIAM RUCKER
DOROTHY J. JOHNSON
SANDY DAVIS, JR.
SANDRA G. PRYOR
BOB JONES

Town of Ferriday

ODEAL J. MONTGOMERY, MAYOR
FERRIDAY, LOUISIANA 71334

CLERK
IDA W. JOHNSON
212 N. SECOND STREET
PHONE 757-5411
OF 6325

MARCH 1, 2000

MANAGEMENT'S RESPONSE INVESTIGATIVE AUDITOR'S REPORT TOWN OF FERRIDAY

SUMMARY OF AUDITOR'S FINDING

The reading of the Auditor's investigative report expressed a finding that was appalling.

Instances of noncompliance with policies and regulation of the Town of Ferriday were disclosed during the investigation by two of the Town's employees, Ida Johnson Tolliver and Kathy Green.

It was discovered that a financial problem existed. This was discussed with the Auditor, Mr. Myles Hopkins. The daily financial report, receipts, water bills, cash register tapes, adding machine tapes, property tax, monthly financial report from CPA, and deposits were compared.

ACTION TAKEN BY THE TOWN OF FERRIDAY

February 23, 2000, Kathy Green had a conference with the Auditors. Following the conference, Kathy conferred with the Mayor on the conference, she had had with the Auditors. She admitted to misappropriation of funds. Based on her confession of misappropriation of funds she was terminated and told not to return the next day.

Ida Johnson Tolliver, had a conference with the Auditors, Friday morning, February 24, 2000. She also admitted to misappropriation of funds, she was place on suspension until a special meeting was called. A special meeting was called for February 29, 2000. Ida Johnson Tolliver was terminated for misappropriation of funds, by an unanimous vote.

The Town of Ferriday will implement policies and procedures to ensure that all funds collected by the Town are properly deposited into the Town's bank accounts.



Town of Ferriday

COUNCIL MEMBERS
WILLIAM RUCKER
DOROTHY J. JOHNSON
SAMMY DAVIS, JR.
SANDRA G. PRYOR
BOB JONES

ODEAL J. MONTGOMERY, MAYOR
FERRIDAY, LOUISIANA 71334

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IDA W. JOHNSON
212 N. SECOND STREET
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OR 8635

The Town of Ferriday has Surety Bonds on Ida Johnson Tolliver and Kathy Green in the amount of fifty-thousand dollars (\$50,000). The Town Council will convene and decide on restitution.

*Odeal J. Montgomery
Mayor of Ferriday*

Attachment II
Legal Provisions

Legal Provisions

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

R.S. 14:26 provides, in part, that 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.

R.S. 14:67 provides, in part, 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.

R.S. 14:72 provides, in part, that forgery is the false making or altering, with intent to defraud, of any signature to, or any part of, any writing purporting to have legal efficacy.

R.S. 14:133 provides that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

R.S. 42:1461(A) provides, in part, that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.

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