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July 28, 2000

Mr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70894-9397

Dear Dr. Kyle:

This purpose of this letter is to describe the additional procedures performed and related findings regarding our investigation into the manipulation of payroll records for the years 1998 and 1999 by St. John the Baptist Parish's former Payroll Clerk (employee number 1272) employed in the Finance Department.

We performed certain procedures regarding this matter as described in our report dated January 13, 2000, of which our findings are also included below. Due to the possibility that other irregularities may have occurred, the Legislative Auditor has requested that we perform additional procedures related to this matter. The additional procedures performed and our findings are described below.

1) **Procedure**

Review the former Payroll Clerk's time and attendance cards for 1998 and 1999. Verify that Finance Director approval was obtained on the time and attendance cards.

Finding

We noted no Finance Director approval on any time and attendance cards reviewed for both 1998 and 1999. We also noted that the time cards reflected 38.50 hours of sick leave and 56 hours of vacation leave were paid to the former Payroll Clerk during 1998 and 1999; however, no sick or vacation leave requests or approvals were noted.

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date AUG 0 2 2000

2) Procedure

Review the former Payroll Clerk's overtime requests for approval and compare to the actual hours paid.

Finding

Based on review of the payroll registers for 1998 and 1999, we noted that the former Payroll Clerk was paid 203.50 hours and 111.25 hours of overtime for 1999 and 1998, respectively. However, we noted no overtime requests or approvals for 47.50 hours paid in 1999 and 14.75 hours paid in 1998.

3) Procedure

Agree hours as reported on the payroll register to approved time cards and overtime requests.

Finding

The amount of hours paid to the former Payroll Clerk exceeded the number of hours supported by timecards and overtime, vacation, and sick leave requests by 147 hours in 1999, of which 72 hours represented 3 instances where sick leave was paid in addition to the 80 hour pay period, and 14.75 hours in 1998. These excess hours approximated \$1,700 in unsupported wages.

4) Procedure

Agree hours for the former payroll clerk as reported on the Current Earnings Report worksheet to the payroll timesheets.

Finding

During 1999, we noted that the amount of hours reported on the Current Earnings Report exceeded the number of hours reported on the timesheets by approximately 24 hours.

5) Procedure

Review any payroll maintenance adjustments made during the years 1998 and 1999.

Finding

Based on our review of the Employee Deduction/Benefit Maintenance List, we noted adjustments made on the system files for the former Payroll Clerk's federal withholdings in the amount of \$1,729.61 (\$1,898.80 less \$169.19 actually withheld) and \$1,800.13 for 1998 and 1999, respectively. The maintenance report indicated that the 1999 adjustment was made on December 14, 1999 with the former Payroll Clerk's name reported as the user ID. Whereas, the 1999 report indicates a prior year adjustment was also made for his 1998 federal tax withholdings, a 1998 maintenance report could not be currently produced to determine the exact date of the adjustment and the user ID of the employee who made the adjustment.

6) **Procedure**

Obtain and review the employee listing from the payroll system.

Finding

No exceptions were noted.

7) **Procedure**

Review any travel allowances or advance payments, if any, during 1998 and 1999.

Finding

We noted no travel allowances or advance payments made to the former Payroll Clerk in 1999. However, we noted two instances of salary advances in 1998. A salary advance in the amount of \$300 was made on November 9, 1998 and was later repaid to the Parish over an eight month period. An additional salary advance in the amount of \$450 was made on December 21, 1998; however, there is no evidence to support that the amount of advanced wages was approved or repaid to the Parish.

8) **Procedure**

Review supporting documentation for revenues and expenditures related to the Andouille Festival.

Finding

The former Payroll Clerk was in charge of the pageant in connection with the Andouille Festival. No significant exceptions were noted based on our review of supporting documentation for revenues and expenditures related to the Andouille Festival.

We noted that the former Payroll Clerk earned "comp" time in both 1998 and 1999 for hours worked during the Andouille Festival. On December 16, 1998, the former Payroll Clerk was paid 18.75 hours of "comp" time although only 10.75 hours were approved and previously used. On November 2, 1999, the former Payroll Clerk was approved for 78.50 hours of "comp" time which was paid in full on November 3, 1999.

9) **Procedure**

Agree vacation and sick leave for the former Payroll Clerk to the attendance controller for 1998 and 1999.

Finding

During 1998, no exceptions were noted. During 1999, we noted instances where sick leave for a total of 6 hours and vacation leave for a total of 8 hours were used but not recorded on the attendance controller.

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CONCLUSION

As a result of the additional procedures performed, we noted several weaknesses in internal controls over payroll including no department Director approval on any of the former Payroll Clerk's time cards for both 1998 and 1999. We also noted several discrepancies between hours as reported on the time cards, payroll summary sheets, timesheets, current earnings report, and attendance controller. These weaknesses in internal controls over payroll are attributable to a lack of segregation of duties in the Finance Department, which has been identified as a reportable condition and disclosed in our audits of St. John the Baptist Parish Council for each of the years ended December 31, 1998 and 1999.

Upon agreeing the hours reported on the payroll register to supporting documentation, we noted that the number of hours paid exceeded the number of hours supported for a total of 147 hours in 1999 and 14.75 hours in 1998. These excess hours approximated \$1,700 in unsupported wages.

We also noted two instances of salary advances in 1998. An advance of \$300 was made on November 9, 1998, and was later repaid. An advance of \$450 was made on December 21, 1998; however, there is no evidence to support that this advance was approved or repaid to the Parish.

As previously reported in our letter dated January 13, 2000, as a result of the adjustments made in 1998 and 1999 to the federal withholding taxes for the former Payroll Clerk as indicated on the 1999 maintenance report, there were excess federal withholding taxes reported on his W-2 Form in the amounts of \$1,729.61 and \$1,800.13, respectively. The maintenance report indicates that the adjustment was made in 1999 by the former Payroll Clerk, which resulted in an incorrect 1999 W-2 Form. The maintenance report also indicates an adjustment was made in 1998, which led to an incorrect 1998 W-2 Form that could have been used by the former Payroll Clerk to obtain a refund of federal income taxes which were not actually withheld from his wages.

Also, as described in our letter dated January 13, 2000, for the quarter ended December 31, 1998, the Parish overpaid \$501.11 in federal withholding taxes related to that quarter's adjustment made to the federal withholdings for the former Payroll Clerk. The Parish is in the progress of filing an amended 4th quarter 1998 (form 941) payroll tax return requesting a refund of the amount overpaid. In 1999, the 4th quarter (form 941) payroll tax return also reflected a balance due in the amount of \$437.68 related to the maintenance adjustment; however, this payroll tax return had not yet been filed and was corrected. In addition, the former Payroll Clerk's 1998 Form W-2 was corrected on June 28, 2000 to reflect the actual federal income taxes withheld.

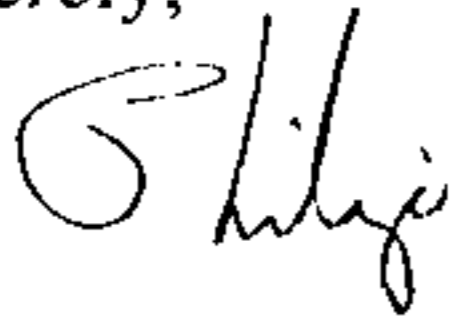
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A summary of our findings by year are as follows:

	<u>1998</u>	<u>1999</u>
Unsupported Wages	\$ 200	\$ 1,500
Salary Advance	750	-
Federal withholding taxes overpaid	<u>501</u>	<u>-</u>
Subtotal	1,451	1,500
Less: November 1998 advance repaid	<u>(300)</u>	<u>-</u>
Total	<u>\$ 1,151</u>	<u>\$ 1,500</u>

Once you have had the opportunity to review our report, we would be pleased to discuss any questions or concerns that you may have. Please call me at your earliest convenience.

Sincerely,



Philip W. Rebowc, CPA, CFE, CFSA

cc: St. John the Baptist Parish Council Members
St. John the Baptist Parish President
St. John the Baptist Parish Chief Administrative Officer
St. John the Baptist Parish Director of Finance