

We view the deficiencies identified in this letter as a significant breakdown of the town's responsibility to establish adequate policies and procedures over the police department's collection of traffic ticket bonds and fines. As chief executive officer of the town, you have the responsibility for establishing and maintaining internal control for reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Part of this responsibility is to ensure that the town has adequate policies and procedures in place for police department collections and that these policies and procedures are working properly as intended. Although you have corrected the deficiencies in internal control over the collection of traffic ticket bonds and fines, we strongly recommend that you continue to monitor the police department collection procedures to ensure that the problems we encountered in 1995 do not recur.

If you need assistance or have any questions relating to properly accounting for collections made by the police department, please call me.

Sincerely,

Daniel G. Ryan, CPA, CFC
Legislative Auditor

DGR:LLG:db

2. All receipts should be recorded on the deposit transmittal listing on a daily basis. The records clerk should record the payments received on the transmittal listing or other record as soon as the cash and checks are taken from the dispatcher's locked drawer. The current records clerk informed us that daily receipts are recorded on the transmittal listing each day when she prepares the deposit to submit to the town.
3. The police department records clerk should not receive payments for traffic ticket bonds and fines directly from individuals. All payments should be received by the police department dispatcher on duty and placed in the dispatcher's locked drawer.
4. All cash and checks received by the police department should be given to the town for deposit on a daily basis. During our visit to the town on August 26, 1998, the current records clerk informed us that all receipts are given to the town for deposit on a daily basis.
5. The police department should not refund traffic ticket bonds and fines directly to individuals. All payments received for bonds and fines should be recorded by the police department and submitted intact to the town for deposit. Refunds for violations that are subsequently dismissed by the court should be made by the town.
6. The chief of police should not dismiss traffic citations. Louisiana Revised Statute 32:388.2(C) states, "It shall be unlawful for any traffic officer or any other officer or public employee to dispose of a traffic citation or copies thereof or of the record of the issuance of the citation in a manner other than as required herein." Louisiana Attorney General Opinion 95-135 reaffirms this by opining that a chief of police may not dismiss a citation once it has been issued.
7. The police department should not collect fees that have not been authorized by an ordinance adopted by the town board of aldermen. In addition, all receipts collected by the police department should be submitted intact to the town's accounting office for deposit on a daily basis. During our visit to the town on August 26, 1998, we interviewed the mayor, the town clerk, chief of police, and current police department records clerk. They informed us that the town council approved an ordinance authorizing the collection of a \$5 bonding fee in early 1998. The bonding fees are now included in the daily deposits given to the town's accounting office and are no longer retained by the police department. All purchases made by the police department are approved by the town and payments are made by the town's accounting office.

Because the police department did not maintain adequate records of all bonds and fines that were refunded directly to individuals during the year, we could not determine the total amount included in the unaccounted for collections.

5. The police department collected unauthorized fees that were not given to the town for deposit. These collections included a \$5 "bonding" fee charged for each traffic violation, administrative fees of \$3 for copies of accident reports, \$5 for finger printing, and a \$10 per child charge for the police department's summer youth camp. These fees were collected without approval of the town council and were used by the police department for purchases of equipment and other items during the year. These fees were not submitted to the town for deposit and are included in the total unaccounted for collections reported by the independent certified public accountant.

In addition, checks collected for traffic ticket bonds and fines were cashed at the bank by the chief of police and former police department records clerk when collections included only checks or the collections did not include enough cash for the police department to withhold the fees. Cashing checks collected for traffic ticket bonds and fines is a serious breakdown in internal controls.

The amount reported by the town's independent certified public accountant as unaccounted for collections included collections that were subsequently refunded directly to individuals by the police department and collection of unauthorized fees that were not given to the town for deposit. Although this accounts for a portion of the independent certified public accountant's unaccounted for collections, the lack of controls and accountability over receipts allowed various police department employees to have access to cash and checks and may have resulted in funds being taken by police department employees.

To properly account for collections made by the police department, we recommend the following for your consideration:

1. Cash and checks collected by police department dispatchers should be reconciled to the total receipts written by dispatcher for each dispatcher's shift. The records clerk should verify that the amount of cash and checks placed in the dispatcher's locked drawer agrees with the total of the prenumbered receipts issued by each dispatcher. The records clerk should perform the reconciliation in the presence of the dispatcher on duty and have the dispatcher sign off that the amount of cash and checks in the drawer agrees to the amount of receipts issued for the respective shift. During our visit to the town on August 26, 1998, the current police department records clerk told us she is now reconciling the total cash and checks in the dispatcher's locked drawer to the total receipts issued on a daily basis. She said the dispatcher on duty verifies the total and signs off on the reconciliation.

1. Cash and checks collected by police department dispatchers were not reconciled to the prenumbered receipts issued. The police department dispatchers collected cash and checks for traffic ticket bonds and fines and issued prenumbered receipts. A copy of each receipt was maintained and the dispatcher placed the cash and checks received in a locked drawer. The police department records clerk removed the cash and checks from the locked drawer each morning. During 1995, the records clerk did not reconcile the amount of cash and checks removed from the locked drawer to the total amount of receipts issued by each dispatcher. Therefore, we could not determine if all cash and checks received were placed in the locked drawer or whether the list of receipts prepared by the records clerk and submitted to the town was complete.
2. Cash and checks were not submitted to the town for deposit on a daily basis. During 1995, the former police department records clerk did not submit the cash and checks collected to the town's accounting office for deposit on a daily basis. The former records clerk told us that she sometimes kept substantial amounts of cash and checks locked in her desk drawer for up to a week before submitting it to the town. We were informed by the former records clerk that she suspected other police department employees had a key or other access to her desk drawer.
3. Cash and checks collected directly from individuals by the police department's former records clerk were not always recorded. In addition to the dispatchers receiving cash and checks, the former police department records clerk received payments directly from individuals and wrote receipts. We reviewed the June and July 1995 receipts issued by the police department and noted seven receipts totaling \$540 that were signed by the former records clerk. These receipts were not recorded on the deposit transmittal listing prepared by the records clerk and were not given to the town for deposit. On August 20, 1998, we interviewed the former records clerk who acknowledged that she received the funds, but did not know why the receipts were not recorded on the deposit transmittal listing or given to the town for deposit. She told us the funds must have been taken from her desk drawer by someone before she recorded them on the deposit transmittal listing.
4. The police department did not maintain adequate accounting records of bonds and fines refunded to individuals. Our tests revealed several instances during 1995 where the police department refunded directly to individuals amounts collected from them for payment of bonds and fines. These refunds were made when the mayor or chief of police dismissed charges after the bond or fine was paid, but before the payments were submitted to the town's accounting office for deposit. Our review of police department receipt books, town accounting records, and monthly court dockets indicated that numerous bonds and fines were received during the year for offenses that were subsequently dismissed. The refunds made by the police department directly to individuals are part of the unaccounted for collections reported by the town's independent certified public accountant.



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 LEGISLATIVE AUDITOR

October 23, 1995

**OFFICIAL
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The Honorable Warren Flaroff, Mayor
 Town of Mandeville
 Post Office Box 490
 Mandeville, Louisiana 70554

Dear Mayor Flaroff:

In a letter dated June 28, 1995, the Town of Mandeville's independent certified public accountant notified my office of possible illegal acts relating to the collection of funds by the town's police department. The letter stated that during 1995, the police department collected \$13,800 for traffic ticket bonds and fines that were not deposited in the town's bank account.

We visited the Town of Mandeville to determine if there was a theft of public funds, the amount of the theft, and the person or persons that may have stolen the public funds. To meet these objectives, we performed the following procedures:

- Obtained an understanding of the police department's policies and procedures and evaluated the internal controls over the collection of traffic ticket bonds and fines.
- Interviewed current and former police department employees to determine the circumstances surrounding the collection of traffic ticket bonds and fines during 1995.
- Attempted to identify the police department employees who had access to cash and checks collected by the police department.
- Reviewed copies of police department receipt records for collections of traffic ticket bonds and fines.
- Reviewed the town's accounting records for amounts received from the police department.
- Reviewed bank statements and bank deposit tickets.

Based on our procedures performed, we noted the following deficiencies in the police department's controls over receipts: