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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

Caldwell Parish Ambulance Service

October 8, 1997



Investigative Audit
Office of the Legislative Auditor
State of Louisiana

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

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Caldwell Parish Ambulance Service
Columbia, Louisiana

October 8, 1997



Investigative Audit

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

2. Management's Response to Finding that
Cash Controls Are Inadequate

On September 22, 1997 the Board of Directors implemented a policy that whenever there are payments of any kind made to the Caldwell Parish Ambulance Service that Cash Deposits should be made on a daily basis; and, that reconciliation of such Deposits should be made with the receipt books upon receipt of monthly bank statements.

CPAS will continue its efforts to locate the \$500.00 that is missing.

The Caldwell Parish Ambulance Service is a small, rural establishment. At its conception the service was subsidized by the Caldwell Parish Police Jury. In the late 1980's the Police Jury was no longer able to provide any type of funding to support the service. Since that time, the Ambulance Service has been self supporting and has not only met its operating budget, but increased its assets. Any inconsistencies which have been found in the manner the Ambulance Service has been operated, were strictly innocent and had no unlawful intention by the service or any of its employees or affiliates. The Caldwell Parish Ambulance Service has developed into an asset for Caldwell Parish and will continue to maintain an efficient, up to date, service for this community.

Trusting that this satisfactorily addresses the findings of the 1997 Investigative Audit, I am,

Very truly yours,



Deborah K. Nixon
President

JEM/abm

cc: Joyce Hines
Betty Hearn
Steve May
Aryon McGuire
Ely Evans
Raymond Franklin

207/

CALDWELL PARISH AMBULANCE SERVICE

Richard E. Wilson, President
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September 30, 1997

Mr. Daniel G. Kyle
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

VIA FAX # 504-339-3870

Re: Caldwell Parish Ambulance Service
Investigative Audit Report
Response of Board of Directors

Dear Mr. Kyle:

In response to your letter to the Caldwell Parish Ambulance Service dated September 18, 1997, the following represents the Board of Directors Response to the Legislative Audit, to-wit:

1. **Management's Response to Finding that Director Sold His Used, Personal Property to CMAA**

The Board of Directors was unaware of the sale of used property belonging to Mr. DeWayne Lowery to the Caldwell Parish Ambulance Service in May of 1996. In response to this disclosure of sale the Board of Directors has returned the equipment to Mr. Lowery and Mr. Lowery has reimbursed the Caldwell Parish Ambulance Service the amount of \$1,000.00 consideration he received for the equipment.

At the Board Meeting on September 22, 1997 pursuant to LSA-R.S. 42:1112, 42:1113 and 42:1461(a) the Board of Directors implemented a policy prohibiting employees, board members and any other advisors for the Caldwell Parish Ambulance Service from conducting any type of business transaction, such as selling items or providing services at any charge (except that which they were hired to do), whatsoever to the Caldwell Parish Ambulance Service.

As the September 23, 1997 the board of Directors also reiterated its policy that all expenditures for amounts over \$500.00 must be submitted to the board for its approval. The Board further directed that it be informed of any and all expenditures made for any type of equipment under \$500.00 at the next Board Meeting.

Attachment I
Management's Responses

We recommend that the board of directors implement a policy prohibiting employees from selling personal items to CPAS. The board should also implement purchasing procedures providing for an independent review of all expenditures. In addition, the board should limit the expenditures that may be made by the director without board approval. Furthermore, we recommend that the District Attorney for the Thirty-Seventh Judicial District review this information and take appropriate legal action, to include seeking restitution.

CASH CONTROLS ARE INADEQUATE

CPAS did not deposit its collections in a timely manner, did not reconcile its collections to deposits, and is missing \$500 collected during the period January through June 1997.

CPAS collects cash, checks, and money orders for ambulance services, memberships, and property rental. According to Ms. Connie Dial, CPAS accountant, when money is received either she or Ms. Melba May, CPAS employee, prepares a two-part receipt indicating the date of receipt, the amount, and the customer's name. One part of the receipt is given to the customer and the other copy remains in the general, membership, or rent receipt books. The cash, checks, and money orders are given to Mr. DeWayne Lowery, CPAS director. Mr. Lowery prepares the deposit, which is carried to the bank by either Ms. May or Ms. Dial.

Ordinarily, collections should be deposited into the CPAS bank account in a timely manner and should be reconciled to the receipt books to ensure that all collections were deposited. However, during our initial visit to CPAS, we learned that Mr. Lowery had \$800 cash in his desk that had been collected over a period of several weeks, but had not been deposited. In addition, CPAS employees had not reconciled the collections recorded in the receipt books to the actual deposits. When we attempted to reconcile rent collections to the rent receipt book, we found that the rent receipt book indicated that between January and June 1997 rent totaling \$2,570 was collected. However, only \$2,000 of rent collections was deposited during this same period. The remaining \$500 is missing.

CPAS should implement procedures to ensure that all collections are deposited in a timely manner. In addition, CPAS should periodically reconcile collections per the receipt books to actual deposits and ensure that all collections are deposited. Furthermore, CPAS should continue efforts to locate the missing \$500.

According to Mr. Lowery, he brought the tools to CPAS over a year before the sales because his divorce and subsequent move from a house to an apartment left him with neither the need nor the space for the items. Mr. Lowery stated that CPAS used the tools occasionally, and he just decided it was time he should be paid for them. However, Mr. Lowery acknowledged that CPAS did not necessarily need the tools. The air conditioner is used in a storage building and the radiotelephone is held in a spare. In addition, Mr. Lowery could not explain how he had objectively arrived at the value or selling price of the items.

CPAS records indicate that Mr. Lowery purchased a jig saw from Wal-Mart on February 19, 1994. CPAS reimbursed Mr. Lowery for the jig saw on February 23, 1994. Mr. Lowery stated that there was just one jig saw, and he did not recall previously being reimbursed for it. Mr. Lowery said that he must have included the jig saw on the list by mistake.

In addition, by paying himself through a CPAS bank account that required only his signature and failing to bring the purchases before the board of directors, Mr. Lowery performed these transactions in a manner that concealed their existence from the board. CPAS maintains three bank accounts: a general fund account for normal purchases, an "EMS account" for small purchases, and a payroll account. As director of CPAS, Mr. Lowery maintains control over these accounts. For each of these transactions, Mr. Lowery paid himself out of the EMS account. The EMS account required only Mr. Lowery's signature while the other accounts also required the signature of a board member. According to the board of directors' resolution 95-009 of August 28, 1995, the purpose of the EMS account was "to pay for equipment and supplies when an immediate payment is required." Mr. Lowery could provide no reason why these purchases required immediate payment.

Though at its May 29, 1994, meeting, Mr. Lowery presented to the board of directors a proposal to expend \$700 for an upgrade to the computer billing system, he did not mention the \$1,000 purchase of his personal property that occurred during the same month. The board of directors adopted a formal resolution approving the \$700 expenditure for the new software. The board never received the opportunity to consider the \$1,000 purchase of the director's personal property.

Louisiana Revised Statute (R.S.) 14:140 of the Louisiana Criminal Code provides that public contract fraud is committed when any public officer or employee shall use his power or position as such officer or employee to secure any expenditure of public funds to himself. The Louisiana Code of Governmental Ethics also addresses this issue. R.S. 42:1112 provides, in part, that no public servant shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the public entity. R.S. 42:1113 provides that no public servant shall enter into a contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant. In addition, LSA R.S. 42:146(a) provides 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 things of value belonging to the public entity in which they hold office.

Findings and Recommendations

DIRECTOR SOLD HIS USED, PERSONAL PROPERTY TO CPAS

During May 1996, Mr. DeWayne Lowery, Director, sold his used, personal property consisting of an air conditioner, radiotelephone, and tools to the Caldwell Parish Ambulance Service (CPAS) for \$1,600 without board approval. Mr. Lowery not only made the decision to purchase his property with CPAS funds, but also established the sales prices and prepared and signed the CPAS checks. These transactions appear to be in violation of Louisiana laws that prohibit any public employee from using his position to cause an expenditure to himself or participate in certain transactions with his agency.

On May 7, 1996, Mr. Lowery sold a used air conditioner to CPAS for \$300. According to Mr. Lowery, he has no idea of how much the air conditioner cost originally and estimated that it was at least eight years old at the time of sale.

Mr. Lowery sold his personal radiotelephone to CPAS on May 20, 1996, for \$400. Mr. Lowery could not recall precisely when he purchased the radiotelephone and had no receipt. Mr. Lowery estimated that he paid between \$900 and \$1,200 for the radiotelephone and that it was four to six years old at the time of sale.

On May 28, 1996, Mr. Lowery sold several used tools to CPAS for \$300. Upon our request, Mr. Lowery produced a list of tools that he sold to CPAS. The list included:

1. Homelite Banath SX 135 weedator
2. 16-inch Craftsman chainsaw
3. Black and Decker hand grinder
4. Weedator 2310 lawn blower
5. Black and Decker circular saw
6. Black and Decker variable speed jig saw
7. Black and Decker quick finish molder
8. Black and Decker B5 workmate work center

Background and Methodology

The Legislative Auditor received allegations of improper transactions occurring at CPAS. This examination was performed to determine the propriety of these allegations and to address other matters that came to our attention. Our procedures included (1) interviewing certain CPAS officials and employees, (2) examining selected CPAS records, (3) making inquiries and performing tests to the extent we considered necessary to achieve our purposes, and (4) reviewing applicable Louisiana laws.

The results of our investigation are the findings and recommendations presented herein.

equipment to Mr. Lowery and Mr. Lowery has reimbursed the Caldwell Parish Ambulance Service the amount of \$1,000 consideration he received for the equipment.

At the board meeting on September 22, 1997, pursuant to R.S. 42:1112, 42:1113 and 42:1463(n), the board of directors implemented a policy prohibiting employees, board members and any other advisor for the Caldwell Parish Ambulance Service from conducting any type of business transaction, such as selling items or providing services at any charge (except that which they were hired to do), whatsoever to the Caldwell Parish Ambulance Service.

At the September 22, 1997, the board of directors also returned its policy that all expenditures for amounts over \$500 must be submitted to the board for its approval. The board further directed that it be informed of any and all expenditures made for any type of equipment under \$500 at the next board meeting.

Cash Controls Are Inadequate**(Page 3)**

Findings: CPAS did not deposit its collections in a timely manner, did not reconcile its collections to deposits, and is missing \$300 collected during the period January through June 1997.

Recommendation: CPAS should implement procedures to ensure that all collections are deposited in a timely manner. In addition, CPAS should periodically reconcile collections per the receipt books to actual deposits and ensure that all collections are deposited. Furthermore, CPAS should continue efforts to locate the missing \$300.

Management's Response: On September 22, 1997, the board of directors implemented a policy that whenever there are payments of any kind made to the Caldwell Parish Ambulance Service that cash deposits should be made on a daily basis and that reconciliation of such deposits should be made with the receipt books upon receipt of monthly bank statements.

CPAS will continue its efforts to locate the \$300 that is missing.

Executive Summary

Investigative Audit Report Caldwell Parish Ambulance Service

The following summarizes the findings and recommendations that resulted from this investigation. Detailed information relating to the findings and recommendations may be found at the page number indicated. Management's responses may be found at Attachment I.

Director Sold His Used, Personal Property to CPAS

(Page 1)

Findings:

During May 1996, Mr. DeWayne Lowery, Director, sold his used, personal property consisting of an air conditioner, radiotelephone, and tools to the Caldwell Parish Ambulance Service (CPAS) for \$1,800 without board approval. Mr. Lowery not only made the decision to purchase his property with CPAS funds, but also established the sales prices and prepared and signed the CPAS checks. These transactions appear to be in violation of Louisiana laws that prohibit any public employee from using his position to cause an expenditure to himself or participate in certain transactions with his agency.

Recommendations:

We recommend that the board of directors implement a policy prohibiting employees from selling personal items to CPAS. The board should also implement purchasing procedures providing for an independent review of all expenditures. In addition, the board should limit the expenditures that may be made by the director without board approval. Furthermore, we recommend that the District Attorney for the Thirty-Seventh Judicial District review this information and take appropriate legal action to include seeking restitution.

Management's Response:

The board of directors was unaware of the sale of used property belonging to Mr. DeWayne Lowery to the Caldwell Parish Ambulance Service in May of 1996. In response to this disclosure of sale, the board of directors has returned the

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

October 8, 1993

**DEBBIE NIXON, PRESIDENT, AND
MEMBERS OF THE CALDWELL PARISH
AMBULANCE SERVICE BOARD OF DIRECTORS**
Columbia, Louisiana

Transmitted herewith is our investigative report on the Caldwell Parish Ambulance Service. 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 findings and recommendations as well as management's responses. Copies of this report have been delivered to The Honorable Irey H. Evans, District Attorney for the Thirty-Seventh Judicial District of Louisiana, and others as required by state law.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

AFF/a

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