

**OPPORTUNITIES FOR ENHANCING INTERNAL CONTROL:**

In general, the prompt manner in which this matter was detected and addressed indicates that the internal control structure is functioning in the intended manner. Enhancing the internal control structure could be accomplished by implementing the following recommendations:

- Deposit any currency collected on a daily basis.
- Retain a teller's receipt and a carbon copy of the deposit slip for each bank deposit.
- Restrict access to cash on hand to a single individual. If it becomes necessary for more than one person to be involved in collecting cash, each person should have a separate pool of funds. These funds should be stored in a secure location that is accessible only to the responsible party.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

*Roger Harrington + McKay*  
  
ROGER, HARRINGTON & MCKAY  
Certified Public Accountants

Management expects to recover most of the \$1,083.45 in missing checks by contacting utility customers and requesting replacement checks. The local bank has volunteered to waive stop payment charges for any of its customers that wrote missing checks.

**RESPONSIBILITY FOR MISSING FUNDS**

During the month of August, 1997, the Town was assigned a temporary clerical worker through a job training program. Duties assigned by the Town Clerk to the temporary worker included processing payments collected from utility customers. In the course of performing these duties, it appears that the temporary worker had frequent, unsupervised access to currency collected from utility customers; however, the Town clerk also had unrestricted access to these same funds. Furthermore, although the Mayor is not directly involved in the collection of currency, he does have keys that allow access to the facility where funds are held overnight. Since access was not restricted to a specific individual, conclusive proof identifying the responsible party is not available.

**DAMAGE TO ASSET IN Progress**

Conclusive proof identifying a responsible party was not available; however, several factors focus suspicion on the Town's temporary clerical worker. These factors are listed as follows:

- The methods used in committing and concealing the misappropriation suggest an overall absence of sophistication. It is apparent that the responsible party was not thoroughly familiar with the Town's clerical operations or systems of internal control.
- There were no problems involving missing funds prior to the employment of the temporary clerk.
- The Town Clerk initially discovered that funds were missing and immediately reported the discovery to Mayor.
- The Clerk and Mayor promptly reported the missing funds to the independent auditors and the Town's legal counsel.
- The Town Clerk and Mayor fully cooperated during the application of procedures performed by RH&M.

Since proof is not available to confirm the suspicions regarding the temporary employ, we suggest requesting an investigation by a law enforcement agency. An investigation of this nature will allow the law enforcement agency to gather evidence by interviewing each party involved in this matter.

**TRAFFIC TICKETS:**

**COMPARISON OF COLLECTIONS FROM CITATIONS:**

RH&M obtained carbon copies of receipt issued in exchange for payments resulting from traffic citations. The receipts were prenumbered and the numeric sequence was determined to be complete. Each receipt issued between August 6, 1997 and December 31, 1997 was compared to bank statements for the Town's general fund checking account. Based on these procedures, RH&M determined that fines collected by the Town were appropriately deposited.

**DELINQUENT TRAFFIC TICKETS:**

RH&M examined the Town's traffic citation journal and determined that numeric sequence from the prenumbered citation forms was complete. Some tickets remained unpaid after passage of the court date but the amount was consistent with expectations based on previous experience with Pottick and similar communities. Based on review of the delinquent items, it appears that no significant collections were omitted from the Town's records.

**BANK RECONCILIATIONS:**

Reconciliation of the Town's water fund checking account for the months September, October, November and December were reviewed by RH&M. The volume of reconciling items was consistent with expectations and reconciling items cleared the bank within a reasonable period of time. Reconciling items that did not clear were limited to the missing deposits described on page 2 of this report. Based on our observations, there is no evidence to suggest that bank reconciliations were manipulated to conceal missing funds.

**CONCLUSIONS AND OBSERVATIONS:**

**EXTENSIVE MISAPPROPRIATION:**

RH&M has applied procedures to each revenue source that involves significant collections of currency. Furthermore, missing funds identified as a result of the procedures we performed were limited to the items reported by management prior to the commencement of this engagement. Since completion of agreed upon procedures did not identify additional misappropriation, it is unlikely that benefits derived from performing any further procedures would justify the additional cost associated with completing the work. Missing funds that have been identified are summarized as follows:

|  | Cash             | Checks             | Total              |
|--|------------------|--------------------|--------------------|
| Missing Deposits   | \$ 348.55        | \$ 3,693.45        | \$ 3,693.80        |
| Receipts Presented by Customers<br>but not Reported on the Town's<br>Records | <u>188.84</u>    | <u>---</u>         | <u>188.84</u>      |
| Total  | <u>\$ 537.39</u> | <u>\$ 3,693.45</u> | <u>\$ 3,880.84</u> |

| <u>Account<br/>Number</u> | <u>Name</u>  | <u>Amount</u>    |
|---------------------------|--------------|------------------|
| 304                       | Brown        | \$ 123.97        |
| 466                       | Brown        | 280.12           |
| 513                       | Radford      | 27.52            |
| 616                       | Crawford     | 21.28            |
| 484                       | Elkins       | 0.89             |
| 277                       | McMurray     | 2.53             |
| 5                         | Strange      | 2.48             |
| 533                       | Waters       | <u>40.72</u>     |
|                           | <u>Total</u> | <u>\$ 459.51</u> |

Due to the minor nature of the uncollected amounts presented above, it appears that no significant collections have been omitted from the Town's utility billing system. Accounts 304 and 466 were written off during the month of December and service at these residences was terminated. Overall, adjustments to the utility billing system during the months of September, October, November and December were determined to be insignificant.

**WATER DEPOSITS:**

RH&M obtained carbon copies of receipts issued in exchange for customer water deposits. The receipts were prenumbered and the numeric sequence was determined to be complete. Each receipt issued during the months of September, October, November and December was compared to bank statements for the Town's water deposit account. Based on these procedures, RH&M determined that each of the water deposits collected by the Town were appropriately deposited.

**PROPERTY TAXES:**

**COMPARISON OF COLLECTIONS WITH DEPOSITS:**

RH&M obtained carbon copies of receipts issued in exchange for property taxes. The receipts were prenumbered and the numeric sequence was determined to be complete. Each receipt issued for 1997 property taxes was compared to bank statements for the Town's general fund checking account. Based on these procedures, RH&M determined that property taxes collected by the Town were appropriately deposited.

**DELINQUENT PROPERTY TAXES:**

Based on reports prepared by the Grand Parish Tax Assessor, the Town's assessment for 1997 totaled \$12,661. As January 1, 1998, a portion of the assessment consisting of \$1,035 remained uncollected. Based on the size of the past due amount, it appears that no significant amount of collections were omitted from the Town's property tax assessments. In order to identify any collections that might have been omitted from the records, RH&M mailed past due notices to each of the delinquent tax payers.

|                      | 1997                | 1996                | Difference        |
|----------------------|---------------------|---------------------|-------------------|
| Utility Collections: |                     |                     |                   |
| August               | 9,376.53            | 9,188.29            | 188.24            |
| September            | 10,603.85           | 10,531.29           | 72.56             |
| October              | 9,857.27            | 9,481.74            | 375.53            |
| November             | 8,386.82            | 8,783.54            | (396.72)          |
| December             | 10,319.53           | 10,072.29           | 247.24            |
| Total                | <u>\$118,209.86</u> | <u>\$116,781.00</u> | <u>\$1,428.86</u> |

The amount of fluctuation between current and prior periods is minor. Furthermore, the Town's customer base and rate structure have not changed significantly since the previous year. Based on this information, it appears that no significant collections have been omitted from the Town's utility billing records. In order to obtain additional evidence supporting these findings, the following analytical procedure was applied to delinquent balances reported by the Town's utility billing system:

|                    | 1997               | 1996               | Difference          |
|--------------------|--------------------|--------------------|---------------------|
| Post Due Balances: |                    |                    |                     |
| January            | \$ 453.47          | \$ 547.76          | \$ (94.29)          |
| February           | 876.54             | 1,448.03           | (571.49)            |
| March              | 803.29             | 1,417.09           | (613.80)            |
| April              | 776.82             | 1,072.86           | (296.04)            |
| May                | 668.28             | 648.14             | 20.14               |
| June               | 388.26             | 1,216.46           | (828.20)            |
| July               | 358.87             | 875.34             | (516.47)            |
| August             | 1,123.35           | 687.53             | 435.82              |
| September          | 853.85             | 696.67             | 157.18              |
| October            | 914.83             | 952.91             | (38.08)             |
| November           | 2,127.00           | 927.43             | 1,199.57            |
| December           | 882.70             | 706.52             | 176.18              |
| Total              | <u>\$10,357.36</u> | <u>\$11,694.48</u> | <u>(\$1,337.12)</u> |

With the exception of the November, current and prior delinquent balances are very consistent. The increase experienced for the month of November, 1997 appears to be related to the timing of the Thanksgiving holidays. This observation is based on customer transactions histories demonstrating that a portion of the November, 1997 post due balance totaling \$699.73 was collected by December 2, 1997.

Further analysis of the customer payment histories indicate that the vast majority of amounts past due at the end of November were collected during the subsequent month. Amounts that were not collected by December 31, 1997 are listed as follows:

**UTILITY COLLECTIONS:**

**COMPARISON OF COLLECTIONS WITH DEPOSITS:**

In order to identify utility collections that were not deposited in the Town's bank account, Reeler, Harrington, and McKay (RHM&M) compared payments reported on the Town's utility billing system with deposits appearing on the Water Fund checking account. This procedure was performed for each deposit during the year ended December 31, 1997. Based on these procedures, the following items were never reported as deposits by the Bank:

| <u>Batch Date</u> | <u>Cash</u>      | <u>Checks</u>      | <u>Total</u>       |
|-------------------|------------------|--------------------|--------------------|
| October 24th      | \$ 285.01        | \$ 894.94          | \$ 1,899.95        |
| November 5th      | <u>383.54</u>    | <u>2,198.31</u>    | <u>2,932.05</u>    |
| Total             | <u>\$ 588.55</u> | <u>\$ 3,093.25</u> | <u>\$ 3,681.80</u> |

Each of the items described above were reported by management prior to the commencement of this engagement.

**ANNUAL CUTOFF PROCEDURE:**

Prior to commencement of this engagement, management reported that several customers responded to recent cutoff notices by presenting receipts indicating that their bills were indeed paid. A list of numerous cutoff notices reported by management is presented as follows:

| <u>Account Number</u> | <u>Name</u>      | <u>Amount</u>    |
|-----------------------|------------------|------------------|
| 64                    | Patti Roscollato | \$ 28.13         |
| 128                   | Jason Barwick    | 38.85            |
| 483                   | Willie Coleman   | 23.29            |
| 207                   | Thelma Sanson    | 12.81            |
| 479                   | Howard Williams  | 15.95            |
| 492                   | Angie Mitchell   | <u>29.85</u>     |
| Total                 |                  | <u>\$ 188.94</u> |

The receipt of cutoff notices by the customers presented above indicates that their payments were never posted on the Town's utility billing system. In order to evaluate the potential for additional instances of this nature, the following analysis of utility collections was performed:

| <u>Utility Collections:</u> | <u>1997</u> | <u>1996</u>  | <u>Difference</u> |
|-----------------------------|-------------|--------------|-------------------|
| January                     | \$ 9,477.18 | \$ 10,228.85 | \$ (749.67)       |
| February                    | 8,768.85    | 9,368.32     | (987.57)          |
| March                       | 9,264.83    | 9,762.38     | (497.83)          |
| April                       | 10,123.62   | 9,548.49     | 574.13            |
| May                         | 9,497.28    | 10,060.88    | (563.60)          |
| June                        | 11,836.73   | 9,850.84     | 2,985.89          |
| July                        | 9,108.87    | 10,738.08    | (1,629.21)        |

**ROZIER, HARRINGTON & McKAY**  
CERTIFIED PUBLIC ACCOUNTANTS

2307

1480 PETERMAN DRIVE  
ALEXANDRIA, LOUISIANA 71304

JOHN S. ROZIER, F.C.P.A.  
M. DALE HARRINGTON, CPA  
MARTIN S. MCKAY, CPA

LEWIS WALK, CPA  
BRYAN S. ROZIER, CPA  
LAWRENCE E. MORGAN, C.P.A.

OFFICIAL  
1127 4217  
NO POST OFFICE OFFICE

Office telephone  
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MAIL ROOM

MAILING ADDRESS  
Rozier-Harrington-McKay  
ALEXANDRIA, LOUISIANA 71304

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**INDEPENDENT ACCOUNTANTS REPORT**  
**ON AGREED-UPON PROCEDURES**

January 20, 1968

The Honorable Mayor and  
Board of Aldermen  
Town of Pollock, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Town of Pollock (the Town) and the Office of Legislative Auditor. These agreed upon procedures were performed solely to assist in accomplishing the following objectives:

- Determine the extent of misappropriated funds.
- Identify individuals responsible for misappropriation of funds.
- Gather any evidence that may be useful in prosecuting the responsible individuals.
- Identify opportunities for enhancing internal controls.

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This engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedures to satisfy the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed upon procedures have been applied to cash revenue source involving significant collections of currency. The specific areas addressed are utility collections, property taxes and traffic tickets. Procedures were also applied to the monthly reconciliation of the Town's water fund checking account. Our procedures and findings, along with various conclusions and observations are presented as follows: