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### **LEGISLATIVE AUDITOR**

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

### **DIRECTOR OF INVESTIGATIVE AUDIT**

**Allen F. Brown, CPA, CFE**

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.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this report, or any report of the Legislative Auditor, please contact Skip Irwin, Director of Administrative Services, at 504/339-3800.

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# **Town of Logansport**

**April 1, 1998**



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

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

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

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April 1, 1998

**THE HONORABLE DENNIS FREEMAN, MAYOR,  
AND MEMBERS OF THE TOWN COUNCIL**  
Logansport, Louisiana

Transmitted herewith is our investigative report on the Town of Logansport. 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 Don M. Burkett, District Attorney for the Eleventh Judicial District of Louisiana, the United States Attorney for the Western 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".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

AFB/ss

[LOGANS]

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# Executive Summary

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## Investigative Audit Report Town of Logansport

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.

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### Funds Taken for Personal Use

(Page 1)

- Finding:** From February 1996 through February 1998, Ms. Sarah Hunter, former Town billing clerk, collected but did not deposit cash utility receipts totaling \$58,719. Ms. Hunter has admitted taking at least \$52,195 of these utility receipts for her personal use.
- Recommendation:** We recommend that the Town of Logansport 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 Town obtain fidelity bonds on all employees involved in the cash collection process. Finally, we recommend that the District Attorney for the Eleventh Judicial District of Louisiana and the United States Attorney for the Western District of Louisiana review this matter and take appropriate legal action, to include seeking restitution.
- Management's Response:** The Town of Logansport concurs with the finding in the report and is in the process of implementing new policies and procedures to ensure all funds collected by the Town are properly deposited. The Town plans to eliminate manual billing of occasional water sales by computerizing the billing process. Furthermore, the Town will cooperate with the proper authorities pursuing legal action and will seek full restitution.
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# Background and Methodology

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On February 19, 1998, the Legislative Auditor received a letter from the Town of Logansport's auditor, Marsha Millican, CPA, indicating that a fraudulent act may have occurred at the Town. Ms. Millican explained that on February 11, 1998, she was unable to find certain royalty revenues that were owed to the Town. Ms. Millican obtained a copy of the royalty check payable to the Town and determined that the check was deposited into the Town's utility fund account instead of the general fund account. Ms. Millican explained that she was unable to find postings for this check in the general ledger for either the general or utility funds. Ms. Millican further explained that on February 12, 1998, a Town employee admitted that she substituted the check in a utility fund deposit and took cash in the amount of the check for personal purposes. This investigation was conducted to determine the amount of cash collected by the Town but not deposited into any of the Town's accounts.

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 and federal laws.

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



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# Finding and Recommendation

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## FUNDS TAKEN FOR PERSONAL USE

**From February 1996 through February 1998, Ms. Sarah Hunter, former Town billing clerk, collected but did not deposit cash utility receipts totaling \$58,719. Ms. Hunter has admitted taking at least \$52,195 of these utility receipts for her personal use.**

The Town of Logansport owns and operates a water plant that supplies water to businesses and residents. Water is sold to permanent businesses and residents by individual meters. Bills for metered customers are generated by computer on a monthly basis. The Town also has occasional water sales that consist of bulk water sales directly from the water plant or through a temporary meter. All occasional water sales are manually billed at random times.

Records obtained from the Community Bank of Louisiana (Community Bank) indicate that checks received by the Town for occasional water sales were substituted for cash collected from metered customers concealing the fact that all cash collected by the Town was not deposited into the Town's bank account. In addition, we determined that one royalty income check and one payment for a customer's metered account were substituted for cash. During the period February 1996 through February 1998, the Town received one check for royalty income, one check for payment of a customer's metered account, and 40 checks for occasional water sales totaling \$58,719 that were not deposited correctly into the Town's utility fund bank account. These checks should have been deposited as separate identifiable items, but instead were included in deposits of metered customers' payments. In order for the deposits to match the amounts posted to the individual customer accounts, cash in the amount of these checks was removed from the deposits.

On March 19, 1998, representatives of the Legislative Auditor asked Ms. Hunter to review deposit records obtained from Community Bank. Of the \$58,719, Ms. Hunter identified checks totaling \$52,195 that she substituted for cash. Ms. Hunter stated that these were the instances that she took cash for her personal use. Ms. Hunter could not specifically identify one check representing missing funds totaling \$6,524; however, she did agree that this check was a payment for an occasional water sale and it appeared to be substituted for cash in the same manner as the checks she identified above.

By taking cash from the Town of Logansport for her personal use, Ms. Hunter may have violated one or more of the following state and federal laws:

- R.S. 14:67, "Theft"
- R.S. 14:134, "Malfeasance in Office"
- R.S. 42:1461(A), "Obligation Not to Misappropriate"



- 18 U.S.C. §666, "Theft Concerning Programs Receiving Federal Funds"

We recommend that the Town of Logansport 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 Eleventh Judicial District of Louisiana and the United States Attorney for the Western District of Louisiana review this matter and take appropriate legal action, to include seeking restitution.

# Attachment I

## Management's Response



## TOWN OF LOGANSPORT

DENNIS FREEMAN

MAYOR

SHARON STEWART

CLERK

P.O. BOX 400

LOGANSPORT, LOUISIANA 71049

(318) 697-5359

March 27, 1998

Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
State of Louisiana  
Baton Rouge, Louisiana 70804-9347

Dear Dr. Kyle,

I would like to thank you for the prompt and efficient manner in which your office handled the investigation of missing funds in the utility department of the Town of Logansport.

The Town of Logansport concurs with the findings of your report regarding former Town billing clerk, Sarah Hunter. The Town of Logansport is already in the process of implementing new policies and procedures to ensure all funds collected by the Town are properly deposited into the Town's bank account. Plans to eliminate the manual billing of occasional water sales by computerizing is priority.

Furthermore, per your recommendation, the Town of Logansport will cooperate with the proper authorities pursuing legal action against Ms. Hunter and will seek full restitution.

Again, thank you for your assistance in this matter.

Sincerely,

Dennis Freeman  
Mayor

DF/ss

**Attachment II**  
**Legal Provisions**

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# Legal Provisions

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

**R.S. 14:67** provides 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. 14:134** 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 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.

**18 U.S.C. §666** provides, in part, that theft concerning programs receiving federal funds occurs when an agent of an organization, state, local, or Indian tribal government or any agency thereof embezzles, steals, obtains by fraud, or otherwise intentionally misapplies property that is valued at \$5,000 or more and is owned by or under control of such organization, state, or agency when the organization, state, or agency receives in any one year period, benefits in excess of \$10,000 under a federal program involving a grant contract, or other form of federal assistance.