

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana War Memorial Commission -
USS KIDD
Baton Rouge, Louisiana

August 18, 1999



Investigative Audit

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

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Louisiana War Memorial Commission - USS KIDD

August 18, 1999



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

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

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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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August 18, 1999

**MR. MAURY DRUMMOND, EXECUTIVE DIRECTOR,
AND MEMBERS OF THE BOARD OF DIRECTORS
LOUISIANA WAR MEMORIAL COMMISSION - USS KIDD**
Baton Rouge, Louisiana

Transmitted herewith is our investigative report on the Louisiana War Memorial Commission - USS KIDD. 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 management's response. Copies of this report have been delivered to the Honorable Doug Moreau, District Attorney for the Nineteenth Judicial District of Louisiana, and others as required by state law.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

AFB:EKL:SDP:ss

[USS KIDD]

Executive Summary

Investigative Audit Report Louisiana War Memorial Commission - USS KIDD

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.

**Ms. Rose Mary Williams, Former Gift Shop Cashier for the
Louisiana War Memorial Commission - USS KIDD,
Admits Taking Public Receipts of \$11,740 for Personal Use**

(Page 1)

Finding:

In a written statement dated February 24, 1999, Ms. Rose Mary Williams stated that she took \$8,937 in cash receipts from the USS KIDD. In an interview conducted on June 10, 1999, Ms. Williams identified another \$2,803 that she took. According to Ms. Williams, she took money by creating fictitious refunds, destroying cash register tapes and taking the cash recorded by the destroyed tapes, and removing cash from deposits thus creating shortages. Ms. Williams stated that she began taking receipts from the USS KIDD in 1996 because of personal financial problems and continued taking receipts belonging to the USS KIDD until her termination on February 24, 1999. In addition to the \$11,740 that Ms. Williams stated that she took, there is an additional \$32,041 in receipts that are unaccounted for.

Recommendation:

We recommend that the Louisiana Naval War Memorial Commission - USS KIDD implement policies and procedures to ensure that:

- (1) deposits are made timely and intact;
- (2) each refund is documented completely;
- (3) shortages and overages are brought to the attention of management immediately;

- (4) cash handling duties are properly segregated; and
- (5) daily sales reports are reconciled to daily sales tapes.

We also recommend that the District Attorney for the Nineteenth Judicial District of Louisiana review this information and take appropriate legal action.

Management's Response: Management states that it agrees with the finding and has implemented the necessary procedures recommended in this report.

Background and Methodology

The Louisiana Naval War Memorial Commission is a component unit of the State of Louisiana, created within the Department of Culture, Recreation and Tourism, as provided by Louisiana Revised Statutes 25:1000-1003. The commission is composed of 17 members, two of which are the Director of Veterans Affairs and the Secretary of the Department of Culture, Recreation and Tourism, and the remaining 15 members are appointed by the governor. The commission was given the authority to acquire, transport, berth, renovate, equip, operate, maintain, and exhibit the destroyer USS KIDD.

On March 24, 1999, the Legislative Auditor received a letter from Mr. Maury Drummond, Executive Director of the USS KIDD, which stated that Ms. Rose Mary Williams, former gift shop cashier, admitted taking \$8,937 in public funds for personal use. This investigation was conducted to determine if there were any other funds missing.

Our procedures consisted of (1) interviewing employees and officials of the USS KIDD; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the USS KIDD; (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 investigative audit is the finding and recommendation herein.

Finding and Recommendation

MS. ROSE MARY WILLIAMS, FORMER GIFT SHOP CASHIER FOR THE LOUISIANA WAR MEMORIAL COMMISSION - USS KIDD, ADMITS TAKING PUBLIC RECEIPTS OF \$11,740 FOR PERSONAL USE

In a written statement dated February 24, 1999, Ms. Rose Mary Williams stated that she took \$8,937 in cash receipts from the USS KIDD. In an interview conducted on June 10, 1999, Ms. Williams identified another \$2,803 that she took. According to Ms. Williams, she took money by creating fictitious refunds, destroying cash register tapes and taking the cash recorded by the destroyed tapes, and removing cash from deposits thus creating shortages. Ms. Williams stated that she began taking receipts from the USS KIDD in 1996 because of personal financial problems and continued taking receipts belonging to the USS KIDD until her termination on February 24, 1999. In addition to the \$11,740 that Ms. Williams stated that she took, there is an additional \$32,041 in receipts that are unaccounted for.

Undeposited Funds

Ms. Rose Mary Williams was hired as the gift shop cashier on October 9, 1987, and held that position until her termination on February 24, 1999. Ms. Williams' duties included purchasing merchandise for the gift shop, selling merchandise and admission tickets in the gift shop, completing the daily cash report, comparing the cash collected to the sales tapes to determine cash shortages or overages, preparing bank deposit slips, and depositing receipts into the bank. Ms. Williams was the only employee who prepared sales reports and deposits. Even on days when Ms. Williams was not scheduled to work, she would come in to prepare the sales report and the deposit. When Ms. Williams did not come in, the sales report and the deposit were held until she returned.

In February 1999, the contract accountant, Ellis-Apple & Company, CPAs, informed Mr. Maury Drummond, Executive Director for the USS KIDD, that several deposits to the operating account were not reflected on the bank statements. When Mr. Drummond asked Ms. Williams about the deposits that were not reflected on the bank statements, she informed him that she had taken \$2,000 for her personal use.

The contract accountant determined that 15 deposits totaling \$9,264 had been prepared but not deposited. The checks and the change from the deposits were recovered, but the paper currency was missing. On February 24, 1999, Ms. Williams signed a written statement stating

that she took \$8,937 for which deposit slips had been prepared but not made. In March 1999, Ms. Williams reimbursed the USS KIDD \$8,937.

Cash Shortages

Ms. Williams was responsible for reconciling the daily cash reports to the cash register sales tapes. These reconciliations determine the amount of money either over or short. We interviewed several current cashiers and many former cashiers who stated that they were not aware of frequent shortages and were instructed by Ms. Williams not to attempt to reconcile the cash drawer to the sales tapes in their daily closeout procedures.

On March 24, 1996, Ms. Virginia Stockton and Ms. Williams were the cashiers for the USS KIDD. The cash deposit was \$1,093 less than the sales reflected on the cash register tapes. Ms. Stockton stated that she was certain that Ms. Williams never mentioned to her that such a large shortage had occurred. In addition, Mr. Drummond stated that he was not told of such a large shortage. Ms. Stockton stated that she did not compare the register tapes with the cash collections because Ms. Williams told her not to worry about differences between the tape total and the amount of cash in the cash drawer. On June 10, 1999, Ms. Williams stated that she sometimes took cash out of the deposit creating a shortage and that the \$1,093 shortage of March 24, 1996, was one of those occasions.

In addition, our examination disclosed 36 occasions during the period January 1, 1996, through December 31, 1998, when daily cash register tapes were missing. We determined that tapes were missing by comparing the beginning grand total for a particular day to the ending grand total for the previous day, and found that a total of \$2,970 in sales recorded on the cash register were not deposited to the bank account. For example, on July 3, 1997, Ms. Williams was the only cashier. Reviewing the cash register tape for that day, we determined that the ending grand total was \$807,173. However, the beginning grand total on July 4, 1997, was \$808,356. The difference of \$1,183 represents sales recorded on the cash register but not recorded on a sales report nor deposited to the bank. Ms. Williams explained that she sometimes closed out the register for one day, ran additional sales, totaled out the cash register, discarded the cash register tape, and kept the cash for her personal use. Ms. Williams could not remember how much money she took using this method but remembered \$327 from March 14, 1996, and \$1,183 from July 3, 1997, for a total of \$1,510 using this method.

Undocumented Refunds

A review of the records for the period January 1, 1996, through February 24, 1999, revealed refunds totaling \$24,609. We were unable to locate any documentation supporting these transactions.

On June 10, 1999, Ms. Williams stated that she took money by creating fictitious refunds. Though she could not recall how much money she took using the fictitious refund method, Ms. Williams stated that she used this method from the middle of 1996 until the middle of 1998 when Mr. Drummond began demanding refund documentation. Ms. Williams stated that the largest single fictitious refund that she could recall was approximately \$200.

Ms. Williams' actions indicate that she may have violated one or more of the following Louisiana laws:

- R.S. 14:67, "Theft"
- R.S. 14:68, "Unauthorized Use of a Movable"
- R.S. 14:134, "Malfeasance in Office"

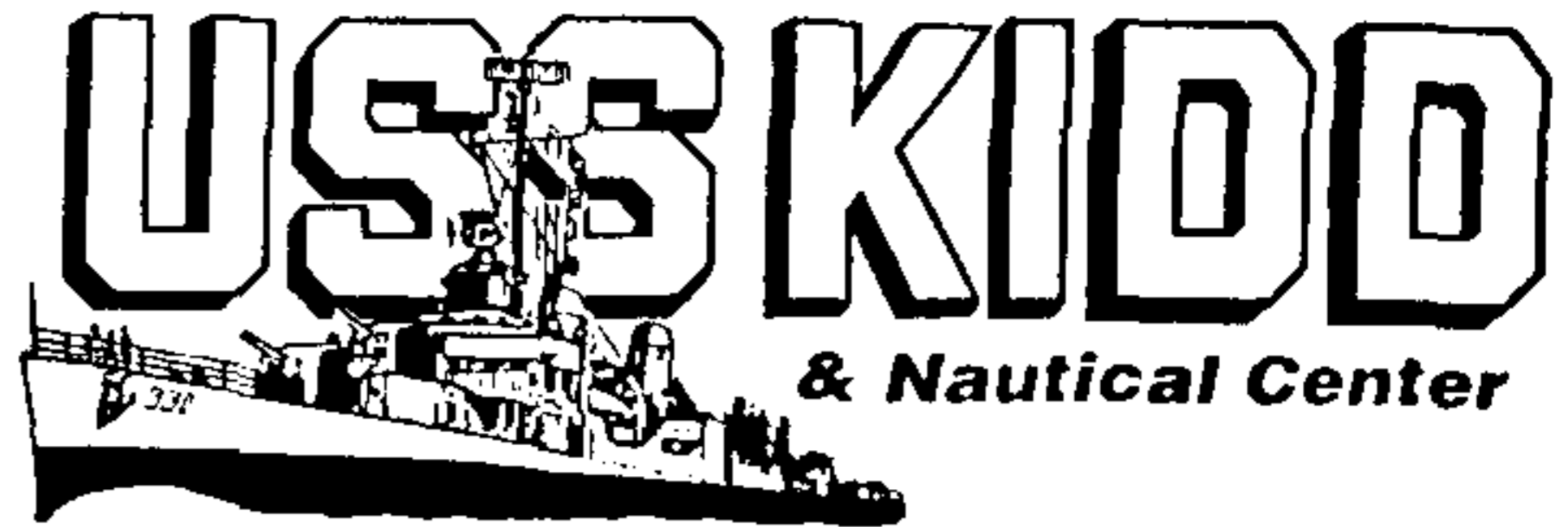
We recommend that the Louisiana Naval War Memorial Commission - USS KIDD implement policies and procedures to ensure that:

- (1) deposits are made timely and intact;
- (2) each refund is documented completely;
- (3) shortages and overages are brought to the attention of management immediately;
- (4) cash handling duties are properly segregated; and
- (5) daily sales reports are reconciled to daily sales tapes.

We also recommend that the District Attorney for the Nineteenth Judicial District of Louisiana review this information and take appropriate legal action.

Attachment I

Management's Response



July 30, 1999

Office of the Legislative Auditor
State of Louisiana
ATTN: Daniel G. Kyle, PH.D., CPA, CFE
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following are the Management's responses to the findings of the investigative audit conducted by the Office of the Legislative Auditor.

Recommendation #1: Deposits are to be made timely and intact.

We agree with the recommendation. We instituted the recommended procedures following the last preceding annual audit. As was discussed with the auditors in the investigative audit, we have instituted very strict procedures relative to the handling of the cash register as distinguished from petty cash.

Recommendation #2: Each refund is to be documented completely.

We agree with the recommendation. As above, we instituted the recommended procedures following the last preceding annual audit. We have further instituted additional strict procedures requiring written customer verifications, as was demonstrated to the auditors in the investigative audit.

Recommendation #3: Shortages and overages are to be brought to the attention of management immediately.

We agree with the recommendation. Again, as above, we instituted the recommended procedures following the last preceding annual audit. We are using the capability of the cash register demonstrated to us by the auditors in the investigative audit to keep totals from one day to the next to reconcile the daily activities relative to each other.

Recommendation #4: Cash handling duties are to be properly segregated.

We agree with the recommendation. Again, as above, we instituted the recommended procedures following the last preceding annual audit. As was pointed out by the auditors in the investigative audit, segregation of cash handling duties is difficult in an organization as small as ours (6 full-time employees for the Ship and Museum), therefore, as discussed with the auditors, we have taken the extraordinary step

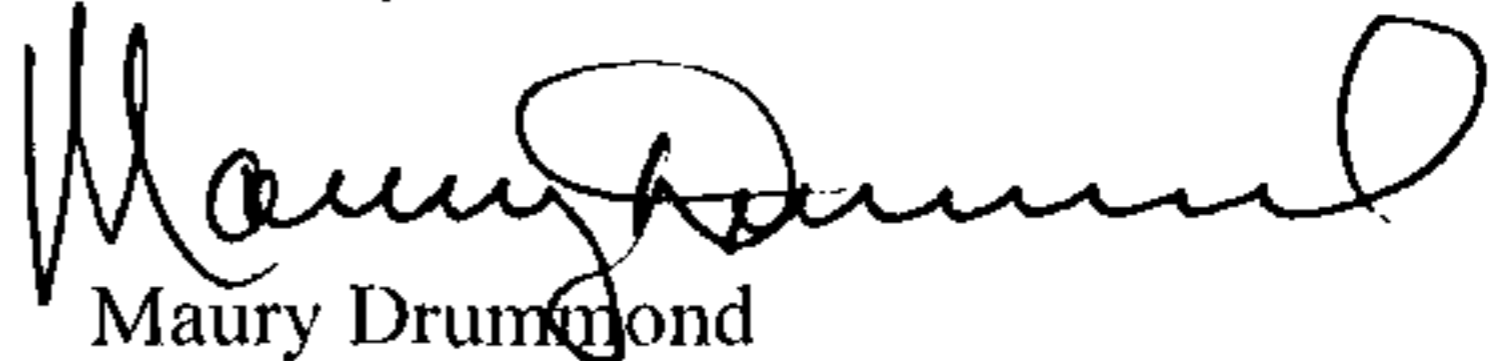
of having the Executive Director directly involved in daily cash handling until such time as another solution becomes feasible.

Recommendation #5: Daily sales reports are to be reconciled to daily sales tapes.

We agree with the recommendation. Again, as above, we instituted the recommended procedures following the last preceding annual audit. As in #3 above, we are using techniques demonstrated to us by the auditors in the investigative audit to reconcile the daily activities relative to each other.

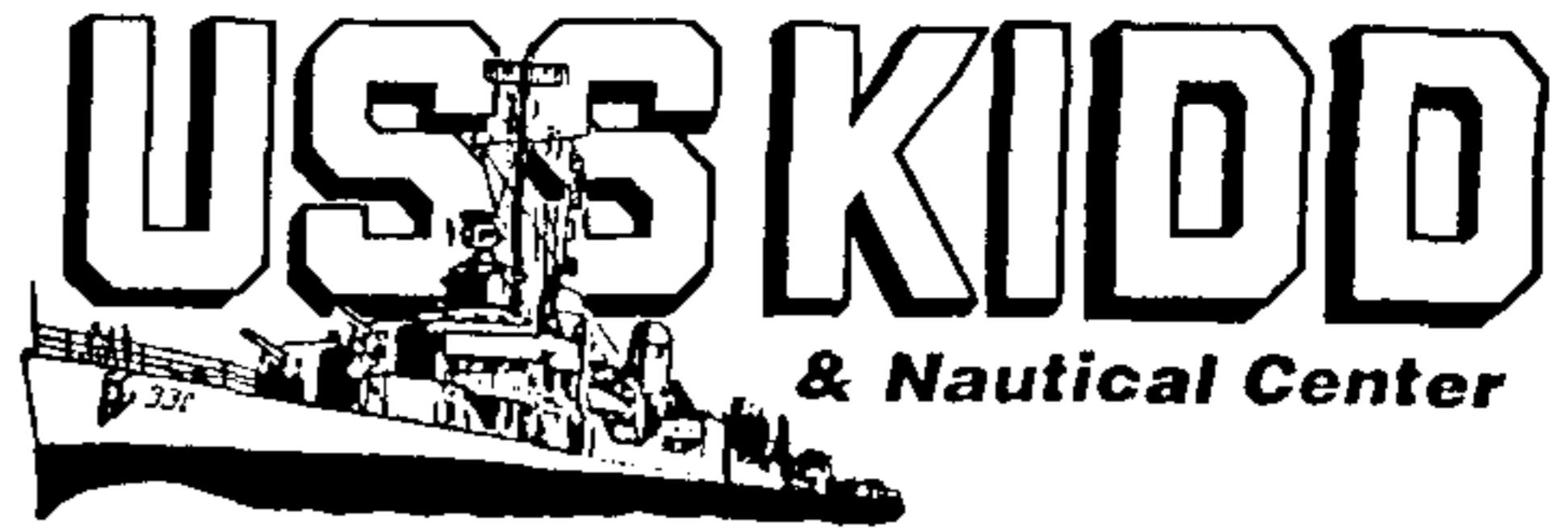
The final and unnumbered recommendation was that the District Attorney for the Nineteenth Judicial District of Louisiana be notified. It is our understanding that the Office of the Legislative Auditor has procedures that provide for this. We support this and have already made records available for this purpose. We will be ready to provide further information as necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Maury Drummond", written in a cursive style.

Maury Drummond
Director

MD/tn



July 30, 1999

Office of the Legislative Auditor
State of Louisiana
ATTN: Daniel G. Kyle, PH.D., CPA, CFE
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Louisiana Naval War Memorial Commission wishes to add the following comments as part of Management's Response, as called for in the Executive Summary.

The commission is a state agency composed of seventeen members appointed by the governor who serve without pay or per diem. The full-time paid staff consists of six persons who maintain and operate the ship, the museum and provide services essential to the operation of the city dock and related areas. The commission and paid staff are supplemented by a large group of volunteers.

Funding of the project is derived primarily from self-generated operating income. Please note that no state funds may be used in the operation of the Memorial as provided in Legislative Act 415 of 1979, R.S. 25 Sec. 1001-D.

The commission books and records are audited by an independent CPA whose employment and reports are subject to the review and approval of the Legislative Auditor. Prior recommendations of auditors have been implemented by the commission.

The value of voluntary services and other contributions to the project is substantial. Because of this the commission treats its funds as a sacred trust for the maintenance of the war memorial, a National Historic Landmark of the highest value to the commissioners and volunteers.

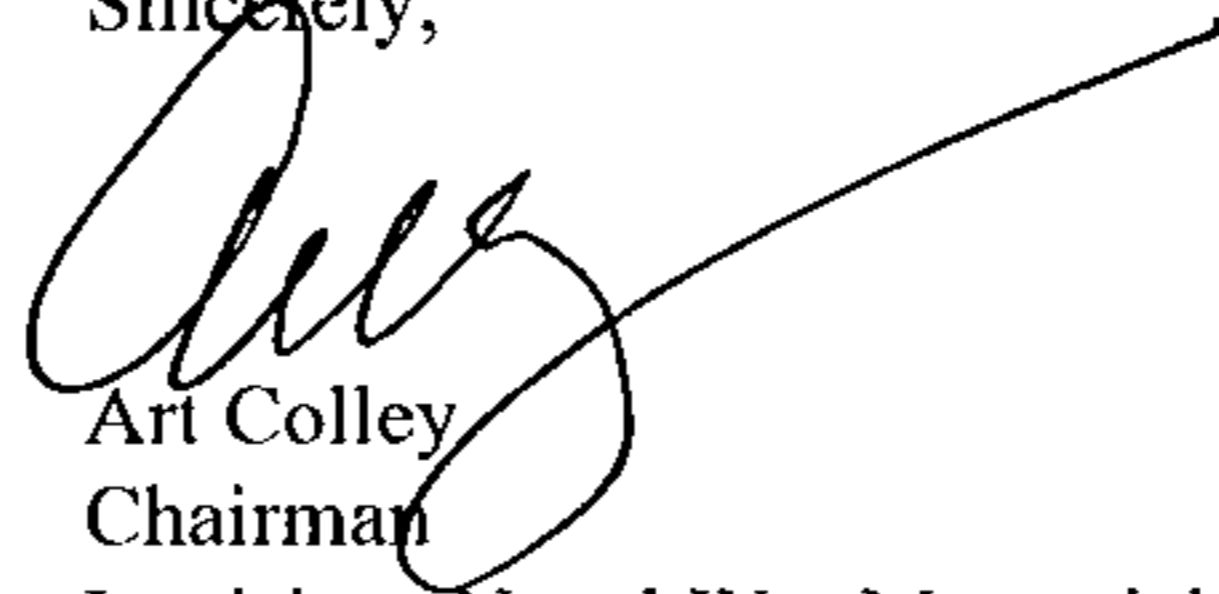
As pointed out by the Legislative Auditor in the Executive Summary of the Investigative Audit, the present problem was discovered by commission officials and called to the attention of the Legislative Auditor. During their initial investigation, commission officials recovered \$8937 and

called the problem to the attention of proper parish and state officials, as well as the Legislative Auditor.

In conclusion, the commission trusts that its prompt and decisive action in response to the situation will not be forgotten in any ensuing investigations and discussions.

Finally, the commission wishes to complement the Legislative Auditor on the professionalism and courtesy demonstrated by his staff during the investigation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Art Colley', with a long horizontal flourish extending to the right.

Art Colley
Chairman
Louisiana Naval War Memorial Commission

AC/tn

Attachment II
Legal Provisions

Legal Provisions

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. 14:68 provides that unauthorized use of a movable is the intentional taking or use of a movable which belongs to another, either without the other's consent, or by means of fraudulent conduct, practices, or representations, but without any intention to deprive the other of the movable permanently.

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.

