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LEGISLATIVE AUDITOR

CITY OF RUSTON

Ruston, Louisiana

Finding and Recommendation (Continued)

- During the three year period ending June 30, 1996, GSU issued a total of 21 separate checks totaling \$1,875 to individual City of Ruston firefighters (emergency medical technicians). The checks were issued for services performed at special events and for cardiopulmonary resuscitation (CPR) training. Because these funds were specifically provided for by the intergovernmental agreement, these payments should be made directly to the Ambulance Service Enterprise Fund.

It should also be noted that a finding was reported in the independent certified public accountant's audit report for the fiscal year ended September 30, 1995, relating to the lack of segregation of duties in the City of Ruston Fire Department. The finding stated that to ensure a proper control environment, the responsibility for collecting, recording, and adjusting the ambulance fee accounts should be segregated. As a result of this finding, the City of Ruston responded that the City of Ruston Treasurer's Office would be responsible for collecting all cash receipts.

The actions described previously may indicate possible violations of the following:

- LSA-R.S. 14:67, "Theft"
- LSA-R.S. 14:68, "Unauthorized Use of a Movable"
- LSA-R.S. 14:132, "Injuring Public Records"
- LSA-R.S. 14:133, "Filing False Records"
- LSA-R.S. 14:134, "Malfeasance in Office"
- LSA-R.S. 33:404, "Duties of Mayor"
- LSA-R.S. 42:1461(A), "Fiduciary Duty"
- Article 7, Section 14 of the Louisiana Constitution

In addition, the reported actions also may indicate a possible violation of the City of Ruston Handbook, Section 2.00, Code of Ethics for Public Employees.

The City of Ruston should ensure that policies and procedures relating to the signing of contracts and establishing authority for collecting, purchasing, disbursing, and recording of funds are followed by all city employees. In addition, the city should take appropriate action to obtain repayment of funds incorrectly deposited in the Ruston Fire Department Coke Fund and

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CITY OF RUSTON
Ruston, Louisiana

FINDING AND RECOMMENDATION

**Unauthorized Contracts and
Misuse of Public Funds**

The City of Ruston Fire Chief entered into three separate unauthorized contracts with Grambling State University (GSU). These contracts resulted in payments by GSU totaling \$2,980 that were deposited in the Ruston Fire Department Coke Fund. GSU also made payments totaling \$1,875 directly to City of Ruston firefighters (emergency medical technicians). Furthermore, the fire chief subsequently issued himself checks totaling \$2,800 for unspecified and undocumented use from the Coke Fund.

In 1992, the City of Ruston and the Lincoln Parish Police Jury entered into an intergovernmental agreement for ambulance and other emergency services. This agreement established that all income from charges for ambulance, emergency, and other services and memberships shall go to the City of Ruston to be used for operations of the ambulance service. This agreement also created a joint ambulance committee, consisting of three police jury members, three city councilmen, and one member of the medical field. The committee is charged with making recommendations to the governing bodies regarding policy and procedures for operation and/or maintenance of the Ruston-Lincoln Ambulance Service, to include charges or fees for services. The City of Ruston established an Ambulance Service Enterprise Fund for receipt of income as provided under the intergovernmental agreement. In addition, the Lawrason Act, as provided by Louisiana Revised Statute (LSA-R.S.) 33:404, provides for the duties of the mayor, which specifically includes the signing of all contracts on behalf of the municipality.

Our procedures disclosed the following instances relating to the unauthorized contracts initiated by the City of Ruston Fire Chief and the payments made in accordance with the contracts:

- During 1995, GSU issued a total of five checks totaling \$2,980 made payable to the Ruston Fire Department or the Ruston Ambulance Service for services provided under the unauthorized contracts. These funds were deposited into the Ruston Fire Department Coke Fund, rather than into the Ambulance Service Enterprise Fund as established for the operation of the ambulance service.
- Three separate checks, totaling \$2,800, were subsequently issued to the fire chief from the Ruston Fire Department Coke Fund. According to the fire chief, these funds were to be used for special fire department projects, but no projects have been completed since the withdrawal of the funds. No documentation could be provided for the use of these funds.

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Ruston, Louisiana

Background (Concluded)

1. Obtaining an understanding of applicable management controls
2. Examining selected records relating to the bank statements, deposits, and checks issued from the Ruston Fire Department Coke Fund checking account
3. Obtaining copies of contracts between the Ruston Fire Department and Grambling State University
4. Interviewing certain city employees
5. Reviewing the City of Ruston Handbook, city ordinances and resolutions, and the Intergovernmental Agreement between the City of Ruston and Lincoln Parish Police Jury to provide ambulance service for the City of Ruston and Lincoln Parish
6. Reviewing Louisiana Revised Statutes, Attorney General opinions, and constitutional provisions relating to vending operations, duties of municipal mayors, intergovernmental agreements, and violations involving public funds to assess the likelihood of irregularities and illegal acts in relation to the transactions audited
7. Making inquiries to the extent we considered necessary to achieve our objectives

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Ruston, Louisiana

BACKGROUND

The Legislative Auditor's Office was requested to review certain questionable transactions. The transactions relate to payroll overtime payments, disbursements from the Ruston Fire Department Coke Fund, and contracts entered into by the Ruston Fire Chief and Grambling State University.

OBJECTIVES

The objectives of our audit were to (1) apply audit procedures relating to reviewing transactions in the Ruston Fire Department Coke Fund for the three years ended June 30, 1996; (2) determine the propriety of contracts between the Ruston Fire Department Fire Chief and Grambling State University for the three years ended June 30, 1996, and the related payments; and (3) determine the propriety of certain payroll transactions for overtime paid for the months of December 1995 and January 1996.

AUDIT SCOPE

Our audit was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, applicable to a financial related audit. The audit covered Ruston Fire Department Coke Fund transactions and contract payments from Grambling State University from July 1, 1993, through June 30, 1996. In addition, we reviewed certain payroll transactions for payrolls covering the months of December 1995 and January 1996.

METHODOLOGY

Our audit was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, applicable to a financial related audit (general standards and the fieldwork and reporting standards for finance related audits). Our procedures consisted of the following:

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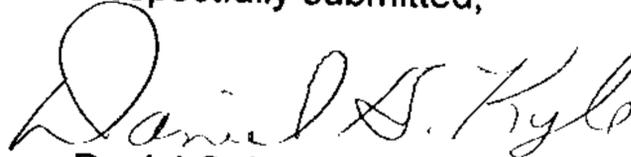
HONORABLE HILDA TAYLOR PERRITT, MAYOR
CITY OF RUSTON

Ruston, Louisiana

Financial Related Audit, Dated September 18, 1996

This report is for the use of management of the City of Ruston and should only be used by those who fully understand the limited purpose of the procedures performed. By state law, this report is a public document. Copies of this report have been delivered to the District Attorney of the Third Judicial District and others as required by Louisiana Revised Statute 24:516.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:MAN:dl

[RUSTON]



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

September 18, 1996

Independent Auditor's Report

HONORABLE HILDA TAYLOR PERRITT, MAYOR
CITY OF RUSTON
Ruston, Louisiana

We have performed a financial related audit of certain transactions of the City of Ruston Fire Department. The objectives of our audit were to (1) review transactions of the Ruston Fire Department Flower and Gift Fund (Coke Fund), (2) determine the propriety of certain payroll transactions of the Ruston Fire Department for overtime paid, and (3) determine the propriety of contract payments between the Ruston Fire Department Fire Chief and Grambling State University.

Our audit was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, applicable to a financial related audit. Our audit procedures, which are described in more detail in the methodology section of this report, consisted of (1) obtaining an understanding of management controls; (2) examining selected fire department and city records relating to payroll transactions and selected transactions of the Ruston Fire Department Coke Fund; (3) obtaining details of bank statements, deposits, and checks issued from the Ruston Fire Department Coke Fund; (4) interviewing certain city employees; (5) reviewing applicable city policies, ordinances, resolutions, and intergovernmental agreement between the City of Ruston and the Lincoln Parish Police Jury; (6) making inquiries to the extent we considered necessary to achieve our objectives; and (7) assessing the likelihood of irregularities and illegal acts in relation to the audited transactions of the Ruston Fire Department Coke Fund.

These limited procedures are substantially less in scope than an audit of the financial statements in accordance with government auditing standards, the purpose of which is to provide assurance on the city's presented financial statements, assess the city's internal control structure, and assess the city's compliance with laws and regulations that could materially impact its financial statements. Had we performed such an audit or had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Based upon the application of the procedures referred to previously, the accompanying finding and recommendation represent the conditions that we feel warrant attention by the appropriate parties. Management's response to the finding and recommendation presented in this report is included on page 8.

CITY OF RUSTON
Ruston, Louisiana

Financial Related Audit
Dated September 18, 1996

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CITY OF RUSTON

Ruston, Louisiana

Financial Related Audit
Dated September 18, 1996

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 and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

October 16, 1996

LEGISLATIVE AUDITOR

CITY OF RUSTON

Ruston, Louisiana

Finding and Recommendation (Concluded)

subsequently transmitted to the fire chief, and funds paid directly to firefighters relating to the unauthorized contract with Grambling State University. Furthermore, we recommend that the District Attorney of the Third Judicial District review this information and take appropriate action regarding these possible violations of state law, to include seeking restitution.

In a letter dated September 9, 1996, Ms. Hilda Taylor Perritt, Mayor of the City of Ruston provided the following response:

The City of Ruston has an intergovernmental agreement with the Lincoln Parish Police Jury for ambulance and other emergency services. All charges or fees for services are to be deposited in the Ambulance Service Enterprise Fund to be used for operations of the services.

Immediately after a finding was issued January 9, 1995, concerning a lack of segregation of duties in the City of Ruston Fire Department, the city's Treasurer's Office assumed the responsibility of collecting the cash receipts while the fire department/ ambulance personnel continued recording and adjusting the ambulance fee accounts.

The existence of contracts with Grambling State University was not known to the Mayor or City Treasurer. There is no Ruston Ambulance Service. The Mayor, City Treasurer, and Payroll Clerk were not aware that checks were issued to 21 separate City of Ruston firemen for services performed at special events and for CPR training. The Mayor was not aware that off-duty city personnel were using public vehicles and equipment for their private gain.

According to the Legislative Auditor finding, the deposit of the Grambling contract funds into the Fire Department Coke Fund compromised the intent of the coke fund as a flower and gift fund. I shall ask the City Council to adopt an ordinance that will be in compliance with A.G. Opinion 79-1194. We shall make every effort to enforce the ordinance.

We shall make every effort to ensure that the policies and procedures related to the signing of contracts and establishing authority for collecting, purchasing, disbursing, and recording of funds are followed by our city employees.

We shall take appropriate action to obtain the repayment of funds incorrectly deposited in the Ruston Fire Department Coke Fund and later transmitted to the Fire Chief. We shall also take appropriate action to recover the funds paid directly to the 21 firemen.

We shall also move to take the appropriate disciplinary action.

STATE OF LOUISIANA LEGISLATIVE AUDITOR

City of Ruston
Ruston, Louisiana

October 16, 1996



Financial and Compliance Audit Division

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