

VILLAGE OF PIONEER



COMPLIANCE AUDIT
ISSUED MARCH 26, 2008

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 26, 2008

**THE HONORABLE SONIA REITER,
MAYOR, AND MEMBERS OF THE
VILLAGE OF PIONEER BOARD**

Pioneer, Louisiana

We have audited certain transactions of the Village of Pioneer (Village). Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the Village's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. This correspondence is intended primarily for the information and use of management of the Village. Copies of this report have been delivered to the District Attorney for the Fifth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Steve J. Theriot", written over a faint circular stamp.

Steve J. Theriot, CPA
Legislative Auditor

GL:GD:DD:dl

PIONEER08

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On December 2, 2005, and on June 7, 2006, former Village of Pioneer (Village) Clerk Rhonda Crews issued two Village checks to herself to which she was not entitled to receive. The two checks totaled \$1,345. In addition, Ms. Crews improperly took \$400 cash from the Village sewer system fund. Finally, the former Village sewer maintenance supervisor (1) subcontracted with a Village contractor to install sewer pumps; (2) contracted with the Village directly to remove a tree after Hurricane Rita; and (3) installed sewer lines for Village residents for a fee in possible violation of the Louisiana Code of Governmental Ethics.

Clerk Receives Additional Payroll Checks

Ms. Crews began employment as the Village clerk in January 2005 and resigned on December 26, 2006. Ms. Crews' responsibilities as Village clerk included all bookkeeping duties, collecting fees, completing and mailing occupational licenses, and recording Village board minutes. We reviewed all payroll checks issued to Ms. Crews during her tenure as Village clerk. We identified two pay periods during which Ms. Crews improperly received additional payroll checks. One check was dated December 2, 2005, for \$672.30 and the other check was dated July 7, 2006, for \$672.31. The total value of the two checks was \$1,344.61.

Ms. Crews confirmed that she issued these two payroll checks to herself and that she was not entitled to receive them. She stated further that she issued the two additional checks to herself because she needed the money to pay for medical bills and a monthly bank loan obligation. Three days after her resignation, Ms. Crews stated that she reimbursed the Village for only one of the additional payroll checks because she had forgotten about the other additional payroll check. Mayor Sonia Reiter confirmed that, after her resignation, Ms. Crews gave her an envelope that included a money order for \$672. As of January, 8, 2008, Ms. Crews has not reimbursed the Village for the other payroll check for \$672.

All Village checks require the signature of both the clerk and the mayor. According to Ms. Crews, she signed Mayor Reiter's name to both additional payroll checks. She added that Mayor Reiter gave her permission to sign her (the mayor's) name to Village checks. However, Mayor Reiter denies having given Ms. Crews blanket authority to sign her name to Village checks. Mayor Reiter stated that any signature authority given to Ms. Crews was given only on a one-time basis.

Clerk Takes Cash from Village Sewer System Fund

Approximately three weeks after her resignation from the Village, Ms. Crews gave Village Police Chief Ronald Johnston a money order for \$425. According to Chief Johnston, Ms. Crews told him that she had "borrowed" the \$400 from the sewer system fund while employed as the Village clerk. She had attempted to pay the funds back by depositing one of her personal checks for \$400 into the sewer system fund. There were insufficient funds in her personal account to cover the check and the Village incurred an NSF charge of \$25. Ms. Crews confirmed that she had improperly taken \$400 from Village funds.

Outside Contracts by Sewer System Maintenance Supervisor

Mr. Frankie Jones was hired by the Village as a sewer maintenance employee in 1995. In 2003, the Village Board appointed him the sewer maintenance supervisor. His responsibilities included ensuring that all system pumps and lift stations were in proper working order, as well as performing routine maintenance and repair work on system components. During his tenure as the maintenance supervisor, Mr. Jones independently (1) subcontracted with a Village vendor that installed sewer pumps for the Village; (2) contracted with the Village to remove a fallen tree that damaged a portion of the Village's sewer facilities; and (3) installed sewer lines for Village residents. These actions are described in detail below.

Sewer Maintenance Supervisor Subcontracted with Vendor

During 2004, 2005, and 2006, the Village entered into three separate contracts with Mr. Kenneth Morgan to install sewer pumps. Mr. Morgan subcontracted with Mr. Jones on all three pump installations and paid Mr. Jones at least \$1,725 for the lease of his backhoe and for providing an operator. Louisiana Revised Statute (R.S.) 42:113(a) prohibits a public servant from entering into a transaction that is under the jurisdiction of the agency of such public servant.¹ Mr. Jones may have violated Louisiana law by entering into this contractual agreement.

According to Mr. Morgan, he leased a backhoe from Mr. Jones at the rate of \$50 per hour for each installation. As part of the lease agreement, Mr. Jones was responsible for providing a backhoe operator. He leased the backhoe for the first pump installation for 12.5 hours and a minimum of 22 total hours for the last two installations. Mr. Morgan also stated that Mr. Jones operated the backhoe during the installation of the first two pumps and that Mr. Jones provided another operator for the third pump installation. Mr. Jones confirmed that he rented the backhoe to Mr. Morgan at \$50 per hour and that this fee included the use of the backhoe and pay for the driver. He also confirmed that he operated the backhoe during a portion of the installation work.

The Village wrote to the Louisiana Board of Ethics for an opinion regarding Mr. Jones' actions. On March 14, 2006, before the third sewer pump installation, the Louisiana Board of Ethics issued an opinion to Chief Johnston concerning Mr. Jones and his subcontractor work with Mr. Morgan. The opinion stated that "Section 1113(a) of the Code prohibits a public servant from entering into a contract, subcontract, or other transaction that is under the supervision or jurisdiction of its agency." "Therefore, Mr. Jones could not perform the services on a contractual basis. . ." In contradiction to the Ethics Board opinion, and in possible violation to state law,² Mr. Jones continued his work on the third sewer pump installation.

¹ R.S. 42:1113(a) provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

² 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.

Sewer Maintenance Supervisor Contracts with Village to Remove Fallen Tree

In September 2005, Hurricane Rita caused a tree to fall on and damage a Village fence surrounding the Village's sewer facilities. Mayor Reiter contacted the insurance company and was told that it would pay \$1,000 to have the tree removed and the fence repaired. She told Mr. Jones that the insurance company would reimburse \$1,000 for the work and that he (Mr. Jones) should take care of the situation. On October 31, 2005, the Village paid Mr. Jones \$1,100 for the tree removal and fence repair.¹

Mr. Jones confirmed that he used his personal backhoe to remove the tree and then repaired the fence. Mayor Reiter does not know why the Village paid Mr. Jones an additional \$100 above the insurance reimbursement amount received by the Village. Although Ms. Crews stated that Mr. Jones provided an invoice totaling \$1,100 for the work performed, auditors could not find the invoice or an Internal Revenue Service Miscellaneous Income Form 1099.

R.S. 42:1113(a) prohibits a public servant from entering into a transaction that is under the jurisdiction of the agency of such public servant. Because the repair work occurred on Village property and included Village facilities, it appears to fall within the jurisdiction of the Village. Since Mr. Jones is an employee of the Village, R.S. 42:1113(a) appears to prevent him from "entering into a transaction" to perform this work. By authorizing the expenditure of public funds to a Village employee for these services, Mayor Reiter may have violated R.S. 42:1113(a) and by receiving compensation for repair work on these facilities, Mr. Jones may also have violated R.S. 42:1113(a).

Sewer Maintenance Supervisor Paid by Residents to Install Sewer Lines

Based on interviews with Village residents, it appears that Mr. Jones installed at least four sewer lines for three residents and one business in the Village. According to the residents, they were collectively billed approximately \$5,110 by Mr. Jones for the installation of these four sewer lines. Although the installation of sewer lines to private residences and businesses is not a responsibility of the Village,³ the Village does have the responsibility to inspect the pipes and connections before closing the ditches of these new sewer lines.⁴

Mr. Jones confirmed that Village residents sometimes contact him about connecting to the public sewer system. When this happens, he estimates how much the installation would cost and provides the resident with a quote. He personally purchases the materials for each job and is paid by the resident for the installation and materials purchased. Mr. Jones recalls installing three new sewer lines in the past five years.

³ On March 2, 1998, the Board of Aldermen passed a resolution stating that "hook up costs will be the responsibility of the owner of the building."

⁴ On August 5, 1991, the Village passed a resolution stating that ". . . the Board of Aldermen and Mayor of the Village of Pioneer, Louisiana, do hereby resolve to require anyone and everyone, from this date forward, to use nothing less in grade than SDR 35 sewer pipe, to hook to the sewer system. It is further resolved that when a party hooks to the sewer system, they must leave the ditch open until the resident inspector (or maintenance officer) can inspect the pipe and connection."

Although the Village does not have the responsibility to install sewer lines to residences and businesses, it does have the responsibility to “inspect the pipe and the connections” for these lines. Mr. Jones, in his capacity as sewer maintenance supervisor, is responsible for these inspections. It appears to be a conflict of interests for Mr. Jones to both install sewer lines and for him to inspect these same sewer lines.

Poor Internal Controls

Based on our review of the Village’s internal controls, there appears to be weaknesses in the areas of payroll, disbursements, and traffic citations.

Payroll

Village employees are paid monthly except for the chief of police who, in September 2005, began receiving biweekly payroll checks. Village practice is for monthly employees to be paid on the last day of the month and biweekly employees to be paid on the last day of each pay period. During our review of Village payroll records, we noted that 33 payroll checks for Ms. Crews and Chief Johnston were issued before the normal payday. In one instance, Ms. Crews issued herself a payroll check more than three weeks before the ending of the pay period.

In addition to issuing payroll checks early, we also noted that Village records contained only six time sheets for Ms. Crews during her two years of employment with the Village. Also, none of the six time sheets contained approval signatures.

Finally, we noted that Village personnel records were incomplete and did not contain basic documentation such as job applications, approved salaries and rates of pay, federal and state tax withholding forms, job descriptions, and payroll disbursement schedules.

Disbursements

During our review, we also noted five Village reimbursement checks that lacked supporting documentation. The five reimbursement checks, totaling \$992, were issued to Ms. Crews and Chief Johnston. Of the five checks, four checks totaling \$709 were issued to Ms. Crews. Mayor Reiter identified two of these checks as not having her personal signature. The remaining check, for \$283, was issued to Chief Johnston.

Ms. Crews stated that three of her four reimbursement checks were for purchases she made on the behalf of the Village at Wal-Mart. Although Ms. Crews stated that receipts are filed at the Village Hall, we could not locate any supporting documentation for these three reimbursement checks. She also stated that one check, totaling \$237, was reimbursement for mileage she incurred when making deposits for the Village in Oak Grove. Ms. Crews stated that Mayor Reiter authorized her reimbursement for this mileage. Mayor Reiter denies giving Ms. Crews authorization for mileage reimbursement when making bank deposits.

There is no supporting documentation for the \$283 check to Chief Johnston nor is there any indication on the check itself as to the purpose of this payment. Chief Johnston stated that the endorsement on the back of the check is not his, and he does not recall receiving the check.

Traffic Citations

During our review, we also discovered that the Village was not submitting traffic citations to the Department of Public Safety (DPS) as required by Louisiana law.⁵ Chief Johnston stated that he never submitted traffic ticket information and neither did his predecessor. He did not believe that the Village was required to submit them. According to DPS officials, the Village has only provided information regarding five traffic citations issued by the Pioneer Police Department: two in 2002 and three in 2003.

⁵**R.S. 32:393C (1)(a)** provides in part that every court in this state shall keep a full report of every case in which a person is charged with violation of any provision of this chapter or a regulation of the department or the commissioner adopted pursuant thereto, or any law of this state or of any municipal or parish governing authority lawfully established for regulating the operation of motor vehicles on highways.

R.S. 32:393C (1)(b) provides in part that if such person is convicted and sentenced thereupon, and such conviction is a final disposition as defined in R.S. 32:853(A)(1)(a), or his bail is forfeited as a result of a final judgment of forfeiture, or other final disposition be made, an abstract of the report, all parking convictions only excepted, shall be sent by the court or the district attorney, as the case may be, to the commissioner [Department of Public Safety] not later than thirty days after the date of such person's conviction and sentencing thereupon, forfeiture of his bail and final judgment of forfeiture, or the final disposition of his case.

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We recommend the Village implement the following practices:

1. Require written time sheets with formal approval, either by the mayor or the board, before issuing payroll checks.
2. Develop and implement detailed written policies and procedures for processing, reviewing, and approving disbursements.
3. Maintain payroll records and ensure that they contain basic documentation such as job applications, approved salaries and rates of pay, federal and state tax withholding forms, job descriptions, and payroll disbursement schedules.
4. Adopt an ethics policy in compliance with the Louisiana Code of Governmental Ethics. The policy should require annual certification from board members and employees attesting to their compliance and outline appropriate actions to be taken by the board if the policy is violated.
5. Prohibit the maintenance supervisor from inspecting any sewer line that he was responsible for installing. This potential conflict of interests can be avoided by having another Village employee conduct the inspections of these sewer lines.
6. Comply with Louisiana law by submitting all traffic citations to DPS. To ensure that the Village is in compliance, the Village should develop written policies and procedures for processing and submitting traffic citations to DPS.
7. Ensure that the Village follows the Internal Revenue Service Code by issuing an Internal Revenue Service Miscellaneous Income Form 1099 to contractors when appropriate.
8. Seek reimbursement of misappropriated funds from Ms. Crews.

We also recommend that the Village develop a formal policy and procedures manual. Formal written policies and procedures provide clear guidance to Village employees and help ensure that employee actions meet management's expectations. Also, written policies and procedures aid in the continuity of operations and for cross-training staff. In addition to the above, we also recommend written policies and procedures for the following:

1. Preparing, adopting, monitoring, and amending the budget
2. Purchasing materials and supplies, in compliance with the public bid law, and maintaining the documentation for all bids and price quotes
3. Recording, tagging, and safeguarding capital assets
4. Reconciling bank records, which should be either performed or reviewed by the mayor and initialed by the mayor on a monthly basis
5. Recording and preparing deposits

6. Storing, issuing, and accounting for traffic and misdemeanor tickets/citations
7. Recording, maintaining, inventorying, and disposing confiscated items (evidence room)
8. Receiving and recording funds collected
9. Monitoring contracts to ensure that services received comply with terms and conditions of the contracts
10. Implementing a travel policy that provides specific guidance as to permissible business and conference travel and that requires the employee traveling to complete and submit a detailed expense report (with supporting detailed receipts) to be approved before reimbursement of travel related expenses
11. Backing up and storing computer files off-site and general controls for the computer system
12. Developing a records retention schedule complying with state law

The Village of Pioneer is located in West Carroll Parish and was incorporated under the provisions of the Lawrason Act. The Village operates under the Mayor/Board of Aldermen form of government. The Board of Aldermen is composed of three members elected at large.

The procedures performed during this examination consisted of:

- (1) interviewing employees and management of the entities;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records;
- (4) obtaining documents from various businesses;
- (5) performing observations; and
- (6) reviewing applicable laws and regulations.

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Management's Response

March 2, 2008

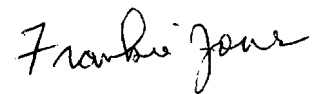
To whom it may concern:

I am no longer employed by the Village of Pioneer. I have not
Worked for them for nearly a year.

I was never informed that the jobs that I did for the Village was
Unethical until I had already done the work. Had I known that any
Of these jobs were unethical I certainly would not have done any
of these jobs.

I am very sorry for any thing that I did was unethical.

Yours truly

A handwritten signature in cursive script that reads "Frankie Jones".

Frankie Jones

VILLAGE OF PIONEER

P. O. BOX 153
PIONEER, LA 71266
318-428-8581
Fax 318-428-2719

March 4, 2008

Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

To Louisiana Legislative Auditor:

We have received the compliance audit report and want to thank you for your time and effort. This letter is our response to your report.

Over the past year, we have implemented new procedures and made many changes that were recommended by our CPA and the LA Legislative Auditors. The Mayor and Chief now have a more "hands-on" approach to the everyday business of the Village of Pioneer.

Recommendations of LA Legislative Auditor:

1. Written timesheets are reviewed, approved and initialed by the Mayor prior to payroll checks being issued. The clerk receives her check at the monthly meeting (ex. February paycheck is signed and received at the March 3rd meeting). The clerk signs her own payroll check if the Mayor ProTem is unavailable and **only** in the presence of the Mayor or Board of Aldermen.
2. A policy handbook is being written. This book will give policies and procedures for disbursements, accounts receivable (fines, mowing fees, sewer user fees, business and occupational license fees) and other daily transactions.
3. Payroll information is recorded in an Excel spreadsheet and each employee's timesheets are filed appropriately. Every employee completes state and federal tax forms (each year) and they are filed with the yearly tax information.
4. We will work to implement an ethics policy for the board members and employees.
5. The sewer maintenance supervisor will not inspect his own work. The Mayor or the other sewer maintenance person will perform this duty.

6. We are currently seeking information on submitting traffic citations to DPS.
7. 1099's were sent to all contractors (non-employees) for 2007.
8. We are currently working with Mac Lancaster (attorney for the Village of Pioneer) to seek compensation of misappropriated funds from Rhonda Crews.

Many of the recommendations made have already been implemented and we strive to be more accountable with better record-keeping, sufficient oversight, and written policies and procedures.

The policy handbook that is currently being written, will give all employees, elected officials, and board members clear and concise information on conducting the business of the Village of Pioneer. The policies pertaining to the accounting of the Village of Pioneer's funds will be especially thorough.

We thank you again for the work that was put into this report and we look forward to making all of the changes necessary to fix these problems and prevent others in the future.

Sincerely,



Sonia Reiter, Mayor