

PINE HILL WATER WORKS DISTRICT NO. 8



INVESTIGATIVE AUDIT
FEBRUARY 11, 2015

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

DIRECTOR OF INVESTIGATIVE AUDIT
ROGER W. HARRIS, J.D., CCEP

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Four copies of this public document were produced at an approximate cost of \$2.80. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 8770 or Report ID No. 50130048 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 11, 2015

**MR. ROBERT WILLIAMS, PRESIDENT
AND BOARD OF COMMISSIONERS
PINE HILL WATER WORKS DISTRICT NO. 8**
Shreveport, Louisiana

We have audited certain transactions of the Pine Hill Water Works District No. 8. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of allegations we received.

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*.

The accompanying report presents our findings and recommendations, as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 1st Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

PHWWD2015

TABLE OF CONTENTS

	Page
Executive Summary	2
Background and Methodology.....	3
Findings and Recommendations:	
Utility Payments Not Deposited.....	4
Recommendations	6
Legal Provisions.....	7
Management’s Response	Appendix A

EXECUTIVE SUMMARY

Utility Payments Not Deposited

Pine Hill Water Works District No. 8 (District) records indicate that utility payments totaling \$80,513 were recorded in the utility system but not deposited in the District's bank accounts from January 1, 2012 through June 9, 2014. Both employees responsible for handling utility collections during this period denied taking any of the missing funds. However, one of those employees, former Office Manager Sharon Morin, appears to have altered and destroyed District records to conceal amounts not deposited. By altering and destroying District records to conceal amounts not deposited, Ms. Morin may have violated state law.

BACKGROUND AND METHODOLOGY

The Pine Hill Water Works District No. 8 of Caddo Parish, Louisiana (District) was created by the Caddo Parish Commission pursuant to Louisiana Revised Statute (La. R.S.) 33:3811. The District provides water service to approximately 1,570 customers in an area located north of the city of Shreveport. The District is governed by a Board of Commissioners appointed by the Caddo Parish Commission. The Board consists of five commissioners who serve five-year terms.

In June 2014, District management noted discrepancies between utility collections and utility deposits. After reviewing documentation supporting the receipt and deposit of utility funds, District management placed Sharon Morin, office manager, on administrative leave and requested that the Louisiana Legislative Auditor (LLA) review available records to determine the amount of funds collected but not deposited. Ms. Morin resigned from her position on July 16, 2014, the same day LLA began its audit of the District's utility collections. The procedures performed during the audit included:

- (1) interviewing District employees;
- (2) interviewing other persons as appropriate;
- (3) examining selected District documents and records;
- (4) gathering and examining external parties' documents and records; and
- (5) reviewing applicable state laws and regulations.

FINDINGS AND RECOMMENDATIONS

Utility Payments Not Deposited

Pine Hill Water Works District No. 8 (District) records indicate that utility payments totaling \$80,513 were recorded in the utility system but not deposited in the District's bank accounts from January 1, 2012 through June 9, 2014. Both employees responsible for handling utility collections during this period denied taking any of the missing funds. However, one of those employees, former Office Manager Sharon Morin, appears to have altered and destroyed District records to conceal amounts not deposited. By altering and destroying District records to conceal amounts not deposited, Ms. Morin may have violated state law.¹

The District did not have written policies and procedures relating to utility collections. During the period covered by our audit, Candus Brooks, assistant office manager, was responsible for collecting utility payments. Sharon Morin, former office manager, collected payments in Ms. Brooks' absence. Payments received were entered into the utility system in order to print a receipt for the customer and record the payments to the daily collection report. At the end of each day, Ms. Brooks printed the daily collection report and reconciled the total of cash and checks in the drawer to the daily collection report. Ms. Brooks would then record the daily collections to the customers' accounts and complete a deposit slip. The daily collection report, deposit slip, and funds were given to Ms. Morin for deposit. Ms. Morin was responsible for recording the utility collections to the District's accounting system.

Payments Not Deposited

We examined the District's daily collection reports and the amounts recorded to customer accounts between January 1, 2012 and June 9, 2014, and compared the amounts recorded in the utility system to the amounts deposited into the District's bank accounts. These records indicate that utility payments totaling \$80,513 were recorded to customer accounts but not deposited in the District's bank accounts. During this period, we noted 153 instances in which the daily collection reports, included receipts that were not deposited, for a total of \$56,404. The total receipts on these daily collection reports were reduced to match the amount of funds deposited. In addition, we noted that 329 customer receipts were voided from the daily collection reports, and although there were no corresponding deposits, these payments were recorded to the customer accounts on or around the same day they were voided. Voided receipts totaled \$24,109. Recording the payment in the customer's account would prevent a customer who had paid, but not had their payment deposited, from having his/her water services cut off.

Ms. Brooks stated that she did not take any of the missing funds and that she did not alter any of the amounts on the daily collection reports. According to Ms. Brooks, at the end of each day she would print the daily collection report and reconcile the total of cash and checks in the drawer to the daily collection report. Ms. Brooks stated that she would then record the daily collections to the customers' accounts and complete a deposit slip. Ms. Brooks stated that she generally provided the daily collection report, deposit slip, and funds for deposit to Ms. Morin.

Ms. Brooks stated that the alterations to the daily collection reports were made after she provided them to Ms. Morin, and that the alterations appeared to have been in Ms. Morin's handwriting. In addition, Ms. Brooks stated that Ms. Morin shredded District documents on June 11, 2014, after management questioned Ms. Morin about utility collections that were recorded but not deposited.

Greg Wilson, District superintendent, stated that he questioned Ms. Morin about differences between the daily collection reports and amounts deposited on June 11, 2014. Mr. Wilson indicated that Ms. Morin could not provide any reasonable explanations for the differences between utility collections and utility deposits. According to Mr. Wilson, Ms. Brooks contacted him later that day and informed him that deposit books were missing and that Ms. Morin had shredded documents in the office. Mr. Wilson secured the shredded documents and provided them to LLA representatives.

We examined pieces of the shredded documents and found that District deposit slips were destroyed. We partially reconstructed several of the deposit slips and found that they matched the amounts recorded on daily collection reports before they were altered. For example, within the shredded documents, we found a piece which included the figure "789.73." We compared this amount to the original daily collection reports and found that the District recorded utility receipts totaling \$789.73 on June 11, 2013. However, cash receipts totaling \$212.15 were removed (manually scratched out) from the daily collection report and funds totaling \$577.58 (\$789.73 - \$212.15) were deposited. Ms. Brooks confirmed that the portion of the shredded document was in her handwriting and that she would have provided the deposit slip, daily collection report, and the cash and checks to Ms. Morin. Although records indicate that the District collected cash and checks totaling \$789.73 on June 11, 2013, it appears that Ms. Morin altered the daily collection report and prepared a new deposit slip in the amount of \$577.58 to match the amount she deposited.

Ms. Morin stated that she did not take any funds from the District and that she did not shred District documents on June 11, 2014. She stated that the receipts recorded on the daily collection reports were overstated because she had recorded additional receipts to correct payments that had been previously entered in the utility system with a future date by former District employees. Ms. Morin stated that the only way to correct these errors was to reverse each payment and then reapply the payment by recording an additional payment.

We found that payments previously entered in the utility system with a future date (e.g., January 1, 2018) would have properly reduced the amounts owed by customers; however, they had no effect on the District's current receipts. In addition, we found one instance in which payments with future dates appear to have been entered into the utility system after Ms. Morin voided payments from the daily collection report. The future date payments matched the amounts which were voided from the daily collection report (and not deposited) by Ms. Morin but were entered into the system five months later when Ms. Morin was questioned by District management about payments recorded but not deposited. This would suggest that these future date payments were entered into the utility system in order to conceal the payments recorded but not deposited.

Utility payments totaling \$80,513 were recorded to customer accounts but not deposited in the District's bank accounts from January 1, 2012 through June 9, 2014. Although Ms. Brooks and Ms. Morin both denied taking the missing funds, it appears that Ms. Morin altered and destroyed District records to conceal amounts not deposited. By altering and destroying public records to conceal amounts not deposited, Ms. Morin may have violated state law.¹

In Ms. Morin's response to this report, she suggests that she was not given ample opportunity to address the issues mentioned in the report. We submit the following:

On July 16, 2014, LLA representatives were informed that Ms. Morin had resigned from her position and retained an attorney. We contacted the attorney she allegedly retained to schedule an interview with Ms. Morin but were informed that the attorney did not represent Ms. Morin. We then contacted Ms. Morin and interviewed her for approximately three hours at her residence on September 9, 2014. During the interview, we presented Ms. Morin with several examples of discrepancies between daily collection reports and amounts deposited into the District's bank accounts. At the conclusion of the interview, Ms. Morin was asked if she would sign a waiver granting access to her personal bank records and if she would submit to a polygraph examination. Ms. Morin stated that she would discuss both matters with her attorney but never contacted us after that time. We subsequently called Ms. Morin but were unable to reach her.

Recommendations

We recommend that the District's management develop and implement policies and procedures to ensure that payments collected by the District are accounted for and deposited daily. District management should:

- (1) require that all funds collected be adequately documented, accurately recorded, and deposited daily in accordance with state law;
- (2) review and compare the daily total deposits to the total receipts on a regular basis and immediately investigate any differences;
- (3) ensure that employees are properly trained on cash handling policies and procedures;
- (4) require a monthly reconciliation of customer accounts receivable balances. Each month, the total of customer accounts balances in the utility system (subsidiary ledger) should be reconciled with the corresponding accounts receivable balance in the general ledger. Any differences should be immediately investigated and resolved. The monthly reconciliation of these two independent records is essential for a proper system of controls over customer accounts;
- (5) require each clerk employee to maintain their own separate cash drawer and prohibit them from working out of each other's drawer. Each drawer should be maintained under lock and key at all times and balanced on a daily basis; and
- (6) require that each employee establish and use a separate user account in the utility system.

LEGAL PROVISIONS

¹**Louisiana Revised Statute (La. R.S.) 14:67 (A)** provides that “Theft is the misappropriation 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. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

La. R.S. 14:73.5 (A) provides that “Computer fraud is the accessing or causing to be accessed of any computer, computer system, computer network, or any part thereof with the intent to: (1) Defraud; or (2) Obtain money, property, or services by means of false or fraudulent conduct, practices, or representations, or through the fraudulent alteration, deletion, or insertion of programs or data.”

La. R.S. 14:132 (B) provides that “Second-degree injuring public records is the intentional removal, mutilation, destruction, alteration, falsification, or concealment of any record, document, or other thing, defined as a public record pursuant to R.S. 44:1 et seq. and required to be preserved in any public office or by any person or public officer pursuant to R.S. 44:36.”

La. R.S. 14:133 (A) provides that “Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) Any forged document. (2) Any wrongfully-altered document. (3) Any document containing a false statement or false representation of a material fact.”

La. R.S. 14:134 (A) provides 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; or (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.”

La. R.S. 42:1461 (A) provides that “Officials, whether elected or appointed and whether compensated or not, and employees of any ‘public entity,’ which, for purposes of this Section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

APPENDIX A

Management's Response



January 28, 2015

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

The Board of Directors and Office Staff of the Pine Hill Waterworks District No. 8 would like to thank the Louisiana Legislative audit team for coming to our aide and performing an investigative audit of the company records. The Legislative Auditors Office was notified due to the suspicions of misappropriation of funds within the office.

After carefully reviewing the results of the audit teams' findings in the draft report, discoveries were consistent with the findings made by our office but on a wider scale. The District accepts the audit findings and in accordance with the recommendations given, policies and procedures to ensure the accountability of our records have been effectively implemented. The office has employed a new staff member as Office Manager with a degree in Finance and several years of accounting experience. This employee has a vast amount of knowledge in accounting and proper office procedures. Several of the recommendations were immediately put into place after the discovery of the problems and has been carefully monitored by the office staff and the Board of Directors.

Again, thank you and your staff for your effortless work and support during this audit. If further assistance, questions or information is needed from the office concerning this matter please contact the Pine Hill Water Works District No. 8 office.

Sincerely,

Robert Williams
President

Gregoryy Wilson
Superintendent



January 27, 2015

RECEIVED
LEGISLATIVE ADMINISTRATION
2015 JAN 30 AM 9:39

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, La 70804-9397

Re: Pine Hill Water Works, District No. 8

Dear Sir,

I believe my coworkers are accusing me of this in retaliation for turning them in for misdeeds, and to perhaps cover up their own misuse of company funds. Three people had access to these computers and documents, and for me to be singled out and accused of this is an injustice to me and my character. Perhaps the people accusing me are the ones that orchestrated this against me to hide what they themselves may have done.

They have instigated the investigation into my alleged theft, yet they are under no scrutiny at all, even though they had the same access to these computers, programs, etc. I am being wrongfully accused and they should be looked at with the same scrutiny.

I, on numerous occasions brought forth my concerns about misuse of company funds with board members, the auditor, and I even made 2 phone calls to your office, yet I could not get anyone to assist me. Ms. Hamilton, Board Member, even told me "she didn't want to know anything that would get her in trouble." Mr. Greg Wilson continues to use the company credit card and vehicle for his own personal use without any kind of disciplinary action whatsoever. Ms Brooks is doing the same; I turned over a document to Ms. Dees, that Ms. Brooks used the company card for gas in her vehicle.

When I watched my co-worker Candus altering and changing things on the system one day, I asked my supervisor, Greg, what she was doing. She said she was fixing the things the temporary lady did that were wrong. I started to check into some irregularities and when I started investigating, that is when this happened. Whenever I would inform the board president or other board member, of something that went on, Ms. Candus would text Greg and tell him. This is evidenced by the phone calls and texts on their phones.

I met with your investigators in good faith, but do not feel they were interested in hearing me profess my innocence, nor did they seem interested in the documents that I turned over to them. Ms. Dees mentioned the shredding of documents. The only document I shredded that day was a personal piece of mail with sensitive account information on it that was in my purse. Ms. Candus could not have seen what I was shredding from where she was sitting, and I was only there maybe 5 seconds tops. How long do you think it would take to shred all those documents that I am accused of shredding? And now the record books are missing: would that be the same ones I asked

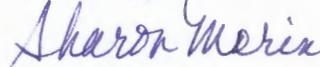
Ms. Dees to find, that would prove my innocence; that I did in fact leave with a deposit slip that was not altered.

The only people to remove public documents from Pine Hill Water were Greg Wilson and Candus Brooks. I watched from across the street. It is quite possible that the Sheriff's office next door has it on video. When I asked my supervisor, Greg Wilson, where all the documents were, he advised me that Ms. Williams (board president's wife) was going over them with him. These documents were removed from the facility on June 11-12th. I even made a call to alarm company on the morning of June 12th when the alarm was going off when I came into work. Other items disappeared while I was away on vacation. Access was also made to QuickBooks using my sign-on while I was away.

I was not given a fair opportunity to address these issues, as the same people that I turned in for misusing company funds, are the same ones that assisted you with this audit. The outcome is a direct representation of what they put into it. The fact that both employees still work there proves my point.

I did not at any time alter, destroy, or misuse public funds.

Respectfully yours,



Sharon Morin