

RED RIVER PARISH COMMUNICATIONS DISTRICT



INVESTIGATIVE AUDIT
ISSUED JULY 11, 2018

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 11, 2018

**MR. JOHN YOUNGBLOOD, CHAIRMAN
AND MEMBERS OF THE BOARD OF COMMISSIONERS
RED RIVER PARISH COMMUNICATIONS DISTRICT**
Coushatta, Louisiana

We audited certain transactions of the Red River Parish Communications District. This investigative audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of complaints 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* for a financial audit.

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 39th Judicial District of Louisiana and others, as required by law.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

THC/aa

RRPCD

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EXECUTIVE SUMMARY

Former Administrator Issued Extra Paychecks to Herself

Jennifer Mahfouz, former administrator for the Red River Parish Communications District (District), issued 10 extra paychecks to herself, totaling \$17,112, between July 18, 2016 and January 3, 2018. In addition, District records indicate that from January 2015 to December 2017 Ms. Mahfouz consistently issued herself paychecks prior to the end of the District's pay periods and appears to have altered the District's electronic accounting records to conceal her actions. By issuing extra paychecks to herself and altering District records to conceal her actions, Ms. Mahfouz may have violated state laws. Further, by issuing herself checks before the end of the pay periods, Ms. Mahfouz appears to have loaned District funds to herself in possible violation of the Louisiana constitution.

BACKGROUND AND METHODOLOGY

The Red River Parish Communications District (District) was created by Ordinance 05-2006 of the Red River Parish Police Jury (Police Jury) on September 14, 2006. The District is charged with forming and operating an emergency response “911” system for Red River Parish. The District is governed by a board of seven commissioners appointed by the Police Jury. Commissioners receive no compensation for their services.

While preparing the District’s annual financial report for the year ended December 31, 2017, the District’s external CPA discovered that the District’s administrator may have issued herself extra paychecks. On March 1, 2018, the external CPA notified the Louisiana Legislative Auditor (LLA) of a possible misappropriation of funds by the District’s administrator. The LLA initiated this investigative audit to determine the validity of this complaint.

The procedures performed during this audit included:

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

FINDINGS AND RECOMMENDATIONS

Former Administrator Issued Extra Paychecks to Herself

Jennifer Mahfouz, former administrator for the Red River Parish Communications District (District), issued 10 extra paychecks to herself, totaling \$17,112 between July 18, 2016 and January 3, 2018. In addition, District records indicate that from January 2015 to December 2017 Ms. Mahfouz consistently issued herself paychecks prior to the end of the District's pay periods and appears to have altered the District's electronic accounting records to conceal her actions. By issuing extra paychecks to herself and altering District records to conceal her actions, Ms. Mahfouz may have violated state laws.^{1,2,3,4,5,6,7} Further, by issuing herself checks before the end of the pay periods, Ms. Mahfouz appears to have loaned District funds to herself in possible violation of the Louisiana constitution.⁸

Ms. Mahfouz was the District's sole employee during the period covered by our audit (our audit period). As the District's administrator, Ms. Mahfouz was responsible for overseeing the daily operations of the District, including verifying physical addresses for the "911" system, paying bills, issuing paychecks, and entering transactions into the electronic accounting system. District policy requires two signatures on all disbursements including paychecks issued by Ms. Mahfouz. Ms. Mahfouz and the seven voluntary board members were authorized signers on the District's sole checking account. During our audit, we found that Ms. Mahfouz issued paychecks for biweekly pay periods that were signed by her and one of four board members. Although Ms. Mahfouz completed and maintained time sheets for parts of our audit period, none of them appear to have been reviewed or approved by an appropriate supervisor.

While preparing the District's annual financial report for the year ended December 31, 2017, the District's external CPA discovered that Ms. Mahfouz may have issued herself extra paychecks and notified the Louisiana Legislative Auditor on March 1, 2018. We reviewed the District's bank records and electronic accounting records for the period January 2015 through March 2018 and found that Ms. Mahfouz issued herself 10 extra paychecks totaling \$17,112 between July 18, 2016 and January 3, 2018. These records further indicate that Ms. Mahfouz issued and negotiated several of her paychecks prior to the end of the District's pay periods and altered the dates of the checks within the accounting system to conceal her actions. Ms. Mahfouz was terminated from her position on April 8, 2018.

Extra Paychecks

During the period of our audit, we found that Ms. Mahfouz issued herself multiple paychecks for the same pay periods. For example, from July 11, 2016 to July 21, 2016, Ms. Mahfouz issued herself three paychecks for the two-week pay period beginning July 18, 2016 and ending July 31, 2016. Each check appears to have been signed by Ms. Mahfouz and a different board member. Because Ms. Mahfouz issued herself multiple checks for the same pay periods, we compared the number of biweekly pay periods during calendar years 2016 and 2017

to the number of paychecks that Ms. Mahfouz received during these years and found that she received 10 extra paychecks totaling \$17,112.

In addition to alternating which board members signed checks, District records indicate that Ms. Mahfouz altered the dates that checks were issued within the accounting system to conceal extra paychecks. According to District records, Ms. Mahfouz's position became full-time beginning January 2017, which increased her biweekly salary from \$1,140^A to \$1,800. Although her full-time pay increase was not authorized until January 2017, Ms. Mahfouz issued herself an extra paycheck in the amount of \$1,800 on December 26, 2016. However, accounting system records indicate that Ms. Mahfouz deleted the check and reissued the check using a different check number and date (January 9, 2017). As a result, the \$1,800 check that Ms. Mahfouz issued and negotiated on December 26, 2016, was not included on the District's financials for the year ended December 31, 2016. Further, because the check was altered in the accounting system, it appeared as though Ms. Mahfouz's pay increase was properly implemented in January 2017.

Early Paychecks

District records indicate that Ms. Mahfouz routinely issued herself paychecks before the end of the District's pay periods. From January 2015 to December 2017, Ms. Mahfouz's paychecks cleared the bank before the end of the pay period on at least 67 occasions. Some of these checks cleared the bank prior to the dates on the checks. According to the District's accounting system records, Ms. Mahfouz appears to have altered the dates that the checks were issued in order to match the appropriate biweekly pay periods. For example, Ms. Mahfouz issued herself check number 1830 on March 14, 2016, for the pay period beginning March 14, 2016, and ending March 27, 2016. This check cleared the bank on March 15, 2016. Accounting system records indicate that Ms. Mahfouz entered the check into the system, deleted the check, and reissued the check in the accounting system using a different check number (1831). One day after the pay period ended, Ms. Mahfouz changed the check number back to 1830 and changed the date of the check to March 28, 2016.

Ms. Mahfouz told us that she did not realize she received extra paychecks and does not know how she overpaid herself. She acknowledged she made mistakes writing checks within the accounting system. When that happened, she said she deleted the check with the incorrect information and rewrote the check using the same check number. Ms. Mahfouz stated that she received checks early because she was trying to change her pay schedule to alternate with her husband's pay schedule. She further stated that on other occasions she received checks early because she knew she would be out of the office on the regular payroll date.

By issuing extra paychecks to herself and altering District records to conceal her actions, Ms. Mahfouz may have violated state laws.^{1,2,3,4,5,6,7} Further, by issuing herself checks before the end of the pay periods, Ms. Mahfouz appears to have loaned District funds to herself in possible violation of the Louisiana constitution.⁸

^A As a part-time District employee, Ms. Mahfouz was paid on an hourly basis for a maximum of 30 hours per week (60 hours biweekly) during calendar year 2016.

Recommendations

We recommend that District management consult with legal counsel to determine the appropriate actions to be taken, including recovery of funds improperly paid to the former District administrator. We further recommend that the District develop comprehensive written policies and procedures that require the segregation of accounting functions to ensure that the same person is not responsible for issuing, approving, authorizing, and recording accounting transactions. The District should also develop and implement written policies and procedures that require all employees to complete time sheets that include beginning and ending times, which are to be reviewed and approved by an appropriate supervisor.

LEGAL PROVISIONS

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

² **La. R.S. 14:70(A)** provides that “False accounting is the intentional rendering of a financial statement of account which is known by the offender to be false, by anyone who is obliged to render an accounting by the law pertaining to civil matters.”

³ **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.”

⁴ **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.”

⁵ **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.”

⁶ **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.”

⁷ **La. R.S. 42:1461(A)** states, in part, “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.”

⁸ **Article VII, Section 14 of the Louisiana Constitution** provides, in part, “that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.”

APPENDIX A

Management's Response



Red River Parish Communications District

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June 28, 2018

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

Dear Mr. Purpera,

The Red River Parish Communications District has provided all requested and/or relevant information to the Louisiana Legislative Auditor investigators without exception. The District has taken steps to ensure no further losses are incurred and will comply with any and all recommendations detailed in the Legislative Auditor's Report.

Sincerely,

Glen T. Edwards

Board Commissioner

Red River Parish Communications District