

# ***Investigative Report***

## ***Arkansas Legislative Audit***

### **Review of Selected Financial Records Booneville-Logan County Senior Citizen Center**

January 1, 2022 through July 31, 2024



## **INTRODUCTION**

This report is issued in response to a request for Arkansas Legislative Audit (ALA) to review selected financial records of the Booneville-Logan County Senior Citizen Center (Center). The 15<sup>th</sup> Judicial District Prosecuting Attorney requested ALA assistance after receiving allegations that Center funds were misappropriated.

## **OBJECTIVES**

Objectives of this review were to determine if:

- Selected disbursements were for proper Center purposes.
- Revenue was properly deposited.
- Accurate financial information was presented to the governing body.
- Internal controls were adequate.

## **SCOPE AND METHODOLOGY**

This review was conducted primarily for the period January 1, 2022 through July 31, 2024. ALA staff examined relevant financial records, including bank statements, invoices, monthly financial reports, and other documentation. In addition, certain individuals were interviewed, and the Center's internal controls were assessed for adequacy.

## **BACKGROUND**

Booneville-Logan County Senior Citizens, Inc., is a nonprofit corporation that operates the Center, which provides meals, socialization, recreation, transportation, and other services to qualifying residents. The nonprofit is governed by a seven-member Board of Directors (Board). Additional oversight is provided by the Area Agency on Aging for Western Arkansas (AAAWA).

Funding consists primarily of donations collected for meals provided by the Center, as well as federal and state grants received from AAAWA. The Center employs a Director, who is responsible for overseeing daily operations, depositing and disbursing Center funds, and preparing monthly financial reports. The individual who served as Center Director during the review period resigned on July 3, 2024, after AAAWA officials discovered improper spending and inaccurate financial reports and questioned the Center Director about disbursements.

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## **RESULTS OF REVIEW**

### **Analysis of Credit Card Charges and Other Selected Disbursements**

ALA review of credit card charges and other selected disbursements for the period January 1, 2022 through July 31, 2024, revealed improper disbursements totaling \$41,348 as follows:

- \$33,383 in payments to various vendors/individuals without adequate documentation; therefore, the validity of these disbursements could not be determined.
- \$7,861 for personal expenses, including groceries, household goods, toys, gifts, clothing, meals, and pet supplies.
- \$104 in late payment fees and interest charges.

Also, the business purpose for \$9,437 in additional questionable expenses could not be determined or confirmed by ALA staff based on available documentation. However, according to AAAWA officials, these purchases do not appear to be for Center use.

During an interview with Arkansas State Police and ALA staff on January 3, 2025, Kayleigh Bynum, who served as Center Director during the review period, acknowledged using Center debit/credit cards for personal purchases.

### **Analysis of Cash Deposits**

As previously mentioned, the Center Director resigned on July 3, 2024, after AAAWA officials discovered improprieties and questioned the Center Director. ALA staff compared cash deposits made during the Center Director's tenure with cash deposits made after her resignation. Due to documentation being unavailable, ALA staff could not determine the amount of donations collected or the number of meals served during the Center Director's tenure. However, ALA's analysis revealed average cash deposits increased from \$457 per month during the period January 2022 through June 2024 to \$1,835 per month during the period July through October 2024, after the Center Director resigned. The significant increase could indicate all funds collected during the Center Director's tenure were not deposited.

### **Analysis of Monthly Financial Reports**

The Center Director prepared monthly financial reports that were provided to Board members. Based on ALA's review of these reports, it appears that incomplete financial information was presented to the Board. In many cases, the reported expenses did not include credit card charges and other disbursements.

### **Assessment of Internal Controls**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, mistakes, errors, or noncompliance with applicable Arkansas Code, regulations, and policies. Failure to maintain adequate internal controls increases the risk of misappropriation of assets and potential waste and abuse of funds.

ALA review revealed the following internal control deficiencies:

- Financial duties were not adequately segregated.
- Bank statements and credit card statements were not reviewed monthly by someone other than the Center Director.
- Invoices were not retained to support disbursements.
- Receipts were not issued, and no other records were maintained to document the amount of funds collected.
- Inaccurate financial information was provided to the governing body.
- Management did not provide adequate fiscal oversight.

## RECOMMENDATIONS

ALA recommends that:

- Financial duties be segregated to the extent possible.
- Bank statements and credit card statements be reviewed monthly by someone other than the Center Director.
- Adequate documentation be maintained to support disbursements.
- Funds collected be counted by two individuals, and receipts or other documentation be maintained to document the amount of funds collected.
- Accurate monthly financial reports be presented to the Board.
- Management exercise proper fiscal oversight, ensure internal controls are established, and monitor controls to ensure adherence.

## MANAGEMENT RESPONSE

*The Board of Directors and the Area Agency on Aging have been working with the new director for the Senior Center to ensure the fiscal, physical, and social needs of the Senior Center and those we serve are fully met. We commend the Area Agency of Aging staff for their efforts and support during this experience.*

## SUMMARY

The Center Director resigned in July 2024 after AAABA officials discovered improprieties. ALA review revealed \$41,348 in improper disbursements (including \$7,861 in personal purchases), \$9,437 in other questionable purchases that AAABA officials do not believe were for Center use, and a significant increase in cash deposits after the Center Director resigned. In addition, it appears the Center Director provided the Board with inaccurate financial information. Several internal control deficiencies contributed to funds being misappropriated and the misappropriation not being detected timely.

During an interview with Arkansas State Police and ALA staff on January 3, 2025, Kayleigh Bynum, who served as Center Director during the review period, acknowledged she had used Center debit/credit cards for personal purchases.

This report has been forwarded to the 15<sup>th</sup> Judicial District Prosecuting Attorney and the Attorney General.

