

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2

Annual Component Unit Financial Statements
With Independent Auditors' Report

and

Report on Internal Control Over Financial Reporting
and Compliance and Other Matters

For the Years Ended September 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Mary Parish Water and
Sewer Commission No. 2
Bayou Vista, Louisiana

Opinion

We have audited the accompanying financial statements of the business-type activities and the major fund of the St. Mary Parish Water and Sewer Commission No. 2 (Commission), a component unit of St. Mary Parish, as of and for the years ended September 30, 2023 and 2022, and the related notes to these financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended of the Commission, as of September 30, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of The Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other supplemental schedules but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Requirements by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 17, 2024 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
July 17, 2024

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Net Position
Business Type Activity - Water and Sewer Enterprise Fund
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 327,923	\$ 1,609,456
Investments	3,293,690	1,511,070
Accounts receivable	125,712	119,177
Inventory	182,672	120,142
Prepaid expenses	14,792	11,502
Total current assets	<u>3,944,789</u>	<u>3,371,347</u>
RESTRICTED ASSETS (cash and investments):		
Customer meter deposits cash	24,212	34,506
Customer meter deposits investments	215,029	205,352
Total restricted assets	<u>239,241</u>	<u>239,858</u>
NONCURRENT ASSETS:		
Property, plant and equipment (net of accumulated depreciation)	3,900,886	4,167,754
Investment in Berwick-Bayou Vista Joint Waterworks Commission	<u>379,673</u>	<u>447,641</u>
Total noncurrent assets	<u>4,280,559</u>	<u>4,615,395</u>
TOTAL ASSETS	<u>\$ 8,464,589</u>	<u>\$ 8,226,600</u>

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable and accrued expenses	\$ 52,364	\$ 66,516
Due to other governmental units	133,567	127,536
CURRENT LIABILITIES (payable from restricted assets):		
Customer meter deposits	<u>224,650</u>	<u>221,791</u>
Total current liabilities	<u>410,581</u>	<u>415,843</u>
NET POSITION		
Net investment in capital assets	3,900,886	4,167,754
Unrestricted	<u>4,153,122</u>	<u>3,643,003</u>
Total net position	<u>8,054,008</u>	<u>7,810,757</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,464,589</u>	<u>\$ 8,226,600</u>

The accompany notes are an integral part of these financial statements

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Revenues, Expenses and Changes in Net Position
Business Type Activity - Water and Sewer Enterprise Fund
Years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Charges for water service	\$ 521,345	\$ 487,543
Charges for sewer service	508,053	419,353
Delinquent charges	22,427	18,508
Tower Rent	2,880	2,880
Meter installation, reconnects, permits, etc.	18,378	10,615
Safe water collection fees	-	1,072
Garbage collection fees	<u>11,139</u>	<u>13,274</u>
TOTAL OPERATING REVENUES	<u>1,084,222</u>	<u>953,245</u>
OPERATING EXPENSES		
Direct operating costs		
Cost of water purchases	352,817	337,741
Sewerage treatment fees	310,068	219,957
Repair and maintenance – water system	101,044	142,138
Repair and maintenance – sewerage system	146,998	116,085
Personal services		
Clerical salaries	92,145	86,012
Other salaries	107,656	101,240
Board meetings	15,120	14,910
Retirement contributions	26,067	22,740
Health insurance	49,198	40,513
Worker's compensation	2,890	5,177
Operating services		
Insurance	32,237	28,087
Accounting fees	30,228	29,237
Engineering fees	2,332	66,683
Computer consulting	1,339	4,127
Utilities and telephone	29,654	31,308
Vehicle expense	11,469	11,603
Legal fees	45	1,062
Materials and supplies		
Office expense	4,496	5,838
Postage	9,486	9,221
Advertising	981	2,133
Miscellaneous	12,268	6,565
Depreciation		
Water System	177,453	180,952
Sewer System	<u>173,779</u>	<u>173,482</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,689,770</u>	<u>\$ 1,636,811</u>

St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana
Comparative Statement of Cash Flows
Business Type Activity - Water and Sewer Enterprise Fund
Years Ended September 30, 2023 and 2022

Increase (Decrease) in Cash and Cash Equivalents

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 1,077,687	\$ 974,931
Paid to suppliers and employees	<u>(1,350,542)</u>	<u>(1,214,544)</u>
Net cash provided (used) by operating activities	<u>(272,855)</u>	<u>(239,613)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Ad valorem taxes	827,354	704,043
Cash from (refund for) meter deposits	2,859	6,041
Advanced from (to) other government units	6,031	8,706
Payment to Berwick-Bayou Vista Joint Water Works	<u>(102,767)</u>	<u>(65,135)</u>
Net cash provided by noncapital financing activities	<u>733,477</u>	<u>653,655</u>
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	<u>(84,364)</u>	<u>(8,716)</u>
Net cash provided (used) by capital and related activities	<u>(84,364)</u>	<u>(8,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchases) of investment securities	(1,792,297)	(14,122)
Interest income	<u>124,212</u>	<u>15,602</u>
Net cash provided by investing activities	<u>(1,668,085)</u>	<u>1,480</u>
Net increase (decrease) in cash and cash equivalents	(1,291,827)	406,806
Cash and cash equivalents at beginning of period	<u>1,643,962</u>	<u>1,237,156</u>
Cash and cash equivalents at end of period	<u>\$ 352,135</u>	<u>\$ 1,643,962</u>

	<u>2023</u>	<u>2022</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$ (605,548)</u>	<u>\$ (683,566)</u>
NON-OPERATING REVENUE (EXPENSES)		
Ad valorem taxes		
Operations and maintenance	827,354	704,043
Interest income	<u>124,212</u>	<u>15,602</u>
TOTAL NON-OPERATING REVENUE	<u>951,566</u>	<u>719,645</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	346,018	36,079
Contributions, intergovernmental		
Berwick-Bayou Vista Joint Water Works	<u>(102,767)</u>	<u>(65,135)</u>
CHANGE IN NET POSITION	243,251	(29,056)
NET POSITION :		
NET POSITION - BEGINNING OF YEAR	<u>7,810,757</u>	<u>7,839,813</u>
NET POSITION - END OF YEAR	<u>\$ 8,054,008</u>	<u>\$ 7,810,757</u>

The accompanying notes are an integral part of these financial statements.

	<u>2023</u>	<u>2022</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$ (605,548)	\$ (683,566)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	351,232	354,434
(Increase) decrease in accounts receivable	(6,535)	21,686
(Increase) decrease in inventory	(62,530)	2,759
Increase (decrease) in payable and accrued expenses	(14,152)	33,269
(Increase) decrease in prepaid expenses	(3,290)	-
Joint Waterworks	<u>67,968</u>	<u>31,805</u>
Net cash provided by (used in) operating activities	<u>\$ (272,855)</u>	<u>\$ (239,613)</u>

Cash and cash equivalents are presented on the Comparative Statement of Net Position as follows:

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 327,923	\$ 1,609,456
Restricted Assets:		
Customer meter deposits cash	<u>24,212</u>	<u>34,506</u>
Total cash and cash equivalents	<u>\$ 352,135</u>	<u>\$ 1,643,962</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA
Notes to Financial Statements
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On October 27, 2000, the St. Mary Parish Council adopted Ordinance No. 1474 which created "St. Mary Parish Water and Sewer Commission No. 2, State of Louisiana (the Commission) which is a political subdivision of the Parish of St. Mary and the state of Louisiana, with authority to plan, finance, construct, acquire, improve, operate and maintain water, sewer and sewerage disposal improvements within its designated boundaries. The Commission was created, by combining the former Waterworks District No. 2 and Sewerage District No. 2.

The accounting and reporting practices of the Commission conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the significant accounting policies used in preparing the financial statements:

A. Reporting Entity

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

Based upon the above criteria, the Commission is a component unit and integral part of the St. Mary Parish Council (the primary government).

These financial statements include only the operations of the Commission.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting

The financial statements of the Commission are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Commission has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Enterprise Fund

An Enterprise Fund is used to account for the Commission's operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Revenues

The following is a summary of the Commission's recognition policies for its major revenue sources:

Charges for water service come from metered sales to residential, industrial and municipal customers. Charges for sewerage service are based upon gallons of water used by customers. Revenues for water and sewer services are recognized in the month when the water is used by the customers.

Ad valorem taxes (which is based upon homesteads in the Parish) are recorded in the year the taxes are assessed and collected.

Investment earnings are recorded when earned.

Substantially all other revenues are recorded when they are earned by the Commission.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Deferred Outflows and Inflows of Resources

In prior years, the Commission implemented the provision of various GASB statements related to deferred inflows and deferred outflows of resources. The Commission has evaluated its transactions with the requirements of these pronouncements, related to deferred items, and determined that there are no transactions that presently meet the requirements of these statements. Therefore as of September 30, 2022 and 2023, the Commission is not presenting any Deferred Outflows or Inflows in its financial statements.

E. Expenses

Expenses are recognized under the accrual basis of accounting where liabilities are recorded at the time expenses are incurred.

F. Budgets and Budgetary Accounting

The St. Mary Parish Water and Sewer Commission No. 2 follows these procedures in establishing administrative budgetary accounting:

- a. An administrative budget is employed as a management planning and control device during the year for the Proprietary Fund. The forecasted budget is prepared on a basis consistent with GAAP.
- b. These financial statements do not present budget and actual comparisons of the administrative budget because it is not a legally adopted budget.

G. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include bank deposits and/or certificates of deposit with original maturates of less than three months.

Investments

The Commission invests in bank certificates of deposit (CDs) and external investment pools. The CDs (nonparticipating contracts) are recorded at cost, unless there is significant impairment of the credit standing of the issuer. The pooled investments are recorded at fair market value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Receivables

Accounts receivable consist of amounts due from customers for metered water and sewerage usage. The financial statements do not contain an allowance for uncollectible accounts receivable which is a generally accepted accounting principle. Uncollectible receivables are charged off at the time information becomes available which would indicate the uncollectibility of the particular receivable. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

I. Restricted Assets

Amounts received as utility deposits are held in separate accounts. These funds are classified as restricted assets on the balance sheet because their use is limited.

J. Joint Venture

The Commission and the Town of Berwick jointly constructed a treatment plant to provide a water supply to each entity. Each participant has a 50% interest in the venture. The cost of constructing the plant was borne by the two communities, and they have appointed a board to operate and maintain the plant. The Berwick-Bayou Vista Joint Waterworks Commission was created to maintain, operate and administer the joint water treatment plant. The Commission has included its share of the joint venture cost and current operations in these financial statements using the equity method of accounting. See Note 7 for additional disclosure.

K. Inventory and Prepaid Items

Materials and supplies inventory is valued at cost. Cost is determined primarily by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

L. Property, Plant, and Equipment

Fixed assets including water plant, water and sewer lines, water towers, pump stations and all other water distribution and sewerage disposal assets are capitalized in the proprietary fund. Property, plant and equipment owned by the proprietary fund is recorded at cost or, if contributed property, at their market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Water Plant	20-40 years
Water distribution system	10-33 years
Sewerage distribution system	10-45 years
Buildings	10-40 years
Furniture and equipment	3-25 years
Automobiles and trucks	6 years

M. Accumulated Vacation, Compensatory Time and Sick Leave

Accumulated vacation, compensatory time and sick leave are recorded as an expense of the period in which paid. At September 30, 2023 and 2022 unrecorded liabilities for the above are immaterial.

N. Equity Classifications

Equity is classified as net position and displayed in three components – net invested in capital assets, restricted net position; and unrestricted net position. These classifications are defined as follows:

- Net Invested in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of net invested in capital assets. Rather, that portion of the debt is included in the same net position component as the proceeds.
- Restricted Net Position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – The component of net position consist of net position that do not meet definition of “restricted” or “net invested in capital assets.”

NOTE 2 - AD VALOREM TAXES AND MAINTENANCE MILLAGE ASSESSMENT

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Commission's boundaries. Assessed values are established by the St. Mary Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana Law. Taxes are due and payable December 31 and are delinquent after that date with interest being charged. Lien date for all delinquent properties is April 1. The St. Mary Parish Sheriff bills and collects property taxes for the Commission using the assessed values determined by the tax assessor of St. Mary Parish. Commission property tax revenues are budgeted in the year billed.

The Commission authorized the following millages for the purpose of operating and maintaining the water and sewer system for the constituents of the Commission. The millage was dedicated as follows:

	<u>2023</u>	<u>2022</u>
Operations and maintenance	11.00	11.00
Debt service	<u>0.00</u>	<u>0.00</u>
	<u>11.00</u>	<u>11.00</u>

Based upon the taxable assessed value of the property within the District each mil of assessment generated approximately \$75,000 and \$64,000 of tax revenues in 2023 and 2022 respectively.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission does not have a formal investment policy related to interest rate risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition, the Commission does not have a formal investment policy related to credit risk (including concentrations of credit). However the Commission does follow state law as to limitations on types of deposits and investments as described below.

The Commission does not invest in any investments subject to foreign currency risk.

Cash and cash equivalents

Under state law the Commission may deposit its funds with certain state and federally chartered financial institutions. These deposits are required to be insured or collateralized by the financial institutions.

At year end 2023 and 2022 the carrying amounts of the Commission's cash were \$352,135 and \$1,643,962, respectively and the bank balances were \$349,943 and \$1,646,387 respectively.

In 2023, \$349,943 was covered by FDIC. In 2022, \$500,000 was covered by FDIC and \$1,146,387 was secured by collateralized securities held by a third party and pledged to the Commission.

Investments

Under state law the Commission may invest in certain federal or federally guaranteed securities, certain bank time certificates of deposit, mutual or trust funds, and in the Louisiana Asset Management Pool (LAMP). LAMP is an external investment pool operated to allow local government to pool their investment funds. LAMP is not registered with the SEC as an investment company. LAMP is subject to regulatory oversight of the Louisiana State Treasurer and the LAMP board of directors. Share values for the pool are valued at fair value based on quoted market rates determined on a weekly basis.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

The following is a summary of investments held by the Commission at September 30,

	<u>2023</u>		<u>2022</u>	
	Percentage of Total		Percentage of Total	
	<u>Amount</u>	<u>Investments</u>	<u>Amount</u>	<u>Investments</u>
LAMP (rated AAAm by Standard & Poors)	\$3,508,719	100%	\$1,496,705	87%
Bank certificates of deposit: Fully FDIC insured			219,717	13%
Collateralized with securities held by a third party pledged to the Commission				
	<u>\$3,508,719</u>	<u>100%</u>	<u>\$1,716,422</u>	<u>100%</u>

As of September 30, 2023, all investments had maturity dates of one through five years except LAMP. LAMP determines its maturities using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 25 days as of September 30, 2023 and 19 days as of September 30, 2022.

NOTE 4 - DUE TO/FROM OTHER GOVERNMENTAL UNITS

The following is a detail of due from/to other governments at September 30,

	<u>2023</u>	<u>2022</u>
Due to other governments:		
Due to Berwick-Bayou Vista Joint Waterworks (water purchases)	\$ 31,811	\$ 33,842
Due to Joint Sewer Commission Wards 5 & 8 (Sewerage treatment fees)	31,614	17,263
Due to St. Mary Parish Council (Intergovernmental service-garbage/mosquito fees)	64,998	71,307
Due to State Department of Health and Hospitals (Water Program engineering/administration fees)	<u>5,144</u>	<u>5,124</u>
	<u>\$133,567</u>	<u>\$127,536</u>

NOTE 5 - PENSION PLAN

All employees participate in the Federal Social Security System. The Commission is required to remit an amount to the Social Security Administration equal to the employee's contribution. The Commission contributed approximately \$15,000 in 2023 and \$14,000 in 2022 and its employees contributed approximately \$15,000 in 2023 and \$14,000 in 2022. The Commission does not guarantee any of the benefits granted by the Social Security System.

In addition, the Commission contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis. The Commission's contributions to this plan were approximately \$13,000 in 2023 and \$11,000 in 2022 and its employees contributions were approximately \$13,000 in 2023 and \$11,000 in 2022.

NOTE 6 - FIXED ASSETS

CAPITAL ASSETS

Capital asset and depreciation activity for the years ended September 30, 2023 and 2022 is as follows:

	Balance 9/30/2021	Increases	Decreases	Reclassification	Balance 9/30/2022	Increases	Decreases	Reclassification	Balance 9/30/2023
Capital assets not being depreciated:									
Land, right of ways	\$ 51,709				\$ 51,709				\$ 51,709
Construction in process	31,059	\$ -	\$ -	\$ -	31,059	\$ -	\$ -	\$ -	31,059
Total capital assets not being depreciated	82,768	-	-	-	82,768	-	-	-	82,768
Other capital assets:									
Buildings	\$ 76,133				\$ 76,133				\$ 76,133
Distribution system - sewerage	6,455,569				6,455,569	\$ 44,241		6,883	6,506,693
Distribution system - water	5,193,273	6,883			5,200,156	5,000		(6,883)	5,198,273
Water Plant	838,485				838,485				838,485
Furniture & Equipment	135,437	1,833			137,270				137,270
Vehicles	45,067	-	-	-	45,067	35,123	-	-	80,190
Total other capital assets at historical cost	12,743,964	8,716	-	-	12,752,680	84,364	-	-	12,837,044
Less accumulated depreciation for:									
Buildings	\$ 53,761	\$ 1,517			\$ 55,278	\$ 1,380			\$ 56,658
Distribution system - sewerage	3,844,366	173,237			4,017,603	173,738			4,191,341
Distribution system - water	3,432,417	170,763			3,603,180	166,600			3,769,780
Water Plant	838,485	-			838,485	-			838,485
Furniture & Equipment	103,988	5,058			109,046	5,134			114,180
Vehicles	40,243	3,859	-	-	44,102	4,380	-	-	48,482
Total accumulated depreciation	8,313,260	354,434	-	-	8,667,694	351,232	-	-	9,018,926
Other capital assets, net	4,430,704	(345,718)	-	-	4,084,986	(266,868)	-	-	3,818,118
Total capital assets, net	\$ 4,513,472	\$ (345,718)	\$ -	\$ -	\$ 4,167,754	\$ (266,868)	\$ -	\$ -	\$ 3,900,886

Depreciation expense for the years ended September 30, 2023 and 2022 was approximately \$351,000 and \$354,000 each.

NOTE 7 - RELATED PARTY - INVESTMENT IN BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

All of the water sold by the Commission is obtained from Berwick-Bayou Vista Joint Waterworks Commission (Joint Waterworks Commission). The Joint Waterworks Commission was created and established with the sole responsibility and duty to maintain, operate, and administer the joint water treatment plant for the Commission and Town of Berwick (Berwick). The water treatment plant was constructed and is owned by the Commission and Berwick. The Commission and Berwick appoint the members of the board for the Joint Waterworks Commission. The Commission's portion of the cost of the plant is carried in property, plant and equipment. Amounts reported as an investment in other assets (\$379,673 at 2023 and \$447,641 at 2022) represents the Commission's equity in the joint venture. Separate financial statements for the Joint Waterworks Commission are available from the Commission or the Joint Waterworks Commission. The following is a summary of selected financial information of the Joint Waterworks Commission:

	Year Ended <u>9/30/23</u>	Year Ended <u>9/30/22</u>
Total assets and deferred outflows of resources	\$900,253	\$1,034,041
Total liabilities and deferred inflows of resources	140,906	138,759
Total net position	759,347	895,282
Total revenues	777,638	774,868
Total expenditures	927,573	838,477
Total capital contributions	14,000	-
Change in net position	(135,935)	(63,609)

NOTE 7 - RELATED PARTY - INVESTMENT IN BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION (continued)

The Commission purchased the following quantities and amounts of water from the Joint Waterworks Commission:

	Year Ended <u>9/30/23</u>	Year Ended <u>9/30/22</u>
Gallons of water purchased	173,995,060	166,637,037
Cost of water purchases	\$352,817	\$337,741

NOTE 8 - COMPENSATION OF BOARD MEMBERS AND CHIEF EXECUTIVE OFFICER

Board Members received the following per diems (Board Members, including the Chief Executive Officer, do not receive any other compensation, reimbursement of expenses, or benefits) for the years ended September 30, 2023 and 2022:

	<u>2023</u>	
	<u>Meetings</u> <u>Attended</u>	<u>Amount</u>
Raymond Beadle	12	\$ 2,520
Chris Cooper – President	12	2,520
Tony Hensgens	12	2,520
Thomas Philbrook	12	2,520
Paul Tholen	12	<u>2,520</u>
Total		<u>\$12,600</u>
Berwick-Bayou Vista Joint Waterworks Commission		
Tony Hensgens	12	720
Paul Tholen	12	<u>720</u>
		<u>\$1,440</u>

NOTE 8 - COMPENSATION OF BOARD MEMBERS AND CHIEF EXECUTIVE OFFICER (continued)

	<u>2022</u>	
	<u>Meetings</u>	
	<u>Attended</u>	<u>Amount</u>
Raymond Beadle	12	\$ 2,520
Chris Cooper – President	12	2,520
Tony Hensgens	12	2,520
Thomas Philbrook	12	2,520
Paul Tholen	12	<u>2,520</u>
Total		<u>\$12,600</u>
Berwick-Bayou Vista Joint Waterworks Commission		
Tony Hensgens	12	720
Paul Tholen	12	<u>720</u>
		<u>\$1,440</u>

NOTE 9 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Commission carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years.

NOTE 10 – CONCENTRATIONS

The Commission received approximately forty-one and forty-two percent of its revenues from ad valorem taxes in both 2023 and 2022, respectively.

OTHER SUPPLEMENTAL SCHEDULES

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA**

Schedule of Gallons of Water Purchased and Sold
and Number of Water Customers

For the years ended September 30, 2023 and 2022

(Unaudited)

	<u>9-30-23</u>	<u>9-30-22</u>
Gallons purchased for the period	173,995,060	166,637,037
Gallons sold for the period	111,987,936	104,732,625
Number of users at year end	1,831	1,825
Gallons not sold for the period	62,007,124	61,904,412
Cost per 1000 gallons purchased	\$2.02	\$2.03
Cost of gallons not sold	\$125,254	\$125,665
Percentage of gallons not sold	36%	37%

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA

Water and Sewer Rates
September 30, 2023
(Unaudited)

The board of commissioners approved a water and sewer rate increase on May 8, 2023 effective July 1, 2023. The new rates are as follows:

Water	Sewer
\$6.50 residential, \$7.65 commercial (flat fee)	\$6.50 residential, \$7.65 commercial (flat fee)
\$3.30 residential, \$4.50 commercial (per 1,000 gallons of water used)	\$4.30 residential, \$5.50 commercial (per 1,000 gallons of water used)

For the period October 2021 to July 1, 2023, the water and sewer rates were as follows:

Water	Sewer
\$6.50 flat fee(\$7.65 out of district)	\$6.50 flat fee(\$7.50 out of district)
\$3.30 (\$4.50 out of district) per 1,000 gallons of water used	\$3.00 (\$4.20 out of district) per 1000 gallons of water used

For the period January 2015 to September 30, 2021, the water and sewer rates were as follows:

Water	Sewer
\$6.00 flat fee(\$7.15 out of district)	\$6.00 flat fee(\$7.15 out of district)
\$2.00 (\$3.00 out of district) per 1,000 gallons of water used	\$2.00 (\$3.00 out of district) per 1000 gallons of water used

For the period May 2008 to December 31, 2014, the water and sewer rates were as follows:

Water	Sewer
\$6.00 flat fee(\$7.15 out of district)	\$6.00 flat fee(\$7.15 out of district)
\$2.00 (\$3.00 out of district) per 1,000 gallons of water used	\$2.00 (\$3.00 out of district) per 1000 gallons of water used

For the period January 2007 to April 30, 2008, the water and sewer rates were as follows:

Water	Sewer
\$6.00 flat fee	\$6.00 flat fee
\$1.75 per 1,000 gallons of water used	\$1.75 per 1,000 gallons of water used

For the period October 1995 to December 31, 2006, the water and sewer rates were as follows:

Water	Sewer
First 3,000 gallons - \$6.00	\$7.00 flat fee
Over 3,000 gallons - \$1.90 per 1,000	\$1.15 per 1,000 gallons of water used

For the period October 1992 to September 30, 1995, the water and sewer rates were as follows:

Water	Sewer
First 3,000 gallons - \$4.75	\$6.00 flat fee
Over 3,000 gallons - \$.17 per 100	\$1.00 per 1,000 gallons of water used

For period August 1988 to September 30, 1992, the water rates were as follows:

Water
First 3,000 gallons - \$4.00
Over 3,000 gallons - \$.14 per 100

Prior to August, 1988 the water rates were as follows:

- First 3,000 gallons - \$3.35
- Next 3,000 gallons - \$1.05 per 1,000
- Next 3,000 gallons - \$1.00 per 1,000
- Next 3,000 gallons - \$.95 per 1,000
- Next 3,000 gallons - \$.90 per 1,000
- Next 3,000 gallons - \$.85 per 1,000
- Next 3,000 gallons - \$.80 per 1,000
- Next 3,000 gallons - \$.70 per 1,000

**ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA**

Insurance
September 30, 2023
(Unaudited)

<u>Insurer</u>	<u>Amount of Policy</u>	<u>Risk Covered</u>	<u>Expiration Date</u>
Louisiana Workers Compensation Corp.	\$1,000,000	Worker's Compensation	04/26/24
Glatfelter Public Practice	\$3,000,000	General Liability	04/26/24
	\$1,000,000	Auto Liability	04/26/24
	\$3,000,000	Public Officials & Management Liability	04/26/24
	\$100,000	Crime Coverage	04/26/24
	\$1,000,000	Cyber Liability & Crisis	04/26/24
	\$1,103,934	Property	04/26/24

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
St. Mary Parish Water and Sewer
Commission No. 2
Bayou Vista, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the major fund of the St. Mary Parish Water and Sewer Commission No. 2 (Commission), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated July 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as Item 2023-002.

St. Mary Parish Water and Sewer Commission No. 2's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the finding identified in our audit is described in the accompanying schedule of findings. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Louisiana Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
July 17, 2024

**St. Mary Parish Water and Sewer Commission No. 2
State of Louisiana**

Schedule of Findings
For the Year Ended September 30, 2023

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the St. Mary Parish Water and Sewer Commission No. 2.
2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control over Financial Reporting

There was one deficiency in internal control over financial reporting noted during the audit of the financial statements. This condition is reported as a material weakness.

Compliance and Other Matters

There was one instance of noncompliance or other matters noted during the audit of the financial statements that are required to be reported.

3. Federal Awards

This section is not applicable for the year ended September 30, 2023.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

Material Weaknesses

ITEM 2023-001 - LACK OF SEGREGATION OF DUTIES

Auditors' Comments

Condition: While performing audit tests and inquiring about internal control, we discovered that there is little segregation of duties in the area of billings and collections.

Criteria: Ordinarily, the accounting duties performed in an organization are segregated to reduce possible errors or irregularities that could occur in the accounting records and not be detected.

Effect: Lack of segregation of duties results in a material weakness in internal accounting controls.

Cause: The Commission has limited personnel.

Management's Comments: We will constantly monitor the activity of the employees, in an effort to minimize any errors or omissions. We have determined, it is not economically feasible to hire additional employees at this time.

Compliance and Other Matters Instance of Noncompliance

ITEM NO. 2023-002 FAILURE TO FILE AUDIT REPORT ON TIME

Auditor's Comments

Condition: The Commission's audit was completed and furnished to the Louisiana Legislative Auditor (LLA) within the required time frame of the approved LLA extension request. However, because the extension is a nonemergency extension a late finding is required to be reported.

Criteria: Audit reports should be filed with the Office of the Legislative Auditor no later than six months after the entity's fiscal year end.

Effect: Failure to complete and furnish the audit on time violated state statute. In addition, management should be presented with timely audited financial information so that they can better manage the Commission's operation.

Cause: Due to a delay in obtaining the necessary information for the start of the audit from the Commission's outside accountant, they were unable to furnish the information needed to submit the audit report on time. Therefore an nonemergency extension was requested and approved from the LLA.

Recommendations: The Commission should submit all requested information to their auditor to avoid the late submission of the audit report in the future.

Management's Response: We will furnish our auditor with the information needed to submit the audit report on time.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2023.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION
PREPARED BY ST. MARY PARISH
WATER AND SEWER COMMISSION NO. 2

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND
OTHER MATTERS MATERIAL TO THE FINANCIAL STATEMENTS

Internal Control

Material Weakness

Item 2022-001 Segregation of Duties

Condition: While performing audit tests and inquiring about internal control, our auditors discovered that there is very little segregation of duties within the Commission's accounting function.

Corrective Action: The Board will constantly monitor the activity of the employees, in an effort to minimize any errors or omissions. It is not economically feasible to hire additional employees at this time.

Compliance and Other Matters

Instance of NonCompliance

Item 2022-002 Failure to File Audit Report on Time

Condition: The Commission's audit was completed and furnished to the Louisiana Legislative Auditor (LLA) within the required time frame of the approved LLA extension request. However, because the extension is a nonemergency extension, a late finding is required to be reported.

Corrective Action: This matter has not been resolved.

ST MARY PARISH WATER & SEWER COMM. 2

P.O. BOX 635

PATTERSON, LA 70392-0635

985-395-2747

985-395-9530 fax

stmarywatersewer2@att.net

July 17, 2024

Mr. Michael J "Mike" Waguespack, CPA
Legislative Auditor, State of Louisiana
P.O. Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Waguespack,

The St. Mary Parish Water & Sewer Commission No. 2 respectfully submits the following corrective action plan for our year ended September 30, 2023:

Person Responsible: Chris Cooper, President

St. Mary Parish Water & Sewer Commission No. 2

Time for completion: September, 2024

Item 2023 - 001 Segregation of Duties

Finding:

Our auditors noted that there is little segregation of duties in the area of billings and collections.

Corrective Action:

We will constantly monitor the activity of the employees in an effort to minimize any errors or omissions. It is not economically feasible to hire additional employees at this time.

Item 2023-002 Failure to File Audit Report on Time

Finding:

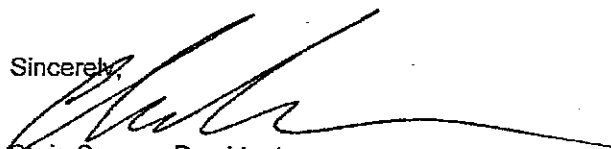
Late audit report filing

Corrective Action:

Our audit was completed and furnished to the Louisiana Legislative Auditor within the required time frame of the approved extension request. However, because the extension is a nonemergency extension, a late finding is required to be reported.

If you have questions concerning this corrective action plan, please contact me.

Sincerely,


Chris Cooper, President
St. Mary Parish

WATER & SEWER COMMISSION NO. 2

ST. MARY PARISH
WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA

SCHEDULE OF PROCEDURES PERFORMED AND
ASSOCIATED FINDINGS BASED UPON THE
STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED
September 30, 2023
WITH
AGREED UPON PROCEDURES REPORT
BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 2
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor (LLA)'s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2022 through September 30, 2023. The St. Mary Parish Water and Sewer Commission No. 2 (Commission) management is responsible for those C/C areas identified in the SAUPs presented in the attached Schedule.

The Commission has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period October 1, 2022 through September 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are included in the attached Schedule.

We were engaged by the Commission to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report may be distributed by the LLA as a public document.

P. He & Matte

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
July 17, 2024

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 2
STATE OF LOUISIANA
Schedule of Procedures Performed and Associated Findings Based upon the
Statewide Agreed-Upon Procedures
For the Year Ended September 30, 2023

Guide to Presentation Format

This report contains these items presented in this order:

Statewide Agreed-Upon Procedures (AUPS) prescribed by the Louisiana Legislative Auditor (LLA),
 Procedures performed by the Independent Certified Public Accountant,
 Findings based upon the procedures performed, and
 Management’s Comments relative to the findings, if applicable.

In order to facilitate understanding this report - the procedures and findings are presented in the following format:

<u>Order of Presentation</u>	<u>Presentation Format</u>
Area or function	Centered all CAPITALS IN BOLD TYPE
Statewide Agreed-Upon Procedures Prescribed (AUPS) by Louisiana Legislative Auditor (LLA)	Regular type highlighted with numbers or letters (if there are multiple parts)
Actual procedures performed by Independent Certified Public Accountant	Denoted as Procedure Performed: (in bold type) followed by procedure in regular type
Finding based upon procedure performed	Denoted as Findings: (in bold type) followed by findings in regular type
Management’s response to findings	Denoted as Management’s Response: (in bold type) followed by <i>managements response in italics</i>

WRITTEN POLICIES AND PROCEDURES

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

Budgeting

- i. Budgeting, including preparing, adopting, monitoring, and amending the budget.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for budgeting.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Purchasing

- ii. Purchasing, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for purchasing.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Disbursements

- iii. Disbursements, including processing, reviewing, and approving.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for disbursements.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Receipts/Collections

- iv. Receipts/collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for receipts and collections.

Findings: Found the Commission has written policies that include the specified functions listed above.

Payroll/Personnel

- v. Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for payroll and personnel.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above with the exception of approval process for employee rates of pay or approval and maintenance of pay rate schedules.

Contracting

- vi. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for contracting.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Travel and Expense Reimbursement

- vii. Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for travel and expense reimbursement.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Credit Cards

- viii. Credit Cards (and debit cards, fuel cards, purchase cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determine the reasonableness of fuel card purchases).

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for credit cards.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Ethics

- ix. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for ethics.

Findings: Found the Commission has written policies and procedures; however, they do not include any of the four specified functions listed above.

Debt Service

- x. Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for debt service.

Findings: Found the Commission does not have written policies and procedures regarding debt service.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Information Technology Disaster Recovery/Business Continuity

- xi. Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for information technology disaster recovery/business continuity.

Findings: Discussed the findings with the Commission.

Prevention of Sexual Harassment

- xii. Prevention of Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Procedure Performed: Obtained from management and inspected the Commission's "Agreed Upon Procedures & Policies" and read the written policies and procedures for sexual harassment.

Findings: Found the Commission has written policies and procedures that include the specified functions listed above.

Management's response:

The Commission has policies and procedures in the areas above, with the exception of ethics and payroll/personnel (as listed below), however the following are not in writing:

Debt Service

Information Technology Disaster Recovery/Business Continuity

Ethics

Payroll/Personnel as it relates to approval process for employee rates of pay or approval and maintenance of pay rate schedules.

We will put policies and procedures in all areas in writing.

BOARD OR FINANCE COMMITTEE

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Procedure Performed: We obtained and read the Commission's board minutes for the fiscal period as well as Louisiana State Law as it relates to Water and Sewer Commissions and the Ordinance that created the Commission.

Findings: Found that the Commission met with a quorum at all twelve of the monthly meetings.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Procedure Performed: We obtained and read the Commission's board minutes for the fiscal period.

Findings: Found that the minutes did include reference to the Commission's biannual budget-to-actual comparisons.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Procedure Performed: We obtained and read the Commission's prior year audit report and observed the unassigned fund balance in the general fund.

Findings: Found that general fund did not have a negative ending unassigned fund balance in the prior year audit report.

BOARD OR FINANCE COMMITTEE (CONTINUED)

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Procedure Performed: We obtained and read the Commission's meeting minutes for the fiscal period and corrective action plan for the prior audit period.

Findings: Found management's opinion to their segregation of duties finding is that the cost of taking corrective action exceeds the benefits of correcting the finding.

Management's response:

No comment.

BANK RECONCILIATIONS

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedures Performed: Obtained the listing of bank accounts from management and received management's representation that the listing is complete. The listing contained 4 bank accounts, two of which were money market accounts that are not a part of the Commission's daily business operations. Therefore, we excluded these accounts for the purposes of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures. For the remaining 2 bank accounts, we randomly selected one month from the fiscal period and obtained and inspected the corresponding bank statement and bank reconciliation.

Findings:

- i. Observed bank reconciliations were not prepared within 2 months of the related statement closing date.
- ii. Observed there is no evidence that a member of management or board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.
- iii. Observed that management has documentation reflecting that it has researched all reconciling items outstanding for more than 12 months from the statement's closing date.

Management's response:

In the future, bank reconciliations will include evidence that they were prepared within 2 months of the related statement closing date and that a board member has reviewed each reconciliation.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS)

4) Collections (Excluding Electronic Funds Transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Procedure Performed: Obtained the listing of deposit sites where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete.

Findings: The Commission has only one deposit site.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
- i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

Procedure Performed: Obtained the listing of cash/check/money order (cash) collections locations for the Commission's one deposit site and management's written representation that the listing is complete and inquired of employees about the employees' job duties.

Findings: The Commission has only one cash collection location.

- i. The office manager and clerks do not share a locking cash drawer.
- ii. The office manager and clerks who are responsible for collections are also responsible for preparing, making bank deposits, and reconciles collection documentation to the deposit.
- iii. The office manager and clerks are both responsible for collecting cash and are both responsible for posting collection entries to the general and subsidiary ledgers.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS) (CONTINUED)

- iv. The office manager and clerks are responsible for reconciling cash collections to the general ledger and is also responsible for collection of cash. However, the Board of Directors are responsible for verifying the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

Procedure Performed: Obtained and read a copy of the insurance policy for theft covering all employees who have access to cash and observed the insurance policy for theft was in force during the fiscal period.

Findings: Found the insurance policy for theft was in force during the fiscal period.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS) (CONTINUED)

Procedure Performed: Randomly selected two deposit dates from the bank statements for each of the 2 bank accounts selected for procedure #3A (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for the selected deposits.

- i. Observed the Commission does have sequentially pre-numbered receipts.
- ii. Traced sequentially pre-numbered receipts and other related collection documentation to deposit splits.
- iii. Traced the deposit slip total to the actual deposit per bank statement.
- iv. Observed that all deposits were made within one day of receipt at the collection location.
- v. Traced the actual deposit per bank statement to the general ledger.

Findings:

- i. Found the Commission received two types of collections:
 - (1) Deposits for utility services
 - (2) Monthly payments for utility services

Sequentially pre-numbered receipts are used for utility deposits only in the meter fund. However, a pre-numbered electronic utility bill payment stub card with the customer's account number is maintained for collection of monthly utility services.

- ii. Collections documentation agrees to the deposit slips for water and sewer collections and utility deposits.
- iii. The deposit slips total agrees to the deposit amount on the bank statement.
- iv. Found that all the deposits were made within one business day of receipt at the collection location.
- v. The actual deposit per bank statements agrees with the collection recorded in the general ledger.

Management's response:

In the future, the employee responsible for cash collection will not:

Prepare/make bank deposits without another employee reconciling collection documentation to the deposit.

Post collection entries to the general ledger without another employee reconciling ledger postings to each other and to the deposit.

Due to our control system in place, we do not consider it necessary to have sequentially pre-numbered receipts for water and sewer collections and collections received from other governmental entities.

**NON-PAYROLL DISBURSEMENTS – (EXCLUDING CARD PURCHASE, TRAVEL
REIMBURSEMENTS, AND PETTY CASH PURCHASES)**

5) Non-Payroll Disbursements (excluding card purchases, travel reimbursements and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Procedure Performed: We obtained a listing of locations that process payments from management and management's representation that the listing is complete.

Findings: Found the Commission has one location that processes payments.

- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
- ii. At least two employees are involved in processing and approving payments to vendors;
- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

NON-PAYROLL DISBURSEMENTS – (EXCLUDING CARD PURCHASE, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED)

Procedure Performed: We obtained a listing of employees involved with non-payroll purchasing and payment functions. We obtained and read the written policies and procedures related to employees' job duties. Note certain of the Commission's policies and procedures in the purchasing area are not in writing. For those policies and procedures, we inquired of employees about their job duties.

Findings:

- i. Board of Directors are involved in initiating a purchase request, approving a purchase, The Office Manager is responsible for placing an order/making purchase.
- ii. At least two employees are involved in processing payments. The Board of Directors are responsible for approving payments to vendors.
- iii. Employees responsible for processing payments are not prohibited from adding/modifying vendor files. However, adding or modifying vendor files is prohibited without the office administrator or board member's approval.
- iv. Board members who are responsible for signing checks, do not mail the checks. The employee who is responsible for mailing the checks is also responsible for processing payments. However, all payments must be approved by the board prior to mailing.
- v. Board members who are authorized to sign checks approve the electronic disbursement of funds.

C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

Procedure Performed: We obtained the Commission's non-payroll disbursements transaction population (excluding cards and travel reimbursements) and management's representation that the population was complete. We randomly selected 5 disbursements from the listing and obtained and observed supporting documentation for each transaction.

NON-PAYROLL DISBURSEMENTS – (EXCLUDING CARD PURCHASE, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED)

Findings:

- i. Found that all 5 selected disbursements matched the related original itemized invoice and supporting documentation indicated that deliverables included on the invoice were received by the Commission.
 - ii. Found that the documentation for all 5 disbursements included evidence that the Commission is following its policies as it relates to the segregation of duties tested under 5B(i) and 5B(ii). However, due to limited personnel, duties are not segregated as it relates to policies tested under 5B(iv). Policies tested under 5B(iii) and 5B(v) are not applicable because the vendor files were not added or modified for the selected disbursements, and none were electronically disbursed.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Procedure Performed: Using the Commission's main operating account for the month selected in Bank Reconciliations procedure #3A, we selected all 4 of the Commission's non-payroll-related electronic disbursements that occurred and obtained supporting documentation for each disbursement.

Findings:

- a) Found there was no evidence that electronic disbursements were approved by those persons authorized to disburse funds per the Commission's policy.
- b) Found there was no evidence that electronic disbursements were approved by the required number of authorized signers per the Commission's policy.

Management's response:

Checks will no longer be mailed by an employee who processes payments.

In the future, board members authorized to sign checks will approve the electronic disbursement of funds.

CREDIT CARDS/DEBIT CARDS/ FUEL CARDS/PURCHASE CARDS (CARDS)

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Procedure Performed: We obtained from management a listing of all active credit cards, bank debit cards, fuel card, and purchase cards and related information for the fiscal period and obtained management's written confirmation that the listing was complete.

Findings: Found that the listing contained 1 fuel card and 1 credit card and related information.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.

Procedure Performed: We selected the 1 fuel card and 1 credit card from the list obtained in #6A above that were used during the fiscal period. We randomly selected and obtained one monthly statement and supporting documentation for the selected fuel card and credit card. We observed the statements and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder. We observed the statement to determine whether finance charges and late fees were not assessed on the selected statement.

Findings: The selected fuel card and credit card along with the supporting documentation were reviewed and approved by a board member.

Found that finance charges and late fees were not assessed.

CREDIT CARDS/DEBIT CARDS/ FUEL CARDS/PURCHASE CARDS (CARDS)
(CONTINUED)

- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Procedure Performed: We selected the one transaction from the monthly statement in #7B above, excluding fuel cards, and obtained supporting documentation for the transaction. We performed the following procedures:

- 1) We observed the itemized receipts that identifies precisely what was purchased.
- 2) We observed written documentation of the business/public purpose.
- 3) We inquired of management and observed there were no meal charges.

Findings:

- 1) Found the transaction had supporting documentation (original itemized receipts) that identified what was purchased.
- 2) Found written documentation of the business/public purpose.
- 3) Found there were no meal charges.

Management's response:

No comment.

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Procedure Performed: Obtained from management a general ledger listing of all travel and travel-related expense reimbursements during the fiscal period and obtained management's written representation that the general ledger is complete. The listing contained 3 travel-related expense reimbursements. Selected all 3 reimbursements and obtained supporting documentation for each reimbursement.

Findings: Travel and travel-related expenses included payments for meals and lodging reimbursements to employees.

- i. Found no reimbursements used a per diem during the fiscal period.
- ii. Observed all three reimbursements used actual costs and were supported by original itemized receipts that identifies precisely what was purchased.
- iii. Observed all three reimbursements were supported by documentation of the business/public purpose and other documentation required by the Commission's written policy.
- iv. Observed that all three reimbursements were reviewed and approved in writing by someone other than the person receiving reimbursement.

Management's response:

No comment.

CONTRACTS

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure Performed: Inquired of management and obtained management's written representation that no agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period.

Findings: Found that no agreements/contracts for professional services, materials and supplies, leases, and construction activities were initiated or renewed during the fiscal period.

Management's response:

No Comment

PAYROLL AND PERSONNEL

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Procedure Performed: We obtained a listing of employees employed during the fiscal period and obtain management's written representation that the listing is complete. We selected 5 employees and obtained their related paid salaries and personnel files, and agreed salaries to authorized salaries.

Findings: The listing contained 5 employees. There are no elected officials.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Procedure Performed: We randomly selected one pay period during the fiscal period (1st Pay Period in July 7/15/2023) and obtained attendance records and leave documentation for that pay period for the 5 employees selected for procedure #9A above.

- i. Observed all selected employees documented their daily attendance and leave.
- ii. Observed attendance and leave did not have written approval.
- iii. Observed any leave accrued or taken during the pay period is reflected in the Department's cumulative leave records.
- iv. Observed the rate paid to the employees agree to the authorized salary found within the personnel file.

PAYROLL AND PERSONNEL (CONTINUED)

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

Procedure Performed: Inquired of management and obtained management's written representation that no employees received termination payments during the fiscal period.

Findings: Found no termination payments were made during the fiscal period.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Procedure Performed: Inquired of management and obtained management's written representation that employer and employee portions of third-party payroll related amounts have been paid, and all associated forms have been filed by required deadline.

Findings: Found that employer and employee portions of third-party payroll related amounts have been paid, and all associated forms have been filed by required deadline.

Management's response:

In the future, we will document approval of attendance and leave in writing.

ETHICS

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Procedure Performed: Obtained and observed ethics documentation from management for the 5 selected employees from Payroll and Personnel procedure #9A. Obtained management's representation that there were no changes to the Commission's Ethics Policy during the current fiscal year.

Findings:

- i. Observed ethic certificate documentation demonstrates 4 of 5 employees completed one hour of ethics training during the fiscal period.
 - ii. This procedure is not applicable. There were no changes to the Commission's ethics policy during the fiscal period.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Procedure Performed: Inquired of management and obtained management's written representation that the Commission has not appointed an ethics designee.

Findings: Found that the Commission has not appointed an ethics designee.

Management's response:

In the future, we will have all employees complete one hour of ethics training annually.

We will appoint an ethics designee.

DEBT SERVICE

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Procedure Performed: Inquired of management and obtained management's written representation that no debt was issued during the fiscal period.

Findings: Found that no debt was issued during the fiscal period.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Procedure Performed: Inquired of management and obtained management's written representation that the Commission had no outstanding bonds/notes during the fiscal period.

Findings: Found the Commission had no outstanding bonds/notes during the fiscal period.

Management's response:
No comment.

FRAUD NOTICE

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Procedure Performed: Inquired of management and obtained management's written representation that the Commission did not have any misappropriation of public funds and assets during the fiscal period.

Findings: Found the Commission did not have any misappropriation of public funds and assets during the fiscal period.

- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Procedure Performed: Observed the Commission posted, on its premises and website, the notice required by R.S. 24-523.1.

Findings: Found the Commission posted, on its premises and website, the notice required by R.S. 24-523.1.

Management's response:

No comment.

INFORMATION TECHNOLOGY DISASTER RECOVERY/BUSINESS CONTINUITY

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”
- i. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government’s local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Procedure Performed: We performed the procedures.

Findings: Verbally discussed the results with management.

PREVENTION OF SEXUAL HARASSMENT

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Procedure Performed: Obtained and read the sexual harassment training documentation from management and requested the sexual harassment training documentation for the 5 selected employees from Payroll and Personnel procedure #9A.

Findings: Found 4 of the 5 employees completed at least one hour of sexual harassment training during the calendar year.

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Procedure Performed: Observed the Commission posted its sexual harassment policy and complaint procedure in a conspicuous location on the premises. Inquired of management and obtained management's representation that the Commission did not post its sexual harassment policy and complaint procedure on its website.

Findings: Found the Commission posted its sexual harassment policy and complaint procedure in a conspicuous location on the premises.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;
- ii. Number of sexual harassment complaints received by the agency;
- iii. Number of complaints which resulted in a finding that sexual harassment occurred;
- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- v. Amount of time it took to resolve each complaint.

Procedure Performed: Obtained and observed the Commission's annual sexual harassment report for the current fiscal period.

Findings: Found the Commission's report indicated no sexual harassment reports for the calendar year 2023. B(iii)—B(v) is not applicable because the Commission did not have any sexual harassment complaints.

Management's response:

In the future, we will have all employees complete sexual harassment training annually.