

LEGISLATIVE APPROVAL

CITY OF DONALDSONVILLE

Donaldsonville, Louisiana

Findings and Recommendations (Continued)

receiving gasoline; (3) consider dual signatures for check amounts over a specified amount, and (5) require that all bank statements be received unopened by the city manager for his review.

Payroll Procedures Need Improvement

The city needs to improve payroll procedures. Our review of payroll and personnel records revealed:

- All employees do not prepare time reports each pay period. The city manager, financial director, and supervisor of streets do not prepare time reports.
- Current authorized pay rate/salary is not included in the employees' personnel files.
- Form I-9 - "Employment Eligibility Verification" is not maintained for employees hired after November 8, 1986, as required by the United States Department of Justice Immigration and Naturalization Service.

The city should (1) require all employees to prepare and sign a time report every pay period and have the immediate supervisor approve the time report; (2) include the current authorized pay rate/salary in the employees' personnel files; and (3) include a completed Form I-9 in the employees' personnel files for all employees hired after November 8, 1986.

Utility Accounts Receivable

Not Reconciled

The utility (gas and sewerage) accounts receivable balances in the general ledger have not been reconciled with the detailed listing of customers' accounts receivable (subsidiary ledger). Reconciling the general ledger accounts receivable balances with the subsidiary ledger helps to ensure that the utility accounts receivable and gas and sewerage charges for services are presented fairly in the city's financial statements. At March 31, 1997, the utility accounts receivable recorded in the general ledger totals \$132,512, and the subsidiary ledger totals \$123,994, a difference of \$8,548.

The city should reconcile the general ledger balances with the accounts receivable subsidiary ledger on a monthly basis.



OFFICE OF
LEGISLATIVE AUDITOR
 STATE OF LOUISIANA
 BAYOU BOULEVARD, LOUISIANA 70804-1097

DAVID L. BRYAN, CPA, CFE
 LEGISLATIVE AUDITOR

MISSISSIPPI TRIBUNE (1987)
 2001 & 2002 (2007)
 THE COURIER (2002 & 2006)
 THE STATE (2002 & 2006)

May 27, 2007

HONORABLE FRANCIS C. THOMPSON, CHAIRMAN,
 AND MEMBERS OF THE LEGISLATIVE
 AUDIT ADVISORY COUNCIL,
 Baton Rouge, Louisiana

Transmitted herewith is our report on the examination of the City of Donaldsonville (city). Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine whether the city has taken appropriate action in response to audit findings cited in the audit report and management letter dated December 12, 2006, issued by Postrelvas & Nettoville, Certified Public Accountants.

The accompanying report includes unresolved audit findings. We will continue to monitor these audit findings until the findings are resolved by management.

Copies of this report have been delivered to the mayor, members of the commission council of the City of Donaldsonville, and other authorities as required by state law.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
 Legislative Auditor

DKR:DLM:wh

(continued)

LEGISLATIVE AUDITOR

CITY OF DONALDSONVILLE
Donaldsonville, Louisiana

BACKGROUND AND METHODOLOGY

Forfeithwaite & Notterville, Certified Public Accountants, issued an audit report and accompanying management letter dated December 10, 1999, on the financial statements of the City of Donaldsonville (city) for the year ended June 30, 1999. The audit report and management letter included numerous internal control deficiencies and violations of state laws and regulations. We visited the city to determine whether appropriate action was taken to correct the matters included in the audit report and management letter.

Our procedures consisted of the following: (1) examining selected city records, (2) interviewing certain employees of the city, (3) reviewing applicable Louisiana laws and Attorney General opinions, and (4) making inquiries to the extent we considered necessary to achieve our purpose.

LEGISLATIVE ACTION

CITY OF DONALDSONVILLE Donaldsonville, Louisiana

CONCLUSIONS

Based on the results of the procedures performed during our visit to the city, we conclude that the city has taken the following steps to resolve the findings contained in the audit report and accompanying management letter dated December 10, 1990:

1. The city now records current year additions of capital outlay items in the fixed asset ledger.
2. The city monitors its budget on a monthly basis to ensure that actual expenditures do not exceed budgeted expenditures by more than 5 percent.
3. The city's June 30, 1991, budget included a budget message.
4. The city hired a consultant to oversee the Louisiana Housing Finance Agency (LHFA) Health and Safety Rehabilitation Grant Program. All renovations were made to the houses and were in compliance with the grant agreement, the city received all grant funds due there, and the LHFA grant was closed out.
5. All cash accounts are properly classified on the balance sheets of the General Fund and Enterprise Fund.
6. Restricted account and debt service account transactions are properly recorded in the general ledger.
7. The city is now properly recording fixed asset additions, sales tax collections on gas bills, penalties for late gas payments, and reconnect charges.
8. Sales tax returns for gas sales are now being prepared correctly. The city's financial director is in the process of filing amended returns for the past three years to obtain a refund for the city for the overpayment of sales tax to the state.
9. All fixed asset purchases over \$500 are being approved by the full council.
10. The city manager approves all purchases.

The city has not addressed the following findings included in the Pooletheute & Nettreville audit report and accompanying management letter dated December 10, 1990:

1. The city has not reconciled the customers' meter deposit account with the listing of individual customer's meter deposits.
2. The city's policy for the accrual of vacation has not been clarified.

LEGISLATIVE AUDITOR

CITY OF DONALDSONVILLE

Donaldsonville, Louisiana

Conclusions (Concluded)

As a result of following-up on the findings contained in the Postlethwaite & Nottville audit report and management letter dated December 10, 1996, the following matters came to our attention:

1. Excess cash is not invested.
2. Fixed asset records are not current, assets are not tagged, and physical inventories are not conducted.
3. The city needs to improve controls and procedures over disbursements.
4. The city needs to improve payroll procedures.
5. The utility accounts receivable balance in the general ledger has not been reconciled with the detailed listing of customers' accounts receivable.
6. The city has not made sufficient efforts to collect delinquent gas and sewerage accounts.

The Findings and Recommendations section of this report provides details for our conclusions for the findings not addressed by the city and the additional matters that came to our attention during our follow-up review.

CITY OF DONALDSONVILLE

Donaldsonville, Louisiana

Findings and Recommendations (Continued)

**Fixed Asset Records and
Procedures Need Improvement**

The city's detailed fixed asset records are not current, assets are not tagged, and physical inventories of fixed assets are not being conducted timely. Good internal controls over fixed assets require that: (1) detailed fixed asset records be current; (2) every asset include a tag identifying it with a number that can be cross-referenced to the detailed fixed asset records; and (3) a physical inventory be conducted at least on an annual basis.

Of the 14 items selected from the detailed fixed asset records, we physically observed four of the items that were currently in use. Five of the items selected were obsolete/junk, and five of the items selected could not be located. Fixed assets are not tagged, therefore, identifying asset items to the detailed fixed asset listing was not always possible. In addition, the description for some assets on the detailed fixed asset listing was too general to locate the asset. Although a complete physical inventory of fixed assets has not been taken, the financial director has started taking a physical inventory of her division.

The city should: (1) adopt a written policy to define assets that will be inventoried, including the minimum value for inclusion on the list of fixed assets; (2) take a physical inventory at least annually, and follow up on items not found during the physical inventory; and (3) identify (tag) assets that belong to the city and include the tag number on the listing of fixed assets.

Need to Improve Controls Over Disbursements

The city needs to improve controls and procedures over disbursements. The control weaknesses are:

- Signed checks are returned to the employee who prepared them.
- Invoices are not canceled or marked "paid" to prevent duplicate payment.
- Documentation to support certain credit card charges are not always submitted to accounting to be attached to billing statements. Also, supporting documentation included did not always indicate the purpose and nature of the charges.
- Supporting receipts for some gasoline purchases do not identify the vehicle (license number or vehicle number) and odometer readings are not included on the receipts.

The city should: (1) give the signed checks to the city manager's secretary to be mailed to the vendor; (2) ensure that paid invoices are canceled or stamped "paid" or otherwise detached to prevent duplicate payment; (3) discontinue using the credit card; (4) require that gasoline receipts include odometer readings and the license number or vehicle number of the vehicle

LEGISLATIVE ACTION

CITY OF DONALDSONVILLE
Donaldsonville, Louisiana
Findings and Recommendations (Continued)

**Insufficient Effort to Collect
Delinquent Utility Accounts**

The city has not made sufficient efforts to collect delinquent gas and sewerage accounts. Article VII, Section 14 of the Louisiana Constitution of 1974 provides that the lands, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation. In addition, Louisiana Attorney General Opinion 75-1650 provides that delinquent accounts receivable may not be forgiven and that all steps must be taken to collect the delinquent accounts, including the reduction of said accounts to judgment.

We were informed that the city has a policy of disconnecting customer utilities if payment is not received within 30 days of the billing date. However, the city does not actively try to collect the delinquent account balances.

The city should take aggressive action to collect delinquent amounts, including legal action when necessary. In addition, an accounts receivable aging (accounts receivable balances by the number of days past due) should be prepared each month and used by the city to monitor the collection efforts.

Attachment I

Management's Responses



City of Donaldsonville

RAIMOND CHAPUIS
DIRECTOR AND ADMINISTRATOR OF PUBLIC HEALTH AND SAFETY

HILDEGAR "LARRY" WELLS
ADMINISTRATOR OF UTILITIES
RAYMOND J. JACOBI
COMMUNITY DEVELOPMENT MGR. I

JOSEPH C. HOGAN/CHAIR
MEMBER OF CITY COUNCIL MGR. II
LEROY J. BULLIVER, CHM.
COMMUNITY DEVELOPMENT MGR. I

June 9, 1997

David G. Kyle, Ph. D., CPA, CFE
Legislative Auditor
1000 North Third Street
Post Office Box 94097
Baton Rouge, LA 70804-0977

Re: Examination of 1996-1997 Audit Report

Dear Mr. Kyle:

The City of Donaldsonville hereby submits its report regarding the findings and recommendations submitted by the Louisiana Legislative Auditor's Office in regards to the City of Donaldsonville 1996-1997 Audit Report.

I. Customers' Meter Deposit Account Not Reconciled

Findings:

The meter deposit account has not been reconciled with the detail listing of customers' meter deposits.

Response:

The City of Donaldsonville has corrected this finding by implementing a procedure to update and balance the detail listing of the customer's meter deposits with the bank accounts. Reconciliation of this account is and will continue to be performed by the Finance Director on a monthly basis and monitored by the City Manager when completed.

LEGISLATIVE AUDIT ADVISORY COUNCIL

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Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF POLICY AND QUALITY ASSURANCE

Greer C. Austin, CPA

LEGISLATIVE AUDITOR

CITY OF DONALDSONVILLE
Donaldsonville, Louisiana

FINDINGS AND RECOMMENDATIONS

**Customers' Meter Deposit
Account Not Reconciled**

The meter deposit account has not been reconciled with the detailed listing of customers' meter deposits. Management of the city has a fiduciary responsibility to reconcile the meter deposit bank account with the detailed listing of customer deposits. At March 31, 1997, the cash balance in the meter deposit bank account totals \$101,843.

The city should (1) update and balance the detailed listing of customers' meter deposits with the cash account and (2) reconcile on a monthly basis the meter deposit bank account with the detailed listing of individual customer deposits.

Vacation Policy Needs Clarification

The city's vacation policy is not clear as to whether vacation is earned at date of hire or the beginning of the calendar year. Without a clear vacation policy to follow, the city may be paying employees for vacation leave not earned.

The city should revise its vacation policy and communicate this policy to all employees.

Excess Cash Not Invested

The city did not invest excess cash. Louisiana Revised Statutes (R.S.) 23:2805 authorizes and directs the city to invest monies that are determined to be available for investment in prescribed interest-bearing accounts or securities. Furthermore, good business practice requires the city to invest monies in excess of immediate cash needs.

At March 31, 1997, the city has cash in demand deposit accounts totaling \$1,413,863. Of this amount, \$805,408 is in noninterest-bearing demand deposit accounts and \$608,202 is in interest-bearing demand deposit accounts earning 2.25 percent interest.

The city should develop and adopt an investment policy when excess cash is invested in prescribed interest-bearing accounts or securities.

CITY OF DONALDSONVILLE

Donaldsonville, Louisiana

Follow-up Report
Dated May 27, 1997

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

June 18, 1997

page 2
continued

2. Vacation Policy Needs Clarification.

Finding:

The city's vacation policy is not clear as to whether vacation is earned at date of hire or the beginning of the calendar year.

Response:

The city's vacation policy is currently being reviewed and updated. The city's external auditor is assisting the city in revising this policy. The city will have this policy in effect by June 30, 1997.

3. Excess Cash Not Invested

Finding:

The city did not invest excess cash.

Response:

The City of Donaldsonville is making preparations to invest its funds that are idle and not invested in interest bearing accounts. The city will meet with its local banking institution to discuss interest and investment opportunities. In addition, the city will adopt an investment policy to ensure good financial practices.

4. Fixed Asset Records and Procedures Need Improvement.

Finding:

The city's detail fixed asset records are not current, assets are not tagged, and physical inventories of fixed assets are not being conducted timely.

Response:

The City of Donaldsonville will adopt a written policy that will define the specific location of assets and maintain a current inventory list of all fixed assets.

STATE OF LOUISIANA LEGISLATIVE AUDITOR

City of Donaldsonville
Donaldsonville, Louisiana

June 18, 1997



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Policy and Quality Assurance Division

*Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor*

CITY OF DONALDSONVILLE
Donaldsonville, Louisiana

CONTENTS

	Page
Legislative Auditor's Transmittal Letter	2
Background and Methodology	3
Conclusions	4
Findings and Recommendations	6
	Attachment
Management's Responses	i

page 5
continued

In conclusion, the City of Donaldsonville's aim is to continually improve its financial records so that there is control over receivables, disbursements and investment of public funds. The City's Council and Administration is making its financial obligation top priority. If any additional information is requested or comments are needed, please do not hesitate to contact my office at (504) 473-4347.

Sincerely,



Harold Capelle, Mayor
City of Donaldsonville

HC/jm

cc: Council Members

page 4
continued

Response:

The City Manager, Financial Director and Supervisor of Streets and Parks will complete time sheets commencing on July 1, 1997. The City of Donaldsonville has updated all employee personnel files and will comply with the United States Department of Justice Immigration and Natural Service when hiring all employees. Form I-9 - "Employment Eligibility Verification form" will be mandated as part of the city's hiring policy.

7. Utility Accounts Receivable Not Reconciled.

Finding:

The utility (gas and sewerage) accounts receivable balances in the general ledger has not been reconciled with the total listing of customer's accounts receivable (subsidiary ledger).

Response:

The City of Donaldsonville has reconciled its utility (gas and sewerage) accounts receivable balances in the general fund of April 30, 1997. In addition, the Finance Director will reconcile the general ledger balances with accounts receivable subsidiary ledger on a monthly basis.

8. Inefficient Effort to Collect Delinquent Utility Accounts.

Finding:

The city has not made sufficient efforts to collect delinquent gas and sewerage accounts.

Response:

Accounts will be monitored monthly for accuracy and forwarded to the city's attorney for collection of delinquent accounts.

page 3
continued

The City of Donaldsonville will insure that all inventory assets are accounted for by conducting a physical inventory on a regular basis by identifying items with a pre-numbered tag system.

5. Need to Improve Controls Over Disbursements:

Finding:

The city needs to improve controls and procedures over check disbursements.

Response:

The City of Donaldsonville will comply with this ruling by having the Financial Director monitor vendor checks which are prepared by the assistant before given to the secretary to mail.

The Financial Assistant will stamp all vouchers and invoices paid as each batch of disbursements is processed.

The City of Donaldsonville will cancel the credit card accounts as of June 30, 1997.

The City of Donaldsonville will develop a form to track the purchase of gasoline. All employees will be required to complete this form when purchasing gasoline. The form will identify the odometer reading, license number, and signature of employee purchasing fuel and will be initiated by the attached. This form will be turned in weekly to the Finance Director.

All checks over \$50,000 must be signed by the Commissioner of Finance and the Mayor.

The City Manager will receive and review all bank statements on a monthly basis.

6. Excess Expenditure (Food Expenditures):

Finding:

The city needs to improve payroll procedures.