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STATE OF LOUISIANA LEGISLATIVE AUDITOR

City of Jeannerette
Jeannerette, Louisiana

May 27, 1998



Audit Resolution Report

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

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CITY OF JEANERETTE

Jeanerette, Louisiana

Audit Resolution Report

Dated April 3, 1999

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Clerks, 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.

May 27, 1999

City of Jeanerette
Jeanerette, Louisiana

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LEGISLATIVE AUDITOR

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April 3, 1993

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

We have performed a limited examination of the City of Jeanerette. 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 findings cited in the report and management letter dated December 12, 1992, issued by Broussard & Broussard, Certified Public Accountants.

The accompanying report includes unresolved audit findings. We will continue to monitor those audit findings until management resolves the findings.

Copies of this report have been delivered to the mayor and attorneys of the City of Jeanerette and other authorities as required by state law.

Respectfully submitted,

Daniel G. Kyles, CPA, CFE
Legislative Auditor

DGK:GLM:ev

4/03/93

LEGISLATIVE AUDITOR

CITY OF JEANERETTE

Jeanerette, Louisiana

BACKGROUND AND METHODOLOGY

Broussard & Broussard, Certified Public Accountants, issued an audit report and accompanying management letter dated December 12, 1997, on the financial statements of the City of Jeanerette for the year ended June 30, 1997. 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 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 AUDITOR

CITY OF JEANERETTE Jeanerette, Louisiana

CONCLUSIONS

Based on the results of the procedures performed during our visit to the city, we conclude that management of the city has taken the following steps to resolve the findings contained in the Broussard & Broussard report, and accompanying management letter, dated December 12, 1997:

1. Deposits are made on a daily basis.
2. Financial records are maintained in an orderly fashion.
3. Insurance premiums are paid in interest free installments.
4. The mayor informed us that the city contacted with Professional Portraits, Incorporated, to prepare the city's policies and procedures manual. The estimated completion date is June 30, 1998.
5. Supplies were not purchased from the undercover narcotics cash fund during the period of our review.
6. Deposits we reviewed were made to the proper accounts.
7. Purchase orders we reviewed were prepared before materials were ordered.
8. The mayor informed us that in the future the Summer Feeding Program paid invoices would be marked "paid" to prevent duplicate payment.
9. The police grant financial records are maintained at city hall.
10. The police officer ordered to reimburse the city for unauthorized cellular phone calls signed a payroll authorization form on April 2, 1998, to withhold \$25 from his pay each pay period until the amount is repaid to the city.
11. The city's annual budget (June 30, 1998) was adopted timely.
12. Actual expenditures do not exceed budgeted expenditures by more than 5% as of February 26, 1998.
13. The administrator of the Summer Feeding Program who hired his spouse to work in the program resigned.
14. The mayor informed us that menu worksheets would be maintained for future Summer Feeding Programs.

LEGISLATIVE AGENCY

City of Jeanerette Jeanerette, Louisiana Conclusions (Continued)

15. The mayor determined that the Summer Feeding Program invoice totaling \$6,000 for transportation expenses was not a bona fide expenditure of the program.
16. The billing clerk performs the monthly utility billings without assistance from the computer programmer.

Management of the city did not address the following findings included in the Groussard & Groussard report, and accompanying management letter dated December 12, 1997:

1. The city continues to have significant bank overdraft charges for insufficient funds. Bank overdraft charges totaled \$17,236 for the period July 1, 1997, through February 28, 1998.
2. The utility accounts receivable balance in the general ledger is not reconciled with the detailed accounts receivable listing and the meter deposit account is not reconciled with the detailed listing of customers' meter deposits.
3. The city does not have a formal policy for collecting delinquent utility accounts.
4. Units of water produced are not reconciled periodically with water billed to customers.
5. Most of the credit card receipts for meals included the names of the individuals receiving meals; however, the business purpose and the business relationship with the individuals were not documented.
6. The city does not have a formal policy for the use of cellular phones.
7. The city is not obtaining quotes for large purchases.
8. Accounts payable are not paid timely.
9. Required transfers to the Sales Tax Bond Sinking Fund and Sewer Capital Additions and Contingency Fund are not being made.
10. Proposed detailed expenditures exceeded the total of detailed estimated funds available for the General Fund.
11. The General Fund has not repaid the \$15,000 of dedicated funds for the King Joseph Recreation Project.

LEGISLATIVE AUDITOR

City of Jeanerette Jeanerette, Louisiana Conclusions (Concluded)

As we evaluated the findings contained in the Broussard & Broussard report and management letter, the following matters came to our attention:

1. The general ledger is not prepared timely.
2. Bank statements and related canceled checks are neither reviewed nor reconciled timely to the book balances.
3. The city did not invest all excess cash.
4. Checks written from August 4, 1997, through March 6, 1998, totaling \$489,406, were signed, recorded, and held in the city's vault.
5. Controls over disbursements need to be improved.
6. The city's gasoline pump records and procedures need to be improved.
7. The city is violating state law by paying retainers for professional services.
8. The General Fund and 1% Sales Tax Special Revenue Fund summary budgets did not agree to the detailed budgets and detailed budgets were not prepared for these special revenue funds.
9. Controls over payroll need to be improved.
10. The city did not report employees' personal use of city vehicles as taxable income as required by federal tax laws.
11. Detailed fixed asset records are not complete.
12. The city did not maintain current written minutes of the meetings of the board.

The Legislative Auditor's Investigative Audit Division is investigating certain matters that came to our attention relating to the city's Summer Feeding Program. These matters are not included in this report, but will be reported at the conclusion of its investigation.

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

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CITY OF JEANERETTE
Jeanerette, Louisiana

FINDINGS AND RECOMMENDATIONS

General Ledger Not Prepared Timely

The general ledger is not prepared timely. On the date of our visit (March 23, 1998), the general ledger was prepared through October 1987. Preparing a general ledger and reconciling certain account balances in the general ledger to detailed records (i.e., cash, accounts receivable, accounts payable) provides assurance that all transactions are recorded. Without a current general ledger, the city is unable to prepare accurate and timely financial statements and the risk of loss from errors and fraud is increased.

The city should implement procedures requiring the timely preparation of the general ledger.

Bank Overdraft Charges

Bank overdraft charges for insufficient funds totaled \$47,235 for the period July 1, 1987, through February 28, 1998. The June 30, 1987, audit reported that bank overdraft charges totaled over \$24,000 for that fiscal year, and over \$9,000 during each of the prior two years. Issuing checks without adequate funds on deposit results in a waste of public funds and shows that the city lacks adequate cash management policies and procedures.

The city should immediately discontinue writing checks for which funds are not available, transfer funds to those bank accounts that have insufficient funds, and monitor the cash balances daily to ensure that funds are available before checks are written.

Bank Statements Should Be Reviewed Timely

Bank statements and related canceled checks are neither reviewed nor reconciled timely to the book balances. Louisiana Revised Statute (R.S.) 10:4-409(4)(2) allows the city thirty days to examine bank statements and canceled checks for unauthorized signatures or alterations. After thirty days, the city is precluded from asserting a claim against the bank for unauthorized signatures or alterations. In addition, reconciling the bank balances with the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the city (an essential process in ensuring complete and accurate monthly financial statements); (2) checks are clearing the bank in a reasonable time; (3) reconciling items (errors, unrecorded

LEGISLATIVE AUDITOR

City of Jeanerette Jeanerette, Louisiana Findings and Recommendations (Continued)

deposits and checks, etc.) are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger cash balance.

On the date of our visit (March 23, 1998), the bank accounts were reconciled through November 1997. December 1997, January 1998, and February 1998 were not reconciled. In addition, the city had not picked up the bank statements from the bank for February 1998. Many of the November bank reconciliations included old checks that had not cleared the bank (outstanding checks) and old reconciling items that were not recorded. For example, the Disbursements Account had outstanding checks dated in December 1996, March 1997, and August 1997. The Water Utility Fund Account had reconciling items from August 1996 to November 1997, totaling \$26,789.

The city should implement procedures requiring timely preparation and supervisory review and approval of bank reconciliations.

All Excess Cash Should Be Invested

The city did not invest all excess cash. R.S. 33:2055(A) 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.

As November 30, 1997, the city had cash in five noninterest-bearing demand deposit accounts totaling \$140,580. In addition, we noted several bank accounts in which the city had cash that earned only 2% interest.

The city should invest excess cash in prescribed interest-bearing accounts or securities.

Checks Should Not Be Held After Being Written

Written, recorded, and signed checks were held in the city's vault. On March 24, 1998 we found twenty checks totaling \$499,496, which were dated from August 4, 1997, through March 8, 1998, being held in the city's vault. The purpose of the checks was to transfer monies between various city bank accounts. As a result of holding these checks, cash balances are not correct and interfund accounts are out of balance.

In addition, required transfers for the Sales Tax Bond Sinking Fund and Sewer Capital Additions and Contingency Fund were included in the checks held. Required transfers from November 1997 through January 1998 totaling \$17,267 for the Sales Tax Bond Sinking Fund and required transfers from October 1997 through January 1998 totaling \$24,723 for the

City of Jeanerette
Jeanerette, Louisiana
Findings and Recommendations (Continued)

Sewer Capital Additions and Contingency Fund) were included in the checks held. As a result, the city is violating its bond agreement by not depositing the required amounts in these funds.

The city should not hold checks after they have been written and recorded.

Need to Improve Controls Over Disbursements

Controls over disbursements need to be improved. The control weaknesses are:

- Invoices are not paid timely. Our test revealed invoices were paid three to eight months after the invoice date.
- Twenty-five invoices were not approved before payment.
- Checks are signed without the check signer reviewing the supporting documentation (invoices, purchase orders, receiving reports, requisitions).
- Three payments totaling \$2,054 were made from copies of invoices.
- Signed checks are returned to the employee who prepared them instead of being mailed directly to the vendor.
- The supplies of blank checks are kept in the vault to which all administrative staff has access.
- Although all checks require two signatures, the city clerk and deputy city clerk are both authorized check signers and can jointly sign checks. Allowing the city clerk and deputy city clerk to sign checks jointly may be incompatible for a proper system of checks and balances.
- IRS Forms 1099 were not filed for the city attorney, financial consultant, or computer programmer.

Management of the city should require that (1) invoices are paid timely; (2) invoices are approved before payment; (3) checks are signed only after reviewing documentation to support the disbursement (invoices, purchase orders, and receiving reports); (4) payments are made only from original invoices; (5) signed checks are mailed by the mayor's secretary; (6) the supply of blank checks is locked at all times under the control of the city clerk; (7) either the mayor or a designated board member be one of the check signers on all checks; and (8) IRS Forms 1099 are filed for all required individuals who do business with the city.

LEGISLATIVE AUDITOR

City of Jeanerette
Jeanerette, Louisiana
Findings and Recommendations (Continued)

Credit Card Charges

A review of the city's credit card (Master Card) charges revealed:

- Purchases that should have been made through the normal purchasing process (e.g., parts, supplies, and equipment) were charged to the credit card.
- Most of the credit card receipts for meals included the names of the individuals participating; however, the business purpose and the business relationship with the individuals were not documented.
- Some charges did not appear to be for business purposes (e.g., the mayor charged \$60 for Mardi Gras cups and masks, \$10 for balloons for a reception, \$14 for parking at the Bayou Classic Reception, and \$60 for candy for parties).
- A \$422 charge ticket from the Yellow Bowl Restaurant for the Narcotics Information Exchange Meeting did not include the number of meals served, cost per meal, or the names of the participants attending the meeting.
- The credit card bills are not paid timely. Total finance charges for 1997 totaled \$137 (14.89% Annual Percentage Rate).

The city should discontinue the use of the credit card.

Need to Obtain Quotes for Large Purchases

The city did not obtain quotes for certain large purchases. Obtaining quotes when purchasing large items ensures that goods and services are obtained at the most favorable prices.

From July 1997 through March 1998, approximately \$21,000 was disbursed for gasoline for the city's pumps from one vendor. In addition, for the same period, approximately \$13,000 was disbursed for chemicals.

The city should seek quotes when large items are purchased to ensure that the most favorable prices are obtained. We suggest that these quotes be documented as part of the approval process before the purchase is made. In addition, the city should be aware of Louisiana's bid law requirements when purchasing large items. R.S. 36:2212 requires competitive bids for all purchases of materials and supplies exceeding \$15,000. In addition, the public bid law requires that purchases between \$7,500 and \$15,000 be made by obtaining at least three telephone or facsimile quotations.

City of Jeanerette
 Jeanerette, Louisiana
 Findings and Recommendations (Continued)

Policy for Use of Cellular Phones Needed

The city does not have a formal policy for the use of cellular phones. A formal policy would provide guidance for the business use and care of the cellular phones and the extent that the cellular phones may be used for personal calls.

We reviewed cellular phone calls made during January 1998, and identified two individuals who used their cellular phones for personal calls. One individual made 18 calls totaling 23 minutes, and the other individual made 50 calls totaling 80 minutes.

The city has nine cellular phones and pays a flat rate of \$500 per month for 2,000 minutes of local airtime. Individuals assigned cellular phones do not maintain logs of cellular phone calls documenting the dates of the calls, phone numbers called, persons called, and business purposes. We were informed that maintaining a log is too time consuming and that as long as the 2,000 minute limit is not exceeded, it does not matter if personal calls are made.

The city should: (1) adopt a formal policy for the business and personal use of cellular phones; (2) review the detailed monthly phone bills to assure that the city's policy is being followed; and (3) determine the minimum amount of airtime minutes needed per month and negotiate a new contract when the existing contract expires.

**Need to Improve Controls Over Utility
 Accounts and Meter Deposits**

The utility accounts receivable balance in the general ledger is not reconciled with the detailed accounts receivable listing and the meter deposit account is not reconciled with the detailed listing of customers' meter deposits.

At November 30, 1997, the general ledger balance was \$208,347, and the detailed accounts receivable listing balance was \$277,208, a difference of \$68,861.

At November 30, 1997, the cash balance in the meter deposit bank account totaled \$41,810, and the detailed listing of customers' meter deposits totaled \$93,208, a difference of \$41,398. The customer deposits payable totaled \$79,987, which is a \$1,212 difference from the detailed listing.

We were informed that the city is transferring \$1,000 a month to the customer meter deposit cash account until the bank balance agrees to the listing. Four checks were written totaling \$4,000, but these checks were not deposited in the customer meter deposit cash account (see finding—Checks Should Not Be Held After Being Written).

City of Jeanerette
Jeanerette, Louisiana
Findings and Recommendations (Continued)

Management of the city should (1) reconcile the accounts receivable balances in the general ledger with the detailed billing register on a monthly basis; (2) transfer monies to the customer meter deposit/cash account until the amount agrees to the detailed listing; and (3) reconcile the customer deposits payable and cash account in the general ledger with the detailed listing of customers' meter deposits on a monthly basis.

**Formal Policy Needed for
Delinquent Utility Accounts**

The city does not have a formal policy for collecting delinquent utility accounts. A formal policy would provide consistency with regard to service cut-off for these accounts that are delinquent and would ensure that funds due the city are collected timely.

The February 28, 1998, open receivable report lists accounts totaling \$28,354 as over 90 days past due and \$18,545 as over 60 days past due. Many of the customers with accounts over 90 days past due continue to receive utility service. One customer has \$135 over 90 days past due and \$47 over 60 days past due.

Each month the city prepares a 60-day cut-off report. The mayor reviews this report and approves those to be cut-off and allows others to continue their service. The mayor informed us that he approves extensions if the customer agrees to pay his current charges and an agreed upon amount of the delinquent balance. These extensions are both verbal and in writing. We reviewed seven customers who have balances over 90 days past due and continue to receive services. One of the seven customers had a written agreement to pay his current bill plus \$25 on his past due balance.

An informal method of collecting delinquent utility accounts may provide for flexibility, but may result in increased delinquent accounts and inconsistencies in customer billings and service. The city should adopt and implement formal procedures that will ensure all delinquent accounts are collected on a timely basis or service will be discontinued.

**Water Production and Water Billed
Should Be Reconciled**

The city is not reconciling the units of water produced with the units of water billed to customers. Reconciling production with units consumed (billed) would provide information relating to significant leaks in the water lines, inaccurate meters or meter readings, and unauthorized or non-metered water usage.

Units of water produced should be reconciled with units consumed periodically and differences in excess of expected water leakage should be investigated.

City of Jessemite
 Jessemite, Louisiana
 Findings and Recommendations (Continued)

Need to Improve City's Gasoline Pump Procedures

The records maintained for the city's gasoline pumps are not reviewed periodically and all employees of the police and fire department have access to the pump key for one of the gasoline pumps. Good controls over the use of city gasoline for city vehicles require that pump records be maintained and reviewed periodically. This review will ensure that only city vehicles are receiving gasoline, vehicles receiving the gasoline are properly identified, odometer readings are accurately recorded, and the amount of gasoline received by city vehicles is reasonable. In addition, gasoline pump keys should have limited access.

The city maintains records of city vehicles receiving gasoline from the city's two gasoline pumps. The city police and fire departments use one pump and the public works department (water, sewer, and streets) uses the other pump. Our review of those records and procedures for dispensing the gasoline revealed the following:

- The police department prepares a monthly report for the number of gallons pumped by the police and fire departments. However, there is no analysis of miles traveled and miles per gallon of gasoline by vehicle.
- The police department does not account for the pump meter readings, although this is included on the log. There are discrepancies between the number of gallons recorded and the meter readings. For example, on November 6, 1997, 11 gallons are recorded as received, but the meter reading shows 20 gallons pumped.
- The public works department log includes the number of gallons pumped and the odometer reading. It does not include the pump meter readings.
- The public works department does not prepare a monthly report on the number of gallons received by vehicle, miles traveled, or miles per gallon.
- The pump key and log for the police and fire departments' pump is kept at the police department office (about five blocks from the pump). All police and fire department employees have access to the pump key and log, and record the information on the log. The log is not reviewed periodically to determine if all relevant information is completed properly and the amount of gasoline received by city vehicles is reasonable.
- Signatures of employees receiving the gas are not required on the log.

The city should (1) assign specific employees the responsibility of maintaining the log; (2) provide a place on the log for the person receiving the gasoline to sign; (3) schedule the times that vehicles may receive gasoline; (4) prepare a monthly analysis or summary by vehicle that includes, at a minimum, the number of gallons received, miles traveled, and miles

City of Jeanerette
 Jeanerette, Louisiana
 Findings and Recommendations (Continued)

per gallon; (5) reconcile the number of gallons received with the pump meter readings; and (6) present the analysis to the board during its regular board meeting.

Monthly Retainers Should Not Be Paid

The city is violating state law by paying retainers for professional services. Article VII, Section 14 of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation. In addition, Louisiana Attorney General Opinions 91-589-A and 78-124 provide that payments be made only on a per hour basis for work actually performed and should not be made before the work is performed.

The city is paying monthly retainers of \$1,400 to the city attorney and \$800 to the city's financial consultant. From January 1, 1997 through January 1, 1998, the city attorney billed the city \$18,200 for monthly retainers; however, charges of only \$8,785 were incurred, leaving a balance due to the city of \$11,415.

The city's financial consultant billed the city \$18,000 from August 1998 to March 1999 for monthly retainers. These billings did not document the number of hours or the work performed for the city. In addition to the monthly retainers, the consultant billed the city for administrative fees totaling \$5,040 from June 1997 through March 1998. These administrative fees included \$2,280 for administration and meetings, \$1,000 for administration meetings and financial review, and \$170 for researching legal opinions.

We questioned the city attorney and the financial consultant about the retainers. The city attorney said he views the retainer as a salary and he is entitled to the \$1,400 even if his billings are less than the \$1,400. He said he is available to the city 24 hours a day and does a lot of work for the city that is not documented on the billing.

The city should change the agreements with the city attorney and financial consultant. We suggest that the city attorney be paid as a part-time employee of the city or on a per hour basis for work actually performed. We suggest that the agreement with the financial consultant provides that the number of hours worked for the city each month does not exceed an agreed-upon number, and that his billings document the number of hours worked and a description of the work performed.

Budgets Should Be Complete

The city's adopted budget for the fiscal year ending June 30, 1998, for the General Fund and special revenue funds failed to comply with Louisiana law. R.S. 39:1304 requires the city to prepare a comprehensive budget presenting a complete financial plan for the General

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City of Jeanerette Jeanerette, Louisiana Findings and Recommendations (Continued)

Fund and each special revenue fund. A complete financial plan increases the effectiveness of the city's budgetary controls over revenues and expenditures.

The General Fund and 1% Sales Tax Special Revenue Fund summary budgets did not agree to the detailed budgets and detailed budgets were not prepared for three special revenue funds (Park Fund, HUD Section 8 Fund, and Summer Feeding Program Fund). The following is a breakdown of the differences in the summary budgets and detailed budgets:

Fund	Summary Budget	Detailed Budget	Difference
General Fund:			
Estimated Revenues and Receipts	\$1,430,330	\$902,250	\$468,080
Estimated Disbursements	1,390,050	1,476,414	77,364
1% Sales Tax Fund:			
Estimated Disbursements	226,506	226,506	7,690

The detailed budget was recorded in the city's accounting records and we were informed that the results of actual transactions are compared monthly to the detailed budget amounts. Comparing the results of actual transactions with an incomplete budget significantly reduces the effectiveness of the city's budgetary controls over revenues and expenditures. We were informed that the city's financial consultant prepared the budget. We questioned the financial consultant about the differences, but did not receive an explanation for the differences.

These deficiencies, in addition to placing the city in noncompliance with Louisiana law and reducing the effectiveness of the city's budgetary controls over revenues and expenditures, restrict public participation in the budgetary process.

The city should immediately prepare a complete budget for the fiscal year ending June 30, 1995, and use it as a management tool to monitor the city's revenues and expenditures.

Controls Over Payroll Need to Be Improved

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

- All employees do not prepare time reports for each pay period. The city clerk, tax collector, HUD director, and police chief do not prepare time reports.

Legislative Auditors

City of Jeanerette Jeanerette, Louisiana Findings and Recommendations (Continued)

- Form I-9 - "Employment Eligibility Verification" is not maintained for employees hired after November 6, 1986, as required by the United States Department of Justice Immigration and Naturalization Service.
- The payroll bank account is not maintained on an imprest basis (deposits to the payroll bank account should agree to disbursements made from the payroll bank account).
- Signed checks are returned to the employee who prepared them instead of being distributed to the employees.

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) require all employees hired after November 6, 1986, to complete a Form I-9; (3) maintain the payroll account on an imprest basis; and (4) require that signed checks are given to the mayor's secretary to distribute to the employees.

Personal Use of City Vehicles Should Be Reported

The city did not report employees' personal use of city vehicles as taxable income as required by federal tax laws. An employer-provided vehicle is considered a fringe benefit under the federal employment tax laws. However, vehicles that are unlikely to be used more than minimally for personal reasons because of their special design are fully excludable from employees' income (e.g., clearly marked police and fire vehicles). Employees are generally required to maintain adequate records substantiating their business use of the vehicle.

The city provides 13 vehicles to various administrative and public works employees. The city should determine which vehicles are subject to record keeping substantiating the business use. For those city-provided vehicles, the city should comply with appropriate employment tax laws and record-keeping requirements.

Fixed Asset Records Should Be Complete

The city does not maintain a complete inventory of its fixed assets. R.S. 24:515(9) requires that the city maintain current itemized records of all land, buildings, improvements other than buildings, equipment, and other fixed assets purchased or otherwise acquired. In addition, itemized records of fixed assets are necessary for management control and accountability.

The city maintains a list of office furniture, equipment, and automobiles; however, the cost for many of these assets is not included. The city does not maintain records for land and

City of Jeanerette
Jeanerette, Louisiana
Findings and Recommendations (Continued)

buildings or the utility fund fixed assets. We were informed that the city's auditor maintains these records at his office.

The city should maintain a complete list of all city fixed assets. The city should obtain the fixed asset records from its auditor and complete the cost amounts for all furniture, equipment, and automobiles.

Current Written Minutes Should Be Maintained

The city did not maintain current written minutes of the meetings of the board as required by Louisiana law. R.S. 42:71 requires the city to keep written minutes of all open meetings and these minutes should be available within a reasonable time after the meeting.

As of April 3, 1998, the March 1998 written board minutes were complete; however, the written board minutes for the January and February 1998 meetings were not complete. These two months correspond to the two months the city clerk was out on sick leave.

In the future, the city should maintain timely written minutes.

**Funds Dedicated by Board Should Be
Used for That Purpose**

The General Fund has not repaid the \$10,000 of dedicated funds for the King Joseph Recreation Project. At a board meeting held on March 13, 1998, the board dedicated \$38,000 from the Recreation Fund to the King Joseph Recreation Project. During the fiscal year ended June 30, 1998, \$10,000 of the dedicated \$38,000 was transferred to the General Fund.

The General Fund should repay the King Joseph Recreation Project or the board should take other action in a formal meeting to resolve this issue.

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Attachment I

Management's Responses



P. O. BOX 208
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70544

-OFFICE OF THE MAYOR-

CITY OF JEANERETTE

Where Everybody is Somebody
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Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P.O. Box 94387
Baton Rouge, La. 70827

Dear Mr. Kyle:

Please find Enclosed our responses to your findings and recommendations as per our audit resolution report dated April 10th, 2008.

If further explanation is needed, please feel free to call me.

Sincerely,

Honorable James Alexander, Mayor



P. O. BOX 208
JEANERETTE, LA.
70544

- OFFICE OF THE MAYOR -

CITY OF JEANERETTE

Where Community Is Everybody
JAMES "TK" ALEXANDER, SR., MAYOR



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General Ledger Not Prepared Timely

The general ledger has not been prepared timely for a number of years. The general ledger will now be prepared on a timely basis since the Mayor has purchased and installed a new computer system and general ledger package. Timely preparation of the general ledger is the responsibility of the city clerk and accounting staff.

Bank Overdraft Charges

The city currently has problems with cash flow. The city will attempt to obtain permission for a certificate of indebtedness from the State Bonding Commission. This will allow the city to adequately manage its cash flows and avoid bank overdraft charges in the future.

Bank Statements Should Be Reviewed Timely

Bank statements should be reconciled on a monthly basis by the City Clerk. Procedures and policies will be implemented to insure that this is done on a timely basis. All monthly bank reconciliations will be reviewed by the Mayor and financial consultants.

All Excess Cash Should Be Invested

All public funds will be invested in accordance with the city's newly established investment policy. See attached.

Checks Should Not Be Held After Being Written

The Mayor and financial consultants will ensure that no checks are held. All checks written will be deposited into appropriate bank accounts or remitted to vendors as payment for goods or services.

Need to Improve Controls Over Disbursements

The city will comply with recommendations of the Legislative Auditor and implement policies and procedures to ensure that there are adequate controls over disbursements. All purchase orders and invoices will be approved by the Mayor. The city clerk will be responsible for reviewing all purchase orders, invoices and receiving reports. The city clerk will also be responsible for ensuring that payments are made only from original invoices. Signed checks will be mailed by the Mayor's secretary. All checks will be signed by the Mayor, a designated alderman, or the city clerk. The appropriate W-2 forms and 1099's will be issued to all city consultants.



P. O. BOX 208
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OFFICE OF THE MAYOR

CITY OF JEANERETTE

Where Everybody Is Somebody
JAMES "TK" ALEXANDER, SR., MAYOR



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Credit Card Charges

All business relationships to individuals receiving meals charged to the city's credit card will be documented.

The Mardi Gras cups and masks were purchased for the mayor. The mayor was invited to participate in Mardi Gras activities as the Mayor of Jeanerette. The mayor was acting in an official capacity. The balloons were purchased for a welcome home reception for Dr. Ned Duffins, President of the Southwest Louisiana Community College.

The mayor was a guest at the Bayou Classic Reception at the invitation of Mayor Marc Morial of New Orleans. Parking Charges were \$14. No other expenses were incurred by the mayor. The mayor was acting in a official capacity.

The \$432 dollar charge incurred by the city was for 13 meals for the St. Martin, St. Mary, and St. John Parish Drug Task Force network luncheon. This luncheon is held on a quarterly basis and each city within the parishes supplies a meal.

The city clerk has been instructed to pay the credit card bills within five days of receipt.

The city will **NOT** discontinue the use of the credit card

Need to Obtain Quotes for Large Purchases

The city will follow Louisiana Revised Statute 38:2212 and the State Public Bid Law for large purchases.

Policy for Use of Cellular Phones Needed

The city will develop a formal policy for employee use of cellular phones.

Need to Improve Over Utility Accounts and Meter Deposits

The city will comply with the recommendations of the Legislative Auditor and reconcile the accounts receivable balances in general ledger with the detailed billing register on a monthly basis. Transfer monies to the customer meter deposit cash account until the amount agrees to the detailed listing and reconcile the customer deposits payable and cash account in the general ledger with the detailed listing of customer meter deposits on a monthly basis.

Formal Policy Needed for Delinquent Utility Accounts

The Mayor has the responsibility of handling all delinquent customer accounts. He is also working closely with City Court in pursuing delinquencies. A formal policy will be developed.



P. O. BOX 809
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OFFICE OF THE MAYOR

CITY OF JEANERETTE

Mayor *Forrestley D. Scurlock*
JAMES "TE" ALEXANDER, SR., MAYOR



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FAX
(504) 276-0382

Water Production and Water Billed Should Be Reconciled

The City has surveyed it's meters and there were several industrial accounts on a fixed rate. We have now installed operating meters for these individual accounts. We have also replaced faulty meters throughout the city with new operating meters. The city also had many water leaks which we are now in the process of repairing.

Units of water produced will be reconciled with units consumed periodically and differences will be investigated.

Need to Improve City's Gasoline Pump Procedures

The city will assign employees to monitor gasoline use. Formal policies and internal controls will be developed to ensure that all gasoline is used for city vehicles only.

Monthly Retainers Should Not Be Paid

The city will discontinue paying monthly retainers to the lawyer and financial consultant. Each agreement will be amended, and both consultants will be paid at the hourly rates in their existing contracts for work actually performed. Detailed billing documents showing the number of hours worked and a description of the work performed.

Budgets Should Be Complete

The General Fund summary budget did agree to the detail budgets. The 1% sales tax budgeted amount per summary should have agreed to the detailed budget showing estimated revenues of \$133,900. (see illustrations below for actual budgeted revenues and disbursements.) A detailed budget was not prepared for the Park Fund and Summer flooding program. The park fund had no transactions since 1993. There was no revenue expected and no current plans for using the existing fund balance. The summer flooding program budget is normally prepared by the program administrator upon application of the grant funding. There was no approved contract or grant to justify the preparation of a detailed budget. The H&D Section B detailed budget will be added in 1998.



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- OFFICE OF THE MAYOR -

CITY OF JEANERETTE

Where Everybody is Jeanerette!
JAMES "BO" ALEXANDER, SR., MAYOR



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(713) 278-0223

The General Fund budget per summary and detail is as follows:

General Fund: Summary and Detail

Estimated Revenues (Budgeted)

Estimated General Fund Revenues from Taxes and Fees	\$837,218
Estimated Transfer from Utility Fund	190,000
Estimated Transfer from 1/4% Sales Tax Fund	99,800
Estimated Transfer from 7% Sales Tax Fund	213,080
Total	<u>\$1,400,130</u>

General Fund: Summary and Detail

Estimated Disbursements (Budgeted)

Police Department	\$625,180
Fire Department	18,700
Maintenance Department	141,480
Street Department	181,930
Council and Administrative Department	121,960
Total	<u>\$1,319,090</u>

Controls Over Payroll Need To Be Improved

Directors in city government are salaried employees and are not required to submit time reports. All other city employees are required to complete time and attendance records for approval by the appropriate director or supervisor at the end of each pay period. Signed checks will be distributed by the Mayor's secretary. The payroll account will be maintained on an imprest basis. The city is requiring employees to complete Employee Eligibility Verification reports.



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- OFFICE OF THE MAYOR -

CITY OF JEANERETTE

Winey Kerschbaum & Sonensky
JAMES "TIN" ALEXANDER, SR., MAYOR



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(225) 276-4164
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(225) 276-5203

Personal use of City Vehicles Should Be Reported

The city will not allow employees to use vehicles for personal use unless this use is approved by the Mayor. This use will be reported to the IRS as taxable income.

Fixed Asset Records Should be complete

Fixed Asset records will not be maintained by the city administration in accordance with Louisiana Revised Statute 24:515(B).

Current Written Minutes Should Be Maintained

Keeping written minutes is the responsibility of the city clerk. All minutes will be kept in compliance with Louisiana Revised Statute 42:7.1.

Funds Dedicated By Board Should Be Used For That Purpose

The \$10,000 dollars will be repaid to the King Joseph Recreation Project.