

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Ferriday  
Ferriday, Louisiana

August 4, 1999



***Audit Resolution Report***

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

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

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**TOWN OF FERRIDAY**  
Ferriday, Louisiana

Audit Resolution Report  
Dated July 16, 1999

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.

August 4, 1999

**Town of Ferriday**  
Ferriday, Louisiana

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DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

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July 16, 1999

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

We have performed a limited examination of the Town of Ferriday. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine whether the town has taken appropriate action to resolve the finding cited in the audit report dated September 1, 1998, issued by Switzer, Hopkins & Mange, Certified Public Accountants.

The accompanying report includes unresolved findings. We will continue to monitor those findings until the town resolves the findings. Copies of this report have been delivered to the town and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DGK:GLM:sev

**TOWN OF FERRIDAY**  
Ferriday, Louisiana

**BACKGROUND AND METHODOLOGY**

Switzer, Hopkins & Mange, Certified Public Accountants, issued an audit report dated September 1, 1998, on the financial statements of the Town of Ferriday as of and for the year ended June 30, 1998. The audit report included an internal control deficiency.

We visited the town to determine whether appropriate action was taken to correct the internal control deficiency. Our procedures consisted of the following: (1) examining selected town records; (2) interviewing certain employees of the town; (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**

**TOWN OF FERRIDAY**

Ferriday, Louisiana

**CONCLUSIONS**

Based on the results of the procedures performed during our visit to the town, we conclude that the town did not fully address the finding included in the Switzer, Hopkins & Mange report dated September 1, 1998, relating to broken water meters. This matter is addressed in the Findings and Recommendations section of this report under "Insufficient Effort to Collect Delinquent Utility Accounts."

As we evaluated the finding contained in the Switzer, Hopkins & Mange report, the following matters came to our attention:

1. The town is not accounting for traffic tickets.
2. Controls over receipts and disbursements need to be improved.
3. Controls over payroll need to be improved.
4. The utility accounts receivable balance in the general ledger is not reconciled monthly with the detailed accounts receivable listing and the meter deposit account is not reconciled monthly with the detailed listing of customers' meter deposits.
5. The town is not following its formal policy for collecting delinquent utility accounts.
6. Required deposits for certain bond agreements were not made.
7. Detailed fixed asset records are not current, all assets are not tagged, and physical inventories of fixed assets are not conducted annually.

The Findings and Recommendations section of this report provides details for these additional matters that came to our attention during our follow-up review.

LEGISLATIVE AUDITOR

TOWN OF FERRIDAY  
Ferriday, Louisiana

FINDINGS AND RECOMMENDATIONS

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**Need to Improve Controls Over Traffic Tickets**

**The supply of traffic ticket books is not adequately safeguarded, traffic tickets taken by police officers are not reconciled with the issued citations returned by those officers, and accounting for the final disposition of traffic citations is not done.** Good controls over traffic ticket books require that the supply of traffic ticket books be locked, traffic ticket books be issued only when police officers return those tickets as issued citations, and those citations have been recorded as issued citations. In addition, good controls require that records be maintained that account for the final disposition of all citations issued.

Traffic ticket books are stored in an unlocked closet. No one individual issues traffic ticket books to police officers and a record of traffic ticket books issued to police officers is not maintained. In addition, there are no records that account for the numerical sequence of citations issued and their final disposition. Therefore, we could not determine whether citations were issued or tickets were lost or voided.

The police department should (1) store traffic books in a locked cabinet; (2) maintain a record of traffic ticket books issued to police officers that provides the date of receipt, ticket numbers received, and the police officer's signature of receipt; (3) issue a police officer a traffic ticket book only after the previously issued book has been accounted for and all issued citations have been received from the police officer; and (4) account for the numerical sequence of all citations and the final disposition of those citations monthly.

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**Need to Improve Controls Over Receipts  
and Disbursements**

**Controls over receipts and disbursements need to be improved.** The control weaknesses are as follows:

- Daily deposits are not made for traffic fines. Tests of traffic fine receipts revealed the following:
  - Receipts dated July 29-August 5, 1998, were deposited August 6, 1998.
  - Receipts dated August 24-September 4, 1998, were deposited on September 4, 1998.
  - Receipts dated April 8-19, 1999, were deposited on April 21, 1999.



## LEGISLATIVE AUDITOR

### Town of Ferriday

Ferriday, Louisiana

### Findings and Recommendations (Continued)

- Receipts dated April 19-May 3, 1999, were deposited on May 4, 1999.
- There is no segregation of duties in collecting, recording, and depositing traffic fine receipts. The police department administrator assistant collects traffic fines, writes receipts, has custody of the lock box key, prepares the list of cash receipts from the lock box, prepares the deposit for traffic fines, and prepares the court minutes.
- The individual cash receipts records for traffic fines are not filed in numerical order and are not filed with the related cash receipts listing and validated bank deposit slip.
- The cash receipts records do not include the traffic citation number. This is essential in accounting for the final disposition of issued citations.
- Incoming checks at town hall (received over the counter and through the mail) are not restrictively endorsed upon receipt.
- Invoices from Fuelman, Inc., for gasoline purchases were not reviewed before payment to ensure the odometer readings were being recorded, miles per gallon for each vehicle was reasonable, and the charges for each vehicle were reasonable.
- Personal purchases are made for employees. The town is reimbursed for these purchases by withholding agreed-upon amounts from the employees' payroll checks until the amount is recovered. Our test of disbursements revealed that a radio costing \$685 was purchased for an employee and \$25 was deducted from his check each payroll period until the amount was recovered. Article VII, Section 14 of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the town shall not be loaned, pledged, or donated to or for any person, association, or corporation. This constitutes a loan of public funds.
- The town is withholding monies from employees' payroll checks and remitting these amounts to various creditors to satisfy the employees' outstanding debts. This service for town employees requires additional time and record keeping for the town clerk. Our test of disbursements revealed that the town is withholding monies from two employees' payroll checks and remitting these amounts to a local finance company, where the employees have outstanding debts. Town employees can accomplish this same service by allowing the creditor to draft their personal checking accounts.
- Bank statements are not received unopened by the mayor or designated alderman for review.

Management of the town should (1) require that fines received by the police department be deposited daily; (2) prohibit the police department administrator assistant from collecting fines; (3) require that individual cash receipts records for traffic fines be filed in numerical order and be attached to the cash receipts listing and validated bank deposit slip; (4) require that the traffic citation number be included on the individual cash receipts records; (5) restrictively endorse all checks upon receipt; (6) review the weekly invoices from Fuelman, Inc., for completeness of information and reasonableness of charges; (7) discontinue purchasing personal items for employees; (8) discontinue withholding monies from employees' payroll

## LEGISLATIVE AUDITOR

### **Town of Ferriday**

Ferriday, Louisiana

Findings and Recommendations (Continued)

checks to pay their creditors; and (9) require that all bank statements be received unopened by the mayor or designated board member for his/her review.

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### **Controls Over Payroll Need to Be Improved**

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

- All employees do not complete time reports or time cards for each pay period. Supervisory employees (town clerk, street supervisor, water and sewer supervisor, fire chief, and police chief) do not prepare time reports or time cards.
- There is no evidence that the chief of police approved the police department's time cards. Our test of time cards revealed several occasions where police department employees did not punch their time cards. In some cases, both in and out punches were missed.
- One police department employee also works full-time for the City of Vidalia. This employee's time cards from the Town of Ferriday and City of Vidalia reported that he worked as much as 21 hours a day. We question whether an employee could effectively work that many hours over an extended period of time. In addition, this employee had numerous in and out punches missing on his Town of Ferriday time cards. The dispatcher manually entered in and/or out times on those occasions.
- Annual leave is being accumulated in excess of 80 hours. The town's policy states that once 80 hours of annual leave is accumulated, annual leave will cease to accumulate until the employee's accumulated leave is less than 80 hours.
- There is no documentation on file of approved salary/wage amounts paid to employees.
- Form I-9 - "Employment Eligibility Verification" is not maintained for all employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service.

The town should:

1. Require that all employees complete time reports/time cards to document hours worked.
2. Require that time cards/time sheets be approved by the appropriate supervisor. Employees should not be paid for hours worked when their time cards have not been punched in or out.
3. Monitor those employees that work multiple jobs to ensure that total hours worked each day by those employees is reasonable and will not impair their job performance.

## LEGISLATIVE AUDITOR

### **Town of Ferriday**

Ferriday, Louisiana

### *Findings and Recommendations (Continued)*

4. Correct annual leave records to comply with the town's leave policy.
5. Include the approved salary or hourly rate of pay amount in each employee's personnel file.
6. Maintain the completed Form I-9 - U.S. Department of Justice Immigration and Naturalization Service "Employment Eligibility Verification" for all employees hired after November 6, 1986.

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

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

At April 30, 1999, the general ledger balance was \$163,505, and the detailed accounts receivable listing balance was \$108,780, a difference of \$54,725.

At April 30, 1999, the cash balance in the meter deposit bank account totaled \$3,053, and the customer deposits payable in the general ledger totaled \$68,238. There is no detailed listing of customers' meter deposits; therefore, we could not determine if the customer deposits payable was accurate. We were informed that the town used monies from the meter deposit bank account to purchase water meters.

Management of the town should (1) reconcile the accounts receivable balances in the general ledger with the detailed billing register on a monthly basis; (2) maintain a detailed listing of customer deposits; (3) transfer monies to the customer meter deposit cash account until the amount agrees to the detailed listing; and (4) reconcile the customer deposits payable and cash account in the general ledger with the detailed listing of customers' meter deposits on a monthly basis.

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### **Insufficient Effort to Collect Delinquent Utility Accounts**

**The town is not following its formal policy for collecting delinquent utility accounts.** The town's policy states that the water supply to any consumer must be shut off if the monthly bill is not paid on or before the fifteenth day of the following month. In addition, as of May 31, 1999, there were approximately 100 broken water meters. These customers are billed the minimum rates each month, which results in the town losing much needed revenues.



## LEGISLATIVE AUDITOR

### **Town of Ferriday**

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Findings and Recommendations (Continued)

The May 31, 1999, open receivable report lists accounts totaling \$36,849 as past due. Many of the customers with accounts over 90 days past due continue to receive utility service. Furthermore, the town does not actively try to collect the delinquent account balances.

The town should (1) enforce its formal cut-off policies and procedures to ensure that all delinquent accounts are collected on a timely basis or that service is discontinued; (2) take aggressive action to collect delinquent amounts, including legal action when necessary; and (3) replace broken water meters immediately and begin a program of replacing broken meters as they are discovered.

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### **Required Deposits Not Made**

**Required deposits for the Sales Tax Reserve Fund, Water Fund Reserve Fund, Water Fund Depreciation and Contingency Fund, Sewer Reserve Fund, and Sewer Contingency Fund were not made.** As a result, the city is violating its bond agreements.

The town should implement a payment plan that will include, at a minimum, the required monthly deposit amount plus an additional amount for a portion of the deposits in arrears.

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### **Fixed Asset Records Should Be Complete**

**Detailed fixed asset records are not current, all assets are not tagged, and physical inventories of fixed assets are not conducted annually.** R.S. 24:515(B)(1) requires the town to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets, which were purchased or otherwise acquired. The records shall include information as to the date of purchase of such property or equipment and the initial cost.

The town took a physical inventory of certain fixed assets during 1996; however, this inventory did not include all town fixed assets and did not include the cost for these assets. The town did not include land and buildings or the utility fund property, plant, and transmission system. The police department's fixed assets inventory was tagged and the tag number was included on the listing of fixed assets; however, all other town fixed assets inventoried in 1996 were not tagged. We were informed that a physical inventory has not been taken since the 1996 physical inventory.

The administration of the town 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) prepare a

**LEGISLATIVE AUDITOR**

**Town of Ferriday**

Ferriday, Louisiana

Findings and Recommendations (Concluded)

detailed list of fixed assets (the list should include the date of purchase and the initial cost); (3) take a physical inventory at least annually and follow up on items not found during the physical inventory; and (4) identify [tag] assets that belong to the town and include the tag number on the listing of fixed assets.

# Attachment I

## Management's Responses



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OR 8535

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BOB JONES

## Town of Ferriday

ODEAL J. MONTGOMERY, MAYOR  
FERRIDAY, LOUISIANA 71334

**July 28, 1999**


*Mr. Daniel G. Kyle, Ph.D., CPA, CFE  
Office of the Legislative Auditor  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397*

*Dear Mr. Kyle:*

*Your report and statement have been read and studied carefully. Your findings and recommendation are essential, with this, the Town of Ferriday may continue to proceed toward attaining its goal in a uniform and professional manner.*

*Please let us know if additional information is needed.*

*Sincerely,*

  
*Odeal J. Montgomery,  
Mayor Town of Ferriday*

*OJM/iwj*

**TOWN OF FERRIDAY  
1116 SECOND STREET  
FERRIDAY, LOUISIANA 71334  
ODEAL J. MONTGOMERY, MAYOR**

**RESPONSE TO AUDITOR REPORT TOWN OF FERRIDAY, LOUISIANA**

*I. The Town Clerk will endorse all checks that come across the counter and through the mail before passing them to the Water Billing Clerk.*

*II. The Town Clerk will check odometer readings on all vehicles and make records of findings before payments are made.*

*III. Personal purchases for employees have been discontinued.*

*IV. Bank statements are opened by our C.P.A. Mr. Myles Hopkins. The mayor and clerk check monthly bank statements along with financial statement from C.P.A.*

*V. The Mayor and Town Council will discuss annual leave at one of its meeting. Policy changes will need Board Actions.*

*VI. The Town of Ferriday will keep on file, records of approved salary/wage amounts paid to employees.*

*VII. The Town of Ferriday will maintain form I-9 Employment Eligibility Verification for all employees.*

*VIII. All employees in the Town of Ferriday, will complete time reports/time cards to document hours worked. Time cards/time sheets will be approved by appropriate supervisor. Employees will not be paid for hours worked when their time cards have not been punched in or out.*

*IX. Annual leave records will be corrected to comply with the Town's leave policy. Approved salary or hourly rate of pay amount will be included in each employees' personnel file.*

*X. The Town of Ferriday has notified all water customers that the Town's policy on paying water bills and cut-off's will be strictly enforced. The Town has a program for replacing broken water meters. More than 300 water meters have been replaced.*

*The Mayor and the Town Council will meet to discuss ways to collect delinquent amounts, and determine if legal action should be taken.*

*XI. Sales Tax Reserve Fund: All interest earned from this C D will be added back to the C D and monthly deposits will be made until the C D has reached \$130,000.00.*



*Water Reserve Fund, Water Contingency, Sewer Reserve & Sewer Contingency deposits are being made but not monthly.*

*XII. Deposits are made into the funds, but the Town doesn't have the funds to make the deposits on time. The Town is in the process of asking for a payment plan that will include minimum monthly deposits. The Town is trying so hard to meet its bond agreements.*

*XIII. The Town of Ferriday will adopt a written policy to define assets that will be inventoried, including the minimum value for inclusion on the list of fixed assets. The Town of Ferriday will prepare a detailed list of fixed assets, the list will include the date of purchase and initial cost. The Town of Ferriday will take a physical inventory at least annually and follow up on items not found during the physical inventory; and identify tag assets that belong to the Town and include the tag number on the listing of fixed assets.*

*Michael J. Montgomery  
Mayor of Ferriday*

JULY 26, 1999

MANAGEMENTS RESPONSE

TRAFFIC TICKETS- OUR OFFICE HAVE TAKEN THE APPROPRIATE STEPS TO ENSURE QUALITY APPLIANCE IN REGARDS TO TRAFFIC TICKETS.

THE FIRST STEP INVOLVED MOVING THE RECORDS CLERK TO A DIFFERENT OFFICE, TOTALLY SEGREGATED FROM THE OTHER OFFICES LOCATED IN OUR FACILITY.

ALL TRAFFIC BOOKS ARE NUMBERED, EACH OFFICER IS ASSIGNED A BOOK AND MUST RETURN IT FULLY USED IN ORDER TO HAVE ANOTHER CITATION BOOK ISSUED TO HIM OR HER. THE RECORD CLERK HAS A LOCKED CLOSET IN HER OFFICE, AND THE ONLY PEOPLE WHO HAS ACCESS OTHER THAN HERSELF IS THE CHIEF AND ASSISTANT CHIEF.

TRAFFIC TICKET NUMBERS WILL BE PLACE ON ALL RECEIPTS.

THE SECOND STEP WAS INSTITUTED ON JULY 23, 1999, OUR OFFICE WILL COLLECT FINES, ETC, ONLY BY CERTIFIED CHECK, MONEY ORDER OR PERSONAL CHECK.

THE THIRD STEP IS TO MONITOR ON A MONTHLY BASIS ALL TICKETS WRITTEN AND THEIR FINAL DISPOSITION.

THE FOURTH STEP IS TO HAVE BOTH CLERKS ACCOUNT FOR THE MONEY AND MAKE DAILY DEPOSITS, EXCLUDING WEEK-ENDS. ALL CHECKS WILL BE ENDORSED IMMEDIATELY WHEN THEY ARE RECEIVED.

THE FIFTH STEP IS TO REVIEW THE FUELMAN PURCHASES AND MAKE CHANGES AS THE NEED ARISES.

THE SIXTH STEP FOR QUALITY ASSURANCE INVOLVED THE TIME CLOCK BEING MOVED TO A DIFFERENT OFFICE, IT IS NOW LOCATED IN THE RADIO ROOM. EACH EMPLOYEE HAS BEEN ADVISE IN PERSON AND IN WRITING THAT IF HE OR SHE DOES NOT ABIDE BY THE RULES AND PUNCH THEIR TIME CARDS IN PROPERLY, THAT THEY WILL LOSE THAT DAY'S PAY. THE CHIEF OF POLICE WILL REVIEW ALL TIME CARDS AND SIGN ACCORDINGLY.

THE SEVENTH STEP AS PER OFFICER HOLLINS AND YOUR OFFICE CONVERSATION WITH THE CHIEF, WE ARE MONTORING HIS PERFORMANCE VERY CLOSELY. HE HAS BEEN MADE AWARE OF THE FACT THAT WE NOW KNOW THAT BETWEEN THE FERRIDAY POLICE DEP, VIDALIA SANITATION AND THE

CONCORDIA SHERIFF DEPT THAT HE IS BEING PAID FOR 21 HOURS PER DAY ON CERTAIN DAYS AND THAT WE ARE CONCERED FOR HIS SAFETY AS WELL AS HIS JOB PERFORMANCE.

A handwritten signature in cursive script that reads "Eddie Newman".

EDDIE NEWMAN  
CHIEF OF POLICE  
FERRIDAY POLICE DEPT.

COUNCIL MEMBERS  
WILLIAM RUCKER  
DOROTHY J. JOHNSON  
SAMMY DAVIS, JR.  
SANDRA G. PRYOR  
BOB JONES



ODEAL J. MONTGOMERY, MAYOR  
FERRIDAY, LOUISIANA 71334

CLERK  
IDA W. JOHNSON  
212 N. SECOND STREET  
PHONE 757-3411  
OR 8635

**July 29, 1999**

MR. DANIEL G. KYLE, PhD., CPA, CFE  
OFFICE OF THE LEGISLATIVE AUDITOR  
P.O. BOX 94397  
BATON ROUGE, LA 70804-9397

DEAR MR. KYLE:

THIS IS THE ADDENDUM TO THE MANAGER'S RESPONSE:

1. WE ARE LOOKING AT THE SOFTWARE THAT OUR OFFICE WILL REQUIRE TO BETTER TRACK THE TICKETS ISSUED, UNTIL THEIR FINAL DISPOSITION. WE HAVE CONTACTED THE CHIEF OF POLICE IN STERLINGTON, LA AND HE HAS AGREED TO SHOW US HIS SET UP.
2. WE ARE BEGINNING TO HAVE ALL EMPLOYEES COMPLY WITH THE NATURALIZATION AND IMMIGRATION REQUIREMENTS.

*Odeal J. Montgomery*  
MAYOR ODEAL J. MONTGOMERY

*Eddie M. Newman*  
CHIEF EDDIE M. NEWMAN