



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

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

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

November 23, 1998

Mr. Lynn Alford, Mayor-Elect  
Village of Simsboro  
P.O. Box 62  
Simsboro, LA 71275

Dear Mr. Alford:

We conducted a limited review of the Village of Simsboro on October 1, 1998. This review consisted of examining selected village records, interviewing the village clerk, and observing certain procedures performed by the village clerk.

Based on our review, we have a concern about the lack of direct involvement and oversight of the village's operations by both the mayor and the board. We realize the village is a small operation with a limited number of employees. However, because of the small size of the village, it becomes even more important for the mayor and board to be involved in the day-to-day operations of the village.

Our limited review revealed the following findings that should be addressed by the current administration. To the extent these matters are unresolved as of January 1, 1999, they represent issues that must be addressed early in your administration.

**Need to Maintain Village  
Records at Village Hall**

Various village records are not being maintained at the village hall. On the date of our visit (October 1, 1998), we noted the following relating to village records:

- The Sewer Operating Account records were maintained at the mayor's house. We were informed that these records include vendor invoices, bank statements and related canceled checks, bank reconciliations, and cash receipts/disbursements summaries. The mayor's daughter brought a box containing various Sewer Operating Account records to the village hall on the date of our visit.
- The minutes of the board meetings from February 1998 through June 1998 were not at the village hall. These minutes were at the village CPA's office.
- All payroll records are maintained at the village CPA's office. These records include copies of federal and state payroll tax forms that have been filed, individual earnings records, IRS forms 1099, IRS forms W-2.
- The village's general ledger is maintained at the village CPA's office.

*Village records should be maintained at the village hall.*

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

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

- Deposits are not made timely. We were informed that deposits are made about every three days during the first part of the month and about once a week thereafter.
- Incoming checks are not restrictively endorsed upon receipt.
- All receipts are not recorded in the cash receipts summary (only utility receipts are recorded).
- For cash payments collected at the village office, prenumbered receipts are not issued to the customers.
- The cash drawer is not balanced daily to the established cash balance.
- The village clerk and mayor are the signatories for all checking accounts (two signatures are required on all checks, except for the water customer deposit account). Allowing the village clerk to sign checks is incompatible for a proper system of checks and balances.
- The mayor signs blank checks. We observed twenty blank checks that were signed by the mayor.
- We observed checks on which the village clerk signed the mayor's name in addition to her own name. The village clerk provided written documentation from the mayor authorizing her to do so.
- Thirteen invoices were not approved before payment.
- Ten disbursements were made without adequate supporting documentation.
- The village pays at least \$1,000 each month for contract labor to Norsworthy & Associates without a supporting written agreement that provides the terms and conditions and fee or rate of pay.
- Five paid invoices were not canceled or marked paid to prevent duplicate payment.
- Bank statements are not received unopened by the mayor or designated alderman for review.

Management of the village should (1) deposit cash receipts intact daily anytime receipts exceed \$200; (2) restrictively endorse all checks upon receipt; (3) record all cash receipts in the cash receipts summary; (4) issue prenumbered receipts to customers paying cash and retain a copy; (5) balance the cash drawer daily to the established cash balance; (6) require that all checks be signed by the mayor and designated board member; (7) prohibit the signing of blank checks; (8) require that invoices are approved before payment; (9) require that checks are signed only after reviewing documentation to support the disbursement; (10) cancel or mark paid all paid invoices; and (11) require that all bank statements be received unopened by the mayor or designated board member for his/her review.

### **Bank Statements Should Be Reviewed Timely**

Bank statements and related canceled checks for the Sewer Operating Account were neither reviewed nor reconciled timely to the book balance. Louisiana Revised Statute (R.S.) 10:4-406(d)(2) allows the village thirty days to examine bank statements and canceled checks for unauthorized signatures or alterations. On the date of our visit (October 1, 1998), the Sewer Operating Account's July and August 1998 bank statements were neither reviewed nor reconciled to the book balance. The village should implement procedures requiring timely preparation and supervisory review and approval of bank reconciliations.

### **Excess Cash Not Invested**

The village did not invest excess cash. R.S. 33:2955 authorizes and directs the village to invest monies that are determined to be available for investment in prescribed interest-bearing accounts or securities. As of May 31, 1998, the village had cash totaling \$79,763 in five non-interest-bearing demand deposit accounts. Management of the village should develop and adopt an investment policy where excess cash is invested in prescribed interest-bearing accounts or securities.

### **Failure to Comply With Local Government Budget Act**

The village's annual budget for the fiscal year ending June 30, 1999, was not adopted timely, and the budget for fiscal year ending June 30, 1998, was not adopted. R.S. 39:1308 requires that all action necessary to adopt and finalize the budget be completed before the start of the fiscal year. The budget for the fiscal year ending June 30, 1999, was adopted July 10, 1998.

In addition, actual revenues and expenditures are not compared monthly to the budgeted amounts to ensure that actual amounts are within the amounts budgeted. Although the board is provided with monthly cash receipts and disbursements statements for each bank account, there is no comparison made to the village's budget.



All future village budgets should comply with the provisions of Louisiana law and be adopted before the start of the fiscal year. Also, management of the village should use the budget in managing the village's fiscal operations.

### **Fixed Asset Records and Procedures Needed**

Detailed fixed asset records are not maintained, assets are not tagged, and physical inventories of fixed assets are not conducted. R.S. 24:515(B)(1) requires the village 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 village 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 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 village and include the tag number on the listing of fixed assets.

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

Controls over utility accounts and customer meter deposits need to be improved. The control weaknesses are:

- The utility accounts receivable balance in the general ledger is not reconciled monthly with the detailed billing register. Instead, the village's CPA adjusts the general ledger balance to the billing register balance at fiscal year-end.
- The customers' meter deposit balances in the general ledger are not reconciled monthly with the detailed listing of customers' meter deposits. At June 30, 1997, there was a difference of \$1,729 in the cash account and the detailed listing of customers' meter deposit balances.
- Throughout the year, the village clerk provides a list of delinquent utility accounts to the utility service center to remove from the billing register. There is no documentation that the board approves these write-offs.
- There is no written utility cut-off policy. The village clerk determines when water service is cut-off.
- The village does not have a master meter account to monitor water consumption with water billed.

Management of the village should (1) reconcile the accounts receivable balance in the general ledger with the detailed billing register monthly; (2) reconcile the customers' meter deposit bank account with the detailed listing of individual customer deposits on a monthly basis; (3) remove

customers from the billing register only upon written approval of the board; (4) adopt and implement formal procedures that will ensure all delinquent accounts are collected on a timely basis or service will be discontinued; and (5) consider obtaining a master water meter to monitor water consumption with water billed on a monthly basis.

### **Payroll Procedures Need Improvement**

Payroll procedures need to be improved. Our review of payroll revealed:

- Individual employee personnel files are not maintained.
- Form I-9 - "Employment Eligibility Verification" is not maintained on all employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service.
- There is no documentation on file of approved salary/wage amounts paid to employees.
- Employees do not complete time reports. The village clerk records the hours worked by maintenance employees.
- There is no policy regarding earning or taking vacation or sick leave. In addition, there are no records maintained to document whether employees earn or take vacation or sick leave.

Although the village has only five employees, with minimal effort, management of the village can significantly improve controls over payroll. There is no need for complex policies, procedures or forms. Management of the village should:

1. Maintain individual employee personnel files that include, at a minimum, (a) an employment application form; (b) approved salary or rate of pay; (c) the Employee's Withholding Allowance Certificate Form W-4 and State of Louisiana Employee Withholding Exemption Certificate Form L-4; (d) approved salary or hourly pay rate increases/decreases; (e) annual performance appraisals; and (f) 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.
2. Require all employees to complete simple time reports to document hours worked. The appropriate supervisor should approve the time reports.
3. Adopt a simple policy regarding the earning and taking of vacation and sick leave.
4. Maintain simple records to account for vacation and sick leave earned and taken by employees.

### **Need for Reserve Accounts**

The village is not complying with the U.S. Department of Agriculture - Farmers Home Administration (FmHA) loan agreement. The FmHA loan agreement requires two reserve accounts to be established (revenue bond fund and depreciation and contingency fund) and that monthly reserve deposits be made to these accounts until certain balances are obtained. Although the village has certificates of deposits available that may meet these requirements, the monies are not specifically reserved for these purposes.

We suggest that the village determine the amount that should be in the two reserve accounts and deposit these amounts in bank accounts that describe the type of reserve. These accounts should be monitored monthly to determine if the cash balances comply with the loan agreement.

### **Chief of Police Compensation and Retirement**

Our review of payments made for the chief of police compensation and retirement revealed the following:

- Although the chief of police is an employee of the village, the village pays the chief of police as contract labor and issues him an IRS Form 1099 each year.
- The chief of police is a member of the Municipal Police Employees' Retirement System of Louisiana. The village pays both the employer (9%) and employee (7.5%) portions of the retirement contribution. The retirement check is made payable to the retirement system. However, the check is given to the chief of police who completes the required retirement form and remits the check to the retirement system. Therefore, there is no documentation in the village files to support the retirement payment.
- A review of the retirement form obtained from the retirement system for August 1998, reported \$365.00 as salary. The actual amount paid to the chief of police was \$340.51, or a difference of \$24.49.

Management of the village should:

1. Pay the chief of police as an employee of the village. Appropriate federal and state taxes should be withheld and he should be issued an IRS Form W-2 at year-end.
2. Withhold the employee's portion of the retirement contribution from the chief of police's salary. Determine whether the village can recover the employee's contribution from the chief of police for past payments.
3. The village should complete the appropriate retirement form and send the retirement contribution directly to the retirement system. The village should maintain a copy of the retirement form.

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4. Determine the chief of police's correct monthly salary and report it to the retirement system.

As you begin to resolve each finding, please keep in mind the important role that both you and the board will have in managing the operations of the village. If you have any questions about the review, please contact me or Gary McCrary of my staff at (225) 339-3886.

Sincerely,

A handwritten signature in cursive script that reads "Daniel G. Kyle". The signature is written in black ink and is positioned above the printed name.

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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