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January 22, 1999

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The Honorable Robert Amacker, Mayor
Town of Lake Providence
201 Sparrow Street
Lake Providence, LA 71254

Dear Mayor Amacker:

As a result of your election as the new mayor of the Town of Lake Providence, you requested that a representative of my office visit the town to provide guidance to the new administration, ensuring that financial transactions are being recorded properly and that appropriate financial records are maintained. A representative of my office visited the town during the week ended January 15, 1999. In addition to providing guidance to the new administration, a follow-up of the findings reported in my office's audit resolution report dated December 10, 1997, was done. This entailed a limited review of selected town records and certain procedures performed by town employees.

Our limited review revealed the following findings that should be addressed early in your administration:

Need to Improve Controls Over Disbursements

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

- The former mayor signed blank checks. One hundred thirty-three blank checks from five town checking accounts were signed by the former mayor.
- All invoices are not approved before payment. Two invoices that were reviewed were not approved.
- Disbursements are made without adequate supporting documentation. Six disbursements, totaling \$38,724, that were reviewed did not have adequate supporting documentation.
- The town pays at least \$2,500 each month for contract labor to Connie and Enos Overby without a supporting written agreement that provides the terms, conditions, and what the town expects of the contract laborers.
- All paid invoices are not canceled or marked paid to prevent duplicate payment. Six invoices that were reviewed were not canceled or marked paid.

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- Disbursements were made for an unlawful purpose. Disbursements totaling \$568 were made for an office Christmas party in violation of Article 7, Section 14 of the Louisiana Constitution of 1974. In addition, \$343 was charged at a local grocery store for the office Christmas party. As of January 15, 1999, this amount has not been paid.

The new administration of the town should (1) prohibit the signing of blank checks; (2) require that invoices are approved before payment; (3) require that checks are signed only after reviewing documentation to support the disbursement; (4) prohibit paying contract labor without a written agreement approved by the board; (5) cancel or mark paid all paid invoices; and (6) always ensure that town funds are expended for lawful purposes.

Bank Statements Should Be Reviewed Timely

Bank statements and related canceled checks for the town were neither reviewed nor reconciled timely to the book balance. Louisiana Revised Statute (R.S.) 10:4-406(d)(2) allows the town thirty days to examine bank statements and canceled checks for unauthorized signatures or alterations. On the date of our visit (January 12, 1999), the town's bank statements from July 1998 through December 1998 were neither reviewed nor reconciled to the book balances.

The new administration of the town should implement procedures requiring timely preparation, supervisory review, and approval of bank reconciliations.

Failure to Comply With Local Government Budget Act

The town's annual budget for the fiscal year ending June 30, 1999, was not adopted timely. 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 December 1, 1998.

This is the fourth consecutive year the town has not adopted its budget timely. The budgets for fiscal years ending June 30, 1998, 1997, and 1996, were adopted December 1, 1997, December 3, 1996, and July 20, 1995, respectively. These deficiencies, in addition to placing the town in noncompliance with Louisiana law, reduce the effectiveness of the town's budgetary controls over revenues and expenditures and restrict public participation in the budgetary process.

The new administration of the town should ensure that all future town budgets comply with the provisions of Louisiana law and be adopted before the start of the fiscal year.

Need for Monthly Financial Statements

Financial statements are not presented to the board monthly. R.S. 33:425 requires the treasurer to keep accurate accounts of all receipts and disbursements and report the finances of the municipality in writing to the mayor and Board of Aldermen at each regular meeting.

The new administration of the town should ensure that the town clerk prepares and presents to the board monthly financial statements that report the operations of the town compared to the budgeted amounts.

Fixed Asset Records and Procedures Needed

Detailed fixed asset records are not current, all assets are not tagged, and physical inventories of fixed assets are not conducted. 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 new 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 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.

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. The accounts receivable aging (accounts receivable balances by the number of days past due) does not agree with the billing register.
- The customers' meter deposit balances in the general ledger are not reconciled monthly with the detailed listing of customers' meter deposits.

The new administration of the town should (1) reconcile the accounts receivable balance in the general ledger with the detailed billing register monthly; (2) update and balance the detailed listing of customers' meter deposits with the cash account; (3) reconcile the customers' meter deposit bank accounts with the detailed listing of individual customer deposits monthly; (4) review the town's formal utility cut-off policies and procedures to ensure that all delinquent accounts are collected on a timely basis or discontinue service; and (5) prepare an accounts receivable aging each month that agrees with the detailed billing register and general ledger. This should be used to monitor the collection efforts.

Payroll Procedures Need Improvement

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

- Individual employee personnel files are not maintained for all employees.
- 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.
- No documentation is on file of approved salary/wage amounts paid to employees.

The new administration of the town should 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.

Need to Obtain Quotes for Large Purchases

The town 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. The town purchases gasoline/diesel for the town's gasoline pump and diesel tank from one vendor. In addition, chemicals for the water and sewer treatment are purchased from one vendor.

The town 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 town should be aware of Louisiana's bid law requirements when purchasing large items. R.S. 38:2212 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.

Need to Improve Controls Over Traffic Tickets and Misdemeanor Summonses

Traffic tickets and misdemeanor summonses issued to police officers by the former police chief were not reconciled with the issued citations returned by the police officers. Good controls over traffic ticket books and misdemeanor summons books require that new books be issued to police officers only after the previously issued books have been accounted for and all issued citations have been received from the police officer. In addition, good controls require that

records be maintained that account for the final disposition of all citations and that access to citations be limited only to authorized personnel.

The former police chief did not maintain records that accounted for the numerical sequence of citations that were issued and their final dispositions. Therefore, we could not determine whether citations were issued or tickets were lost or voided. The police department was attempting to account for the traffic citations in a *Traffic Ticket Log Book*; however, they discontinued using this book in May 1998.

The newly elected police chief should (1) issue a police officer a traffic ticket book or misdemeanor summons book only after the previously issued book has been accounted for and all issued citations have been received from the police officer; and (2) account for the numerical sequence of all citations and the final disposition of those citations monthly.

Need to Improve Controls Over Confiscated Weapons and Drugs

The town's former police chief did not have adequate controls over confiscated weapons and drugs. The following matters were noted:

- No formal policies and procedures were followed for recording, maintaining, and disposing of confiscated weapons or drugs.
- Inventory records of confiscated weapons or drugs were not maintained.

Because the former police chief did not maintain inventory records, we could not determine how many weapons were confiscated throughout the year or how many weapons were ultimately returned to individuals, transferred to other law enforcement agencies, lost, stolen, or otherwise disposed of during the year. In addition, we could not determine the amount and type of drugs confiscated throughout the year and the disposition of those confiscated drugs. Failure to maintain control over confiscated weapons and drugs increases the risk that weapons and drugs will be stolen, lost, or disposed of improperly.

The newly elected police chief should maintain an inventory of all confiscated weapons and drugs that includes the date confiscated, tag number, description of the weapon/drug, name of the individual from whom confiscated, reference to the arrest report, status of pending legal action, and final disposition.

Need to Review Town's Gasoline Pump Records

The town's gasoline pump records are not reviewed periodically. Good controls over the use of town gasoline for town vehicles require that pump records be maintained and reviewed periodically. This review will ensure that only town vehicles are receiving gasoline, vehicles receiving the gasoline are properly identified, odometer readings are accurately recorded, and the amount of gasoline received by town vehicles is reasonable.

The town maintains records of town vehicles receiving gasoline from the town's gasoline pump. These records document the date, vehicle number, odometer reading, quantity received, and the driver's signature. However, a review of these records has not been done.

The new administration of the town should (1) prepare a monthly analysis or summary by vehicle that includes, at a minimum, the number of gallons received, miles traveled, and miles per gallon; and (2) present the analysis to the board during its regular board meeting.

Payments to YouthBuild Delta Council

The town made two payments totaling \$38,156 without adequate documentation to support the payments. The following describes the available information obtained regarding those two payments:

- A cashier's check dated May 22, 1998, totaling \$30,156, was paid to Northeast Louisiana University. No documentation was found at the town hall to support this payment. However, we contacted Northeast Louisiana University and the university provided a copy of a letter from Ms. Margaret Lee, AmeriCorps Program Officer, Louisiana Serve Commission, Office of the Lieutenant Governor. The letter was dated March 27, 1998, and was addressed to Dr. Jesse Turner, YouthBuild Delta AmeriCorps. According to the letter, the \$30,156 was the total subgrantee share required for Member Support Cost.
- A check dated December 17, 1998, totaling \$8,000, was paid to Northeast Louisiana Delta Council. The check was endorsed by Northeast Louisiana YouthBuild Delta Council and Jesse J. Turner. Alderman Ray Frazier approved the payment. The town's requisition form states that this payment is for November and December 1998, for operations of Northeast Louisiana Delta Council and was to be reimbursed to the town upon settlement of the current lawsuit.

At the regular city council meeting on December 17, 1998, a motion was made by Alderwoman Lewis and seconded by Alderman Frazier to "make the Town of Lake Providence a joint venture with Northeast YouthBuild Delta and that the sums indicated would be amended at the will of the Town." This motion passed. We were informed that Alderman Ray Frazier serves as president of the YouthBuild Delta Council. We could not find a written agreement or cooperative endeavor agreement between the town and Northeast YouthBuild Delta. Alderman Amos Wright informed us that a written agreement was never given to the board to review and he believes a written agreement does not exist.

Article VII, Section 14(A) 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. However, Article VII, Section 14(C) provides the following with respect to cooperative endeavors: "For a public purpose, the state and its political subdivisions or political corporations may engage in cooperative endeavors with each other, with the United States or its agencies, or with any

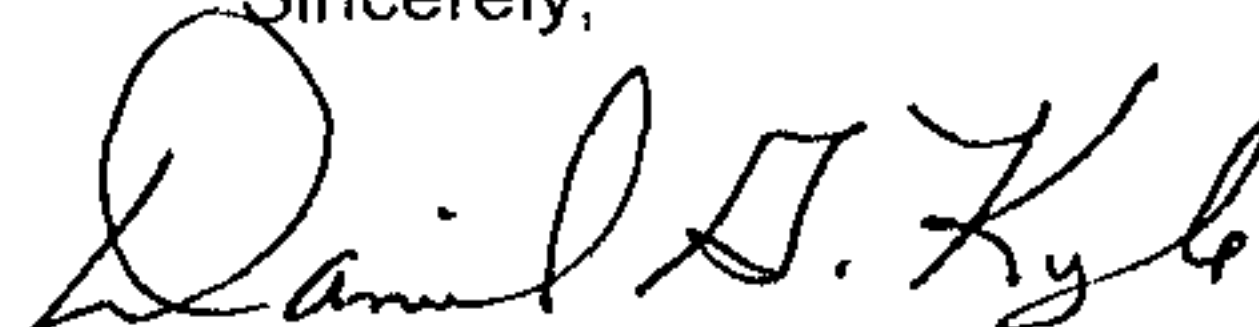
public or private association, corporation, or individual." The following are requirements for a valid cooperative endeavor agreement:

1. There must be a legal obligation or duty upon which the agreement is founded.
2. The purpose of the agreement must be public in nature.
3. The public benefit must be proportionate to the cost.

The new administration of the town should determine if a written cooperative endeavor agreement exists. If one can be found, the town should determine if the agreement meets the requirements of a valid cooperative endeavor agreement. If a written agreement cannot be found, the town should seek reimbursement from YouthBuild Delta Council/YouthBuild Delta AmeriCorps. In addition, an ethics ruling from the Louisiana Ethics Board should be requested relating to Alderman Frazier's role as president of the YouthBuild Delta Council, voting for the joint venture between the town and Northeast YouthBuild Delta, and approval of the disbursement to Northeast Louisiana Delta Council.

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 town. If you have any questions about the review, please contact me or Gary McCrary of my staff at (225) 339-3886.

Sincerely,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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