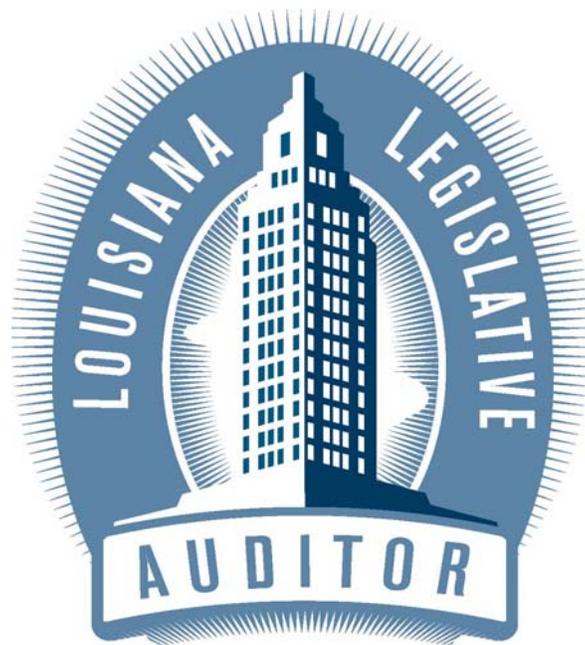


TOWN OF WATERPROOF



ADVISORY SERVICES REPORT
ISSUED AUGUST 27, 2008

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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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.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

August 27, 2008

**THE HONORABLE BOBBY D. HIGGINBOTHAM,
MAYOR, AND MEMBERS OF THE BOARD
OF ALDERMEN**

Waterproof, Louisiana

My staff applied our *Checklist of Best Practices in Government* in providing advisory services for the financial operations of the Town of Waterproof (town). In addition, we reviewed your resolution of the audit findings reported in the town's June 30, 2006, audited financial statements.

Attachment I contains our findings and recommendations resulting from our assessment and Attachment II provides the status of the June 30, 2006, audit findings. Management's response is presented in Appendix A.

Our recommendations are intended to (1) improve controls over the town's financial operations; (2) provide you with advice in implementing good business practices; and (3) ensure the town's compliance with the Louisiana Constitution and state laws.

This assessment is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards; therefore, we are not offering an opinion on the town's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

RLT:ESS:JSI:sr

WATERPROOF08

Findings and Recommendations

The following are the findings and recommendations resulting from our advisory services. Management (mayor and aldermen) of the town should consider the costs of implementing the recommendations compared to the benefits they will provide. For any recommendations not implemented, management should be aware of the risks.

We reviewed these findings and recommendations with management of the town to provide management an opportunity for its response. Management's response is presented in Appendix A.

Lack of Financial Management

Management of the town is failing to effectively exercise its fiduciary responsibilities of managing the fiscal operations of the town. This report reveals significant deficiencies in financial management and controls over town operations and presents matters that are contrary to Louisiana laws.

Recommendation: Management should ensure that sufficient financial, legal, and computer expertise is available to assist management in resolving the issues in this report. A written plan should be developed and adopted that addresses the issues in this report and the board of aldermen should monitor progress against the plan each month until all issues are adequately resolved.

Noncompliance With Louisiana Audit Law

Management failed to comply with the Louisiana Audit Law [Louisiana Revised Statute (R.S.) 24:513]. The town's 2007 audit report (fiscal year ending June 30, 2007) was not filed with our office on or before December 31, 2007, as required by state law, and continues to be delinquent as of the date of this report. In addition, management failed to ensure that the town's records were maintained in auditable condition (i.e., organized, complete, and accurate) and has not engaged an auditor to perform the town's 2007 audit.

Recommendation: Management should expedite the filing of the town's delinquent audit report with our office. Immediate steps should be taken to ensure that the town's records are in auditable condition and that an independent auditor is engaged (subject to the approval of the Legislative Auditor) to begin the audit.

Also, we caution management that its continued failure to take appropriate action to comply with reporting responsibilities under the state audit law can subject management to fines and penalties (R.S. 24:518). We remind management that state funding to the town can be interrupted as language in Acts 19 (Appropriations Budget) and 29 (Capital Outlay Budget) of the 2008 Legislative Session prohibits the payment of funds appropriated in these acts to any entity that is not in compliance with the audit law.

Noncompliance With Local Government Budget Act

Management failed to comply with the Local Government Budget Act.

Budget Not Adopted - The town’s 2008 General Fund budget (fiscal year ending June 30, 2008) was never adopted by the board as required by Louisiana law. According to law [R.S. 39:1309.A and R.S. 33:406.A (3)], the budget should have been adopted by ordinance before July 1, 2007, the beginning of the town’s fiscal year.

No Budget Message - The 2008 General Fund budget failed to include a budget message as required by law. R.S. 39:1305.C (1) requires a budget message signed by the budget preparer (mayor) that provides a summary description of the proposed financial plan, policies, objectives, assumptions, budgetary basis, and a discussion of the most important features.

Fund Balances Not Shown - The estimated fund balances at the beginning and end of the fiscal year were not presented in the 2008 General Fund budget as required [R.S. 39:1305.C (2)(a)].

Recommendation: Management should strictly comply with all provisions of the Local Government Budget Act. The town’s annual budget should be adopted by ordinance before the beginning of each fiscal year (July 1) and the budget should contain all required information. We remind management that any amendments to the budget are also required to be adopted by ordinance [R.S. 33:406.A (3)].

Lack of Financial Statements and Budget Comparisons

Management is not reviewing monthly financial statements for all funds of the town. In addition, monthly budget-to-actual comparisons schedules are not prepared and presented to management for review and discussion. Without complete financial information on all funds, management cannot effectively exercise its fiduciary responsibilities of managing the town.

Recommendation: Each month, the board of aldermen should be presented with accurate financial statements and budget comparisons for all funds of the town, including warnings of any corrective action needed.

Deficit Spending in Utility Fund

Management spent more than the available revenues of the Utility Fund (water, gas, sewer, and garbage services) for five consecutive years resulting in losses of approximately \$550,000, as summarized below:

	5 Year Totals	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
Operating Revenues	\$2,398,635	\$609,444	\$490,778	\$431,277	\$493,709	\$373,427
Operating Expenses	(2,949,223)	(643,393)	(583,317)	(613,430)	(619,069)	(490,014)
Operating (Loss)	(\$550,588)	(\$33,949)	(\$92,539)	(\$182,153)	(\$125,360)	(\$116,587)

Recommendation: Management should stop the deficit spending and implement a plan for making both short- and long-term spending cuts in the Utility Fund. Also, management should consider whether fees need to be increased to sustain the level of services being provided by the town.

Purchasing and Disbursements

Our assessment of purchases and disbursements revealed control weaknesses and matters that are contrary to state laws.

Transactions With Related Parties - Contrary to the Code of Governmental Ethics, the town purchased goods/services from businesses in which an immediate family member (related party) of the mayor and town clerk maintain an ownership interest.

State law (R.S. 42:1113.A) prohibits the mayor and clerk or a member of their immediate families from bidding on or entering into any contract that is under the supervision or jurisdiction of the town. Also, R.S. 42:1112 prohibits the mayor and clerk from participating in a transaction in which they or an immediate family member has a personal substantial economic interest.

Our assessment revealed that town funds may have been improperly spent as follows:

- During the 11-month period from July 2007 through May 2008, town funds were used to pay for \$24,610 of fuel and other goods purchased from Higginbotham Place (see *Mayor's Credit Card*), a local business where the mayor works and a business that the mayor informed us that his brother has an ownership interest.

Furthermore, management of the town may have also violated the Public Bid Law (R.S. 38:2212 et seq.) as the fuel was not competitively bid. The Public Bid Law requires materials and supplies purchases of \$20,000 or greater to be advertised and let by contract to the lowest bidder according to specifications.

- In January 2008, the town paid \$775 to a business owned by the husband of the clerk for repairs made to a town vehicle.

Recommendation: Management should ensure that the town ceases purchasing goods and services from businesses in which the mayor and clerk and/or their immediate family members have an ownership or economic interest. Also, management should consult with the Louisiana Board of Ethics (the entity charged with the responsibility of administering and enforcing the Louisiana Code of Governmental Ethics) about the propriety of these related-party transactions.

Management should also comply with state law and seek bids for fuel purchases to ensure that the most favorable prices are obtained. Although the individual fuel purchases did not exceed the \$20,000 bid limit amount, total purchases for the year may have exceeded the bid limit. The

Louisiana Attorney General (A.G.) has opined in Opinion 02-122 that recurring purchases that exceed the bid limit must be advertised and let by public bid.

Mayor’s Credit Card - Over the 10-month period from July 7, 2007, through May 6, 2008, the mayor authorized (via telephone) town funds totaling \$38,946 to be used to pay his Visa credit card bills, of which \$24,610 (approximately 63%) was for purchases made at Higginbotham Place (see *Transactions With Related Parties*). The mayor told us that he opened a Visa credit card account for the town using his personal information because the town did not have sufficient credit. We were unable to determine the propriety of all the mayor’s charges/purchases because receipts and records were unorganized or missing and there was little or no documentation of the business purposes.

However, our limited assessment of credit card charges revealed that town funds were used to pay for certain personal travel expenses of the mayor which may violate the Louisiana Constitution¹ and Louisiana law.² Upon inquiry, the mayor told us that the following charges paid by the town totaling \$1,076.34 were for personal purposes and that he would make reimbursement.

Date of Charge	Vendor	Charge Amount	Destination/Location
January 18, 2008	United Airlines	\$398.99	Chicago, IL
April 11, 2008	United Airlines	\$617.50	Las Vegas, NV
April 15, 2008	Enterprise Rent-A-Car	\$59.85	Los Angeles, CA

We advise management that for an expenditure to be constitutional, there must be a public purpose for the expenditure, the expenditure must not appear to be gratuitous, and there must be evidence demonstrating that the town has a reasonable expectation of receiving a benefit or value at least equivalent to the amount of the expenditure.

Recommendation: For proper controls over purchasing and disbursements, the mayor should immediately cease using his personal Visa card to make purchases for the town and the mayor should be strictly prohibited from authorizing the expenditure of town funds to pay his credit card bills. In the future, all purchases should be made through the normal purchasing and approval process of the town and all payments should be made through the normal disbursement and approval process.

We recommend that a thorough review of all credit card charges be performed to determine whether additional payments were made by the town for charges/purchases that did not serve a public purpose. We remind management that state law requires management to notify the

¹ **Article VII, Section 14(A) of the Louisiana Constitution of 1974** prohibits funds, credit, property, or things of value of the state or any political subdivision from being loaned, pledged, or donated to or for any person.

² **R.S. 14§67** provides, in part, “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.”

R.S. 42§1461(A) provides, in part, “Officials, whether elected or appointed and whether compensated or not, and employees of any “public entity” . . . by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

legislative auditor and the district attorney of the misappropriation of public funds or town assets. R.S. 24:523.A states, "An agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation."

No Accounting of Town Funds Paid to Mayor - During our initial visit, we discovered that the mayor had not submitted documentation to the town to account for \$1,000 paid to him in February 2008 (approximately six months ago). The notation on the town check issued to the mayor reflected "Meetings in DC and Baton Rouge." During a subsequent visit, the mayor provided partial documentation for the cash advance; however, we were unable to determine the business purpose of all expenditures.

Recommendation: The mayor should immediately submit to the board of aldermen a complete and detailed accounting of the \$1,000 advanced to him, including itemized receipts and the business purpose for each expenditure. The board should demand repayment of town funds if adequate documentation is not submitted by the mayor.

Documentation - Our general review of payments to vendors revealed that appropriate documentation to support the payments was not always available. For example, purchase orders and receiving reports were not attached with the paid invoices nor was there evidence of appropriate approvals.

Recommendation: Management should improve controls over payments to vendors by:

- (1) requiring that all supporting documentation is received/included before payment is approved--approval should mean that all appropriate documentation is available and the amount owed is correct;
- (2) requiring check signers to review the supporting documentation for completeness and to document their approval on the invoices before signing the checks; and
- (3) filing the paid vendor invoice and supporting documents together (do not separate the supporting documents into separate files).

Customer Utility Accounts

Management needs to implement controls over utility accounts and meter deposits.

Past Due Accounts - Town records at May 20, 2008, reflect past due utility account balances totaling \$83,669, which include accounts of the mayor's place of business (Higginbotham Place), three aldermen, and two town employees as follows:

	30-59 Days Past Due	Over 60 Days Past Due	Total Past Due
Higginbotham Place	\$246.79	\$408.47	\$655.26
Elizabeth Cooper, Alderman	48.95	199.74	248.69
Edna Cooper, Alderman	-	196.98	196.98
George Taylor, Alderman	48.50	-	48.50
Marshall Clark, Employee	32.50	435.86	468.36
Theresa Stampley, Employee	48.50	48.50	97.00
Total	\$425.24	\$1,289.55	\$1,714.79

We advise management that continuing to provide utility services to past due customers and not actively trying to collect past due balances is prohibited by the Louisiana Constitution [Article VII, Section 14 (A)].

Recommendation: Management should adopt and enforce a cut-off policy to ensure utility services are promptly terminated on all customers, including aldermen, employees and related businesses, who do not pay their bill by the due date and take aggressive action to collect all past due balances, including legal action when necessary, and consider using a collection agency.

Meter Deposits - Management failed to ensure that meter deposit monies collected from utility customers were recorded, maintained in a restricted bank account, and reconciled on a monthly basis.

In October 2007, customer meter deposit monies totaling \$32,027 were improperly deposited into the General Fund's bank account and spent for other purposes. Also, the meter deposit information (e.g., date, deposit amount, etc.) was recorded in only two of the 367 active customer accounts in the utility system. In addition, the liability for customer meter deposits recorded in the general ledger was not reconciled with the bank account and the detailed customer list.

Recommendation: Management should ensure that (1) the General Fund immediately repays the meter deposit monies; (2) meter deposit information is recorded in all customer accounts; and (3) a monthly reconciliation is performed and any differences are investigated and resolved in a timely manner.

Accounts Receivable - The accounts receivable balance in the accounting system (general ledger) was not reconciled with the balance in the utility system. The monthly reconciliation of these two independent records is very important and essential for a good system of controls over customer utility account balances.

Recommendation: The town clerk or contract accountant should reconcile these two separate records each month and any difference should be investigated and resolved immediately.

Traffic Tickets/Citations

Our assessment of traffic tickets/citations revealed control weaknesses and matters that are contrary to state laws.

No Accounting of Tickets Numbers - The town is not accounting for the numerical sequence of traffic tickets. Without an accounting, there is no way to determine whether tickets were issued, lost, or voided and whether the town is collecting all its fine revenue.

Recommendation: Management should require ticket books to be issued to police officers only after the previously issued book has been accounted for and all issued citations have been received from the police officer. The numerical sequence of tickets/citations should be accounted for on a monthly basis.

Mayor Collects Fines at Higginbotham Place - The mayor is collecting fine payments (e.g., cash) of the town at Higginbotham Place, his place of work. Good controls dictate that offenders pay fines only at the town hall to ensure that fines are appropriately assessed (in accordance with the town's fee schedule) and that monies collected are properly recorded, controlled, and deposited into the bank accounts of the town on a timely basis.

Recommendation: The mayor should immediately cease collecting fines of the town at Higginbotham Place or anywhere else other than the town hall. We suggest that management require all payments to be made at the town hall, during regular work hours, and be collected by the town clerk.

Improper Disposition of Citations - Contrary to state law (R.S. 32:398.2.B), not all citations are disposed of by trial or acceptance of a plea in open court. Although the mayor conducts mayor's court twice a month, he is also exercising his judicial authority "outside" of court when he dismisses or reduces fines on days other than the court date. Also, the police chief was reducing citations even though he has no judicial and prosecutorial powers under the law (R.S. 33:441.B).

Recommendation: The mayor should comply with state law and only exercise his judicial powers and authority in open court. Under no circumstances should the police chief (or other town employees) be allowed to reduce or dismiss citations. We advise management that state law (R.S. 32:398.3.A) provides penalties if a citation is dismissed incorrectly. The Louisiana Attorney General (A.G.) has opined in Opinion 98-426 that a violation of R.S. 32:398.2 may constitute malfeasance for a public official who disposes of traffic citations in an unlawful manner.

No Docket Kept by Mayor - The mayor did not keep a regular docket of all cases tried in mayor's court as required by law. R.S. 33:442 requires the mayor to keep a perfect record of all cases tried, including the causes arising under the ordinances of the town.

Recommendation: The mayor should comply with state law and maintain a regular docket.

Traffic Violations Not Reported - The town is not reporting traffic violations to the Louisiana Department of Public Safety (DPS) as required by law. R.S. 32:393.C (1)(b) requires the town to report all traffic violations, except parking violations, to DPS not later than 30 days after the date of such person's conviction and sentencing or the final disposition of the case.

Recommendation: Management should comply with state law and ensure that traffic violations are properly reported to DPS.

Payroll and Personnel

Our assessment of payroll and personnel revealed control weaknesses and matters that are contrary to state laws.

Improper Bonus Payments to Police Chief and Police Officers - Management improperly paid bonuses (extra compensation) to the police chief and police officers for exceeding ticket quotas. Payments of bonuses are not permissible because payment for already compensated work is by its very nature a gratuitous payment, which are forbidden by Louisiana's constitution [Article VII, Section 14(A) of the Louisiana Constitution of 1974].

The enforcement of traffic ordinances is a regular/normal duty of the police officers for which they are already being compensated; therefore, any extra compensation (bonus) paid to them for performing work that is already required is viewed as gratuitous. Also, the extra compensation paid to the police chief appears to be contrary to the state law (R.S. 33:404.1) which requires the compensation of the police chief to be fixed by ordinance.

Recommendation: Management should comply with state law and cease paying bonuses to the police chief and police officers. Management should consult with the town attorney about recouping the improper payments.

Mayor's Personal Business Commingled With Town Business - The mayor is commingling his personal business with the business of the town when he uses the town's payroll system to collect monies from town employees. Payroll records reflect instances in which the mayor deducted money from certain employee paychecks and added the money to his paychecks. The mayor told us that he uses the town's payroll system to collect payments on personal loans he makes to employees.

Recommendation: The mayor should immediately cease commingling his personal business with the business of the town. In the future, the town's payroll system should be used solely for business purposes of the town.

Compensation of Municipal Officers - The board of aldermen did not by ordinance fix the compensation of the mayor, aldermen, clerk, and police chief as required by law (R.S. 33:404.1).

Recommendation: The board of aldermen should comply with state law and by ordinance fix the compensation of all municipal officers of the town.

No Personnel Policy - The town did not have a formal policy for regulating the employment of its employees as required by law [R.S. 33:362.A (3)].

Recommendation: Management should comply with state law and adopt, by ordinance, policies and procedures regulating the employment of town personnel. We suggest that management use the *Louisiana Municipal Association Handbook* for guidance.

Attendance and Leave Records - Attendance records were not signed by employees or supervisors and written leave records were not maintained to account for vacation and sick leave earned and taken by employees.

Recommendation: Management should (1) require employees to sign their timecard/sign-in sheet and supervisors to document their review and approval; (2) require all timecards/sign-in sheets to be filed together in a central location; (3) require employees to complete leave slips for all leave taken (slips should be attached to the employees time card); and (4) ensure that detailed records are maintained of the annual and sick leave earned and taken by all employees.

Payroll Documentation - The following payroll documents were not maintained on file for all employees:

- The Employee's Withholding Allowance Certificate Form W-4
- State of Louisiana Employee Withholding Exemption Certificate Form L-4
- Form I-9 – "Employment Eligibility Verification" (for all employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service)
- Written authorization of pay rates for employees

Recommendation: Management should ensure that personnel folders are maintained for all employees that contain, at a minimum, completed Forms W-4, L-4, and I-9 and written documentation of their authorized rates of pay.

Town Vehicles

Our assessment of town vehicles revealed matters that are contrary to state law.

Mayor's Personal Use of Vehicle - The mayor appears to be using his town vehicle for personal purposes (e.g., commuting to and from town hall, etc.). The town-provided vehicle is a taxable fringe benefit for the mayor and the value of his personal use was not being reported as taxable income as required by federal tax laws.

Recommendation: The mayor should maintain a written mileage log to substantiate the business and personal miles driven during the year. The contract accountant should be consulted about

properly reporting the mayor's personal use (fringe benefit) on the applicable federal and state payroll tax forms.

Mayor's Name on Vehicles - The mayor's name is publicized on certain town vehicles which is contrary to state law. R.S. 43:31.E prohibits the mayor from affixing, or causing to have affixed, his name on any publicly owned motor vehicle.

Recommendation: Management should comply with state law and ensure that the mayor's name is removed from town vehicles.

Town Decal Not on All Vehicles - The vehicles driven by the mayor and police chief are not marked with an insignia/decal containing the name of the town as required by Louisiana law. R.S. 49:121 requires town vehicles to have inscribed, painted, decal, or stenciled on the outside door on each side of the vehicle and insignia containing the name of the town.

Recommendation: Management should comply with state law and ensure that all town vehicles are properly identified with decals.

Work on Private Property

Town employees and equipment (e.g., tractor, backhoe, etc.) are routinely used to cut grass and perform other work on privately owned property. We understand that the town is charging a fee for its work; however, the A.G. opined in Opinion 82-379 that similar work did not serve a public purpose and there was no legal authority for a town to provide such services for compensation.

Furthermore, although there are limited circumstances when it may be legal/appropriate to perform work on private property (e.g., A.G. Opinion 01-0253 related to clearing trees for navigation purposes and A.G. Opinion 00-485 related to hooking up sewer lines), offering and providing lawn and maintenance services to private landowners is not part of the "mission" of the government.

Recommendation: Management should strictly prohibit town employees and equipment from performing such work on private property.

Public Works - Work Order System

The public works department does not use a formal *Work Order System* to document work performed.

Recommendation: Good controls require that the public works department use a standard form to document all work requests (e.g., complaints, routine work, etc.). If the public works supervisor approves the work request, a *Work Order* form should be completed. Using the work order forms, the supervisor should then prepare a *Weekly Work Schedule* to organize, track, and

monitor the work. (An example of specific forms and procedures for a simple work order system can be found on our Web site at http://www.la.state.la.us/lla/bestpractices_resources.htmhttp://.)

Bank Reconciliations

As of May 13, 2008 (date of our initial visit to the town), the bank account statements for the General Fund were not reconciled for January, February, March, and April 2008. State law [R.S. 10:4-406 (d)(2)] allows the town 30 days to examine bank statements and canceled checks for unauthorized signatures or alterations. After 30 days, the town is precluded from asserting a claim against the bank for unauthorized signatures or alterations.

Recommendation: Bank reconciliations should be prepared within 10 business days after the monthly statements are received from the bank. The mayor should review the completed reconciliations to ensure that they are done timely, that outstanding checks appear reasonable (none over 90 days old), and that there are no unusual reconciling items.

Fidelity Bond Insurance

The town did not have fidelity bond coverage on all employees who have access to monies of the town (e.g., fines, utility payments, etc.). Fidelity bonds provide insurance reimbursement on losses caused by the dishonest acts (e.g., theft, embezzlement, forgery, misappropriation, etc.) of bonded employees.

Recommendation: Management should obtain fidelity bond coverage on all employees who have access to monies, including the custodian and temporary employees.

Capital Assets

The town did not have a listing of its capital assets. R.S. 24:515.B (1) requires the town to maintain records on all land, buildings, improvements other than buildings, equipment, and any other capital assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost.

Recommendation: The mayor and clerk should ensure that a current listing of the town's capital assets is prepared in accordance with state law. All assets should be tagged and appropriately cross-referenced to the listing, and periodic physical inventories should be taken and differences, if any, should be resolved immediately.

Written Policies and Procedures

The town's written policies and procedures are not complete. Written policies and procedures are necessary to provide a clear understanding of what should be done, how it should be done,

who should do it, and when it should be done and ensure the procedures followed meet management's expectations. Also, written procedures aid in the continuity of operations and for staff cross-training.

We recommend that management develop and implement written policies and/or procedures related to the following:

- Ethics, including issues such as nepotism and prohibited activities (e.g., related-party transactions) and requiring that an annual certification letter be signed by the mayor, each alderman, and all employees attesting to their compliance with the ethics policy
- Financial reporting, including the nature, extent, and frequency of reporting financial information to management
- Budgeting, including procedures for preparing, adopting, monitoring, and amending budgets
- Investments, including procedures for investing excess cash and ensuring that bank balances and investments are fully secured
- Receipts/collections, including receiving, recording, and preparing deposits
- Disbursements, including processing, reviewing, and approving expenditures
- Procurement/purchasing, including how purchases are initiated and approved and checks and balances to ensure compliance with the public bid law
- Payroll/personnel, including formal records for employee time, attendance, leave, and overtime
- Capital assets, including recording, tagging, and safeguarding assets, including conducting physical inventories
- Travel, including rates for business mileage, meals, lodging, and parking and filing standard expense reimbursement reports
- Traffic tickets, including safeguarding, issuing, and accounting for tickets/citations
- Confiscated items, including recording, maintaining, inventorying, and disposing of confiscated evidence
- Computer, including backing up and storing computer files and general controls for the computer system
- Retention of public records, including e-mails

- Gasoline and diesel inventories, including controls over usage

Ordinance Book

The ordinance book was not up-to-date with all town ordinances. R.S. 33:406.D (1) requires the original of all ordinances to be filed immediately in the town's ordinance book.

Recommendation: Management should comply with Louisiana law and ensure that the ordinance book is updated to include the originals of all adopted ordinances. In addition, the ordinances should be codified periodically by subject matter (e.g. public works, public safety).

Confiscated Evidence

The town needs to improve controls over confiscated evidence. Failure to maintain adequate control over evidence increases the risk that evidence will be lost, stolen, or disposed of improperly.

Recommendation: In addition to establishing policies and procedures for confiscated evidence, the police chief should ensure that inventory records are prepared and maintained that document the (1) date confiscated; (2) tag number; (3) description of item confiscated; (4) name of the person from whom confiscated; (5) reference to the arrest report; and (6) final disposition. Also, a physical inventory of the evidence should be performed on a periodic basis and compared to the written inventory records. Any differences should be investigated and resolved immediately.

Contracts

The town did not have written agreements for its contracted legal and accounting services. Good business practices dictate that contracted services of the town be evidenced in writing and include the specific deliverables and payment terms.

Recommendation: All agreements for services (professional or otherwise) with third parties should be in the form of a written contract. Contracts should be monitored by the clerk to ensure that services received by the town comply with the terms and conditions of the contract.

Disaster Recovery and Business Continuity

The town does not have a written disaster recovery/business continuity plan.

Recommendation: We recommend that a written disaster recovery/business continuity plan be prepared and tested/revised annually. Having a written plan is good business practice, as it will provide the steps to be performed to continue town operations in the event of a disaster, fire, or terrorist attack.

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Summary of Audit Findings

The following represents a summary of the audit finding reported in the June 30, 2006, audited financial statements (reported by the town’s independent auditor) and the disposition of the finding based on our inquiries and general observations as of May 29, 2008. Management’s response is included in Appendix A.

June 30, 2006, Audit Finding	Disposition as of May 29, 2008
Budget - The town did not amend its 2006 General Fund budget when actual expenditures exceed budgeted expenditures by more than 5% as required by law.	<u>Not Determinable</u> . The town does not maintain budget-to-actual comparison information to determine whether the 2008 General Fund budget should be amended.

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Management's Response

TOWN OF WATERPROOF

**311 Main Street
Waterproof, LA 71375**

August 19, 2008

**Mr. Steven Theriot, CPA
Legislative Auditor
STATE OF LOUISIANA
P. O. Box 94397
Baton Rouge, LA 70804-9397**

Dear Mr. Theriot:

Please find enclosed the Town of Waterproof's official response to your draft audit report dated August 6, 2008. We appreciate the helpful information in which your staff provided to us. This, when implemented, will help us improve our services to the citizens of the Waterproof and the state generally.

If you have questions or need any additional information, please contact me. Our telephone number is 318-749-5233.

Again, thanks for all of your assistance and recommendations!

Sincerely,



**Bobby D. Higginbotham
Mayor**

BDH

Attachment

Lack of Financial Management

Management will write and implement financial control plans to ensure compliance with Louisiana Laws and generally accepted accounting principals.

Noncompliance With Louisiana Audit Law

Management has employed the services of Samuel Stevens, CPA to prepare the audit of the Town of Waterproof financial records for the fiscal year ending June 30, 2007.

Noncompliance With Local Government Budget Act

Budget Not Adopted.

No Budget Message

Fund Balances Not Shown

Management has approved the 2008 General Fund budget by Ordinance and the budget does in fact include a budget message as required by law. Fund balances will be included once the audit is complete and verified.

Lack of Financial Statements and Budget Comparisons

The Board of Aldermen has approved the accounting services of Talmadge Mitchel, CPA and Mr. Mitchel will prepare monthly financial statements for review at each board meeting going forward.

Deficit Spending in Utility Fund

Management will take this recommendation under advisement!

Purchasing and Disbursements

Transactions With Related Parties

The Administration has ceased all purchases of fuel and other items from related parties. Further, the Town has begun purchasing fuel from Delta Fuel and Kaiser Petroleum. The Town will seek bids for all fuel purchased going forward. The reason for the excessive purchases is due to the substantial increase in the cost of fuel over the last twelve months.

Mayor's Credit Card

The Administration will ask Samuel Stevens CPA to review all charges on the credit card to determine if all charges are for the public good. The Mayor has reimbursed the credit card company (Bank of America) for the airlines tickets and rental car charges. After consulting with the Legislative Auditor;s office, the Mayor was advised to reimburse the town and submit an expense report for all legitimate town charges and the Administration has complied that that recommendation.

No Accounting Of Town Funds Paid to Mayor

An expense report has been prepared and the town was due a total of \$42.91. The town has been reimbursed and the funds reconciled.

- **Documentation**

Management will develop policies and procedures relative to the payment of vendors. The Administration has placed a band on all expenditures without the Mayor's expressed consent and that the item(s) are included in the budget.

Customer Utility Accounts

Past Due Accounts

Management will develop policies and procedures for the enforcement in the collection and payment on all utility accounts. The above referenced accounts of all town officials have been paid current.

Meter Deposits

Management agrees and will comply with the recommendation!

Accounts Receivable

The Administration will ask Mr. Talmadge Mitchel, CPA to reconcile all accounts receivable.

Traffic Tickets/Citations

No Accounting of Tickets Numbers

Management will review to change and update of procedures.

Mayor Collects Fines at Higginbotham Place

The collection of fines at Higginbotham Place has ceased and are only collected at Town Hall.

Improper Disposition of Citations

Citations are only handled in Mayor's court.

No Docket Kept by Mayor

A docket has been developed and implemented for each Mayor's court session.

Traffic Violations Not Reported

The Administration will comply.

Payroll and Personnel

Improper Bonus Payments to Police Chief and Police Officers

Accepts recommendation!

Mayor's Personal Business Commingled With Town Business

The Administration agrees with recommendation and has implemented recommendation.

Compensation of Municipal Officers.

Agrees with recommendation.

No Personnel Policy.

Management agrees with recommendation and will comply.

Town Vehicles

Mayor's Personal Use of Vehicle

The Administration will consult with Mr. Talmadge Mitchel, CPA on the above recommendation!

Mayor's Name on Vehicles

The Administration will consult with the Town Attorney on this recommendation!

Management agrees with this recommendation!

Work on Private Property

The Administration will consult with the Town Attorney on this matter!

Public Works – Work Order System

Management agrees and will comply.

Bank Reconciliations

Management agrees and has consulted with Mr. Talmadge Mitchel, CPA and he will comply.

Fidelity Bond Insurance

Management agrees and will comply!

Capital Assets

Management agrees and will comply!

Written Policies and Procedures

Management agrees and to the extent possible, will comply as soon as possible!

Ordinance Book

Management agrees and has appointed a committee of the Board to review this matter and will submit an update to the full Board of Aldermen.

Confiscated Evidence

The Administration agrees and will comply.

Contracts

The Administration disagrees, we have written legal and accounting services contracts signed and on file.

Disaster Recovery and Business Continuity

Management will take this recommendation under advisement!