



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

March 12, 2014

The Honorable Wayne J. Breaux, Mayor  
Town of Baldwin  
Post Office Box 800  
Baldwin, Louisiana 70514-0800

Dear Mayor Breaux:

As you are aware, members of my Advisory Services staff visited the Town of Baldwin (Town) to assess management's resolution of certain matters contained within the Town's 2012 audit report. My staff completed its assessment and subsequently discussed its findings and recommendations with you, the Mayor Pro Tempore, Town Clerk, Chief of Police, and the Police Secretary.

This letter summarizes the results of our assessment which indicated that management of the Town is failing to effectively exercise its fiduciary responsibilities of managing the fiscal operations of the Town. Because of the severity of the financial and operational issues, I am requesting that you provide my office with a detailed action plan from management on or before March 31, 2014. The plan must address the resolution of each issue bulleted below. Staff will evaluate the plan to determine if any further work is necessary. Your response to each issue should include the following information:

1. Name of the Town personnel responsible for taking the corrective action;
2. Corrective action taken or to be taken, including specific steps/procedures to be used to correct the finding/issue; and
3. The date the corrective action will be completed.

We encourage you to consider our recommendations as you prepare the plan and work to resolve the control deficiencies and compliance issues in the following areas:

- Town management did not have a formal plan to address and eliminate the negative fund balance in the General Fund. The audit reported deficit spending and a negative fund balance totaling (\$256,926) at June 30, 2012. As of October 31, 2013, the Town's financial records for the General Fund indicated a negative fund balance of approximately (\$240,000).

- The Town was not paying all vendors on a timely basis. In November 2013, accounts payable records indicated that the Town owed vendors approximately \$340,000, of which \$172,000 (51%) was over 120 days past due.
- Town management was not complying with revenue bond requirements and an ordinance related to cutting off utility services on delinquent customer accounts:
  - The Town was not making the required monthly transfers from the Utility Revenue Fund into the Revenue Bond Sinking Fund, Utility Revenue Bond Reserve Fund, and the Utility System Depreciation and Contingency Fund. When questioned, management was uncertain as to the amounts that were required to be transferred into these three accounts each month.
  - Town management was not ensuring that utility services for past due customers were being cutoff in accordance with its utility revenue bond ordinance. The Town ordinance allows utility customers a 25-day grace period to make payment; however, language on the utility bills indicated a 45-day grace period and we noted that management was allowing an even longer grace period.

For example, as of October 30, 2013, the Town had over 200 active customers with delinquent utility account balances totaling \$96,111, of which \$66,794 (69%) was over 60 days past due. We caution management that providing free services (without payment) could be a violation of Article VII, Section 14 of the 1974 Louisiana Constitution and La. R.S. 42:1461.

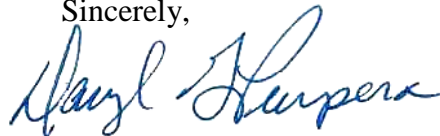
- Management had not implemented internal controls to ensure that all customers receiving garbage services were being charged the \$3.00 dump fee.
- Management had not implemented processes/controls to ensure that dedicated sales tax revenue was spent only on intended purposes (as specified in tax propositions and in accordance with La. R.S. 39:704). We were informed that these restricted monies have been used for other purposes.
- The Chief of Police was reducing citations even though he has no judicial and prosecutorial powers under law [La. R.S. 32:398.2 (C)] to do so. We advise management that La. R.S. 32:398.3(A) provides for penalties if a citation is dismissed incorrectly. The Louisiana Attorney General opined in Opinion 98-426 that a violation of La. R.S. 32:398.2 may constitute malfeasance for a public official who disposes of traffic citations in an unlawful manner.

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- Police Department personnel were allowed to make changes/edits to time sheets without documenting the reason(s) for such edits.
- The Town's 2014 budget did not include all elements required by La. R.S. 39:1305 (e.g., ordinance did not define authority of the mayor and board to make changes to the budget).
- The Town did not have written policies and procedures in place to guide all major fiscal operations (e.g., no policies and procedures to ensure that funds for debt service payments are available and that payments/transfers are made as required).
- The Town did not have adequate checks and balances in place to ensure that all accounting transactions were accurately entered in the general ledger and that errors in financial statements were prevented, detected, and corrected (e.g., no secondary review of general ledger entries).
- The Town did not have adequate controls over receipts/collections. Management allows employees to share and work out of the same cash drawer.

Thank you for your cooperation and that of your staff in this matter. Please submit your detailed action plan to my office by March 31, 2014. If you have any questions about this letter or your action plan, please call Stuart Dickey or Mike Battle at 225-339-3800.

Sincerely,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP/ch

BALDWIN 2013

cc: Board of Alderman