

# Kushner LaGraize, LLC.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Timothy J. Palmatier, Finance Director  
Jefferson Parish Government  
Gretna, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Jefferson Parish Government, solely to assist you in ensuring compliance with the terms of the contract between Jefferson Parish and the Sewerage and Water Board of New Orleans dated January 10, 1989 for the quarter ended March 31, 2013. The Sewerage and Water Board of New Orleans is responsible for the presentation of the quarterly operations and maintenance costs of the Sewerage and Water Board of New Orleans' Pumping Station No. 6 in accordance with the terms of the January 10, 1989 contract between Jefferson Parish and the Sewerage and Water Board of New Orleans. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose

Our procedures and findings are detailed in the accompanying list of procedures and findings and Schedules 1 and 2.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the quarterly operations and maintenance costs of the Sewerage and Water Board of New Orleans' Pumping Station No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Jefferson Parish Government and is not intended to be and should not be used for any other purpose

*Kushner LaGraize LLC*

July 30, 2013

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 30 2013

Procedures and Findings

1. Obtain and review the original contract and subsequent amendments between Jefferson Parish and the Sewerage and Water Board of New Orleans (The Agreement)

We obtained and reviewed the original contract without exception

2. For the period being examined, obtain and review the budget of operations and maintenance costs for Drainage Pumping Station No. 6 and determine that the budget was presented to the Sewerage and Water Board of New Orleans (Sewerage and Water Board) Engineering Committee and Jefferson Parish as required by Section VI.C.2 of the Agreement.

The original agreement between Jefferson Parish and the Sewerage and Water Board states in section VI C.2 that the board shall submit a budget of operations and maintenance expenses for Drainage Pumping Station No. 6 for approval to the Engineering Committee. Per discussion with the Sewerage and Water Board's Financial Administrator, the engineering committee does not exist. The Finance Department does submit a comprehensive annual budget for approval by the Board. No budget is submitted to Jefferson Parish, however it is made publicly available.

3. Make inquiries as to the receipt of Federal Emergency Management Agency reimbursements for additional operations and maintenance expenses of Drainage Pumping Station No. 6.

We inquired as to the receipt of FEMA reimbursements. None were noted.

4. Obtained the quarterly invoice and underlying support for the period under examination. Recalculate the invoice and verify the clerical accuracy. Determine that the formulas used in the calculations are accurate and in accordance with the Agreement.

We recalculated the invoice received from the Sewerage and Water Board, without exception.

5. Review the central amounts invoiced to ensure that Jefferson Parish is invoiced for the proper percentage of the operations and maintenance costs in accordance with the terms of the Agreement.

We reviewed the central amounts invoiced. Jefferson Parish was invoiced for the proper percentage of operations and maintenance costs.

6. Review the Sewerage and Water Board's procedures for accounting for direct and allocated costs associated with Drainage Pumping Station No. 6 to ensure that the allocated methodology is acceptable under the terms of the Agreement.

Section VI C. 1 of the Agreement states:

“Operation and maintenance costs will include all costs incurred as deemed necessary in the operation, maintenance and repair of Pumping Station No. 6, as well as the cost of maintaining, repairing and/or keeping unobstructed the 17<sup>th</sup> Street Canal, the wages and salaries paid, materials, goods and utilities purchased; all overhead and managerial costs attributed thereto, the costs of professional services incurred in connection therewith, all contractual costs and any future costs to upgrade the facilities, machinery and/or the 17<sup>th</sup> Street Canal, or any other costs deemed necessary ”

We reviewed the Sewerage and Water Board of New Orleans’s procedures for accounting for direct and allocated costs and did not note any exceptions according to the terms of this Agreement. However, the terms of the Agreement that define “Operation and Maintenance Costs” are vague and allow for administrative costs of the Drainage Department, as well as costs of other Drainage Pumping Stations operated by the Sewerage and Water Board of New Orleans to be included in the final amount invoiced to Jefferson Parish. Our testing noted that all costs of the Drainage Department are included in the amount invoiced, along with one-third of the administrative costs of the Sewerage and Water Board of New Orleans. These costs are totaled and multiplied by a percentage of the capacity of cubic feet per second that Drainage Pumping Station No. 6 is allocated as compared to all Drainage Pumping Stations. This process is an estimate of the actual costs incurred by Drainage Pumping Station No. 6, and while not specifically prohibited in the agreement, may allow for costs specific to other Drainage Pumping Stations and administrative costs of the Sewerage and Water Board of New Orleans to be included in the final amount invoiced. It is our recommendation that the Jefferson Parish Government review the terms of this agreement and determine if revision is necessary to ensure that only the operating and maintenance costs of Drainage Pumping Station No. 6 are included in the amount invoiced

7. Review the Sewerage and Water Board’s procedures for allocating expenditures between drainage, sewerage and water to ensure that there are no duplicate charges on the invoices to Jefferson Parish.

We reviewed the Sewerage and Water Board’s procedures for allocating expenditures between drainage, sewerage and water and noted no duplicate charges

8. Review the Sewerage and Water Board’s cost for associated operations (high pressure gas cost, electrical restoration costs, etc.) to determine that such costs are being allocated properly between sewerage, water, and drainage and not being borne disproportionately by drainage costs at Drainage Pumping Station No. 6, which is shared with Jefferson Parish.

We reviewed the Sewerage and Water Board’s procedures for allocating drainage cost without exception. See also response to Procedure 6.

9. Review the Sewerage and Water Board's procedures for allocating drainage costs to Drainage Pumping Station No. 6 based on its pumping capacity as compared to the entire drainage operation to ensure that Jefferson Parish is not being invoiced for a disproportionate share of the Sewerage and Water Board's drainage costs.

We reviewed the Sewerage and Water Board's procedures for allocating drainage costs without exception. In our review, we used 9,580 cubic feet per second (CFS) as the capacity for Drainage Pumping Station No. 6, which was reviewed and approved by Jefferson Parish, and 50,291 CFS as the total drainage operations capacity, which was represented to us by the Sewerage and Water Board.

- 10 Obtain the Sewerage and Water Board's responses to findings and present the findings and responses in a report to the Jefferson Parish council.

No findings were noted.

11. Present a schedule of the costs billed to Jefferson Parish by quarter and year for the period under examination. Determine the percentage by which the invoiced costs have increased or decreased from period to period.

See Schedules 1 and 2.

**JEFFERSON PARISH GOVERNMENT**  
**OPERATION AND MAINTENANCE COSTS**  
**SCHEDULES 1 AND 2**  
**PUMPING STATION No 6**

Schedule 1 shows the pro rata cost of operations for DPS No 6 , as billed to Jefferson Parish

	<u>Costs Billed to Jefferson Parish</u>						
	*	*	*	*			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1st Quarter	\$ 105,571	\$ 84,102	\$ 92,953	\$ 137,581	\$ 139,164	\$ 123,344	\$ 184,221
2nd Quarter	130,616	303,795	177,033	180,068	137,057	157,322	-
3rd Quarter	185,212	167,006	164,107	177,436	175,380	200,449	-
4th Quarter	<u>300,885</u>	<u>275,893</u>	<u>233,840</u>	<u>226,100</u>	<u>268,277</u>	<u>264,803</u>	<u>-</u>
Totals	<u>\$ 722,284</u>	<u>\$ 830,796</u>	<u>\$ 667,933</u>	<u>\$ 721,185</u>	<u>\$ 719,878</u>	<u>\$ 745,918</u>	<u>\$ 184,221</u>

Schedule 2 shows the percentage change in billings from the previous years and the percentage increase/decrease in billings from 2008 through 2013

	<u>Increase (Decrease) in Billed Costs from Previous Year</u>						
	*	*	*				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2007-2013</u>
1st Quarter	-20%	11%	48%	1%	-11%	49%	74%
2nd Quarter	133%	-42%	2%	-24%	15%		
3rd Quarter	-10%	-2%	8%	-1%	14%		
4th Quarter	-8%	-15%	-3%	19%	-1%		
Total per year	<u>15%</u>	<u>-20%</u>	<u>8%</u>	<u>0%</u>	<u>4%</u>	<u>-75%</u>	<u>-74%</u>

\* Prepared by prior year Auditors



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JOHN F. YOUNG, JR.  
PARISH PRESIDENT

JEFFERSON PARISH  
DEPARTMENT OF FINANCE

TIMOTHY J. PALMATIER, JD, CPA  
DIRECTOR

**MANAGEMENT'S RESPONSE  
INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**Louisiana State Legislative Auditor**

*Jefferson Parish, Louisiana respectfully submits the following Response to the Independent Accountant's Report on Applying Agreed-Upon Procedures for the six quarters ended December 31, 2012 and the quarters ended March 31, 2013 and June 30, 2013*

Independent Public Accounting Firm  
Kushner LaGraize LLC  
3330 West Esplanade Avenue, Suite 100  
Metairie, Louisiana 70002

Audit Period The six quarters ended December 31, 2012 and the quarters ended March 31, 2013 and June 30, 2013

**GENERAL COMMENTS**

**Procedures and Finding No. 2**

For the periods being examined, obtain and review the budget of operations and maintenance costs for Drainage Pump Station No 6 and determine that the budget was presented to the Sewerage and Water Board of New Orleans (Sewerage and Water Board) Engineering Committee and Jefferson Parish as required by Section VI C 2 of the Agreement

The original agreement between Jefferson Parish and the Sewerage and Water Board states in section VI C 2 that the board shall submit a budget of operations and maintenance expenses for Drainage Pumping Station No 6 for approval to the Engineering Committee Per discussion with the Sewerage and Water Board's Financial Administrator, the engineering committee does not exist The Finance Department does submit a comprehensive annual budget for approval by the Board No budget is submitted to Jefferson Parish, however it is made publicly available

**Management's Response:**

The Sewerage and Water Board of New Orleans does not maintain an Engineering Committee The Sewerage and Water Board Comprehensive Annual Financial Report (CAFR) is available on their website

## **Procedure and Finding No. 6**

Review the Sewerage and Water Board's procedures for accounting for direct and allocated costs associated with Drainage Pump Station No 6 to ensure that the allocated methodology is acceptable under the terms of the Agreement

Section VI C I of the Agreement states

"Operation and maintenance costs will include all costs incurred as deemed necessary in the operation, maintenance and repair of Pump Station No 6, as well as the cost of maintaining, repairing and/or keeping unobstructed the 17<sup>th</sup> Street Canal, the wages and salaries paid, materials, goods and utilities purchased, all overhead and managerial costs attributed thereto, the costs of professional services incurred in connection therewith, all contractual costs and any future costs to upgrade the facilities, machinery and/or the 17<sup>th</sup> Street Canal, or any other costs deemed necessary "

We reviewed the Sewerage and Water Board of New Orleans's procedures for accounting for direct and allocated costs and did not note any exceptions according to the terms of this Agreement. However, the terms of the Agreement that define "Operation and Maintenance Costs" are vague and allow for administrative costs of the Drainage Department, as well as costs of other Drainage Pumping Stations operated by the Sewerage and Water Board of New Orleans to be included in the final amount invoiced to Jefferson Parish. Our testing noted that all costs of the Drainage Department are included in the amount invoiced, along with one-third of the administrative costs of the Sewerage and Water Board of New Orleans. These costs are totaled and multiplied by a percentage of the capacity of cubic feet per second that Drainage Pump Station No 6 is allocated as compared to all Drainage Pump Stations. This process is an estimate of the actual costs incurred by Drainage Pumping Station No 6, and while not specifically prohibited in the agreement, may allow for costs specific to other Drainage Pumping Stations and administrative costs of the Sewerage and Water Board of New Orleans to be included in the final amount invoiced. It is our recommendation that the Jefferson Parish Government review the terms of this agreement and determine if revision is necessary to ensure that only the operating and maintenance costs of Drainage Pumping Station No 6 are included in the amount invoiced.

## **Management's Response:**

The contract between Jefferson Parish and the Sewerage and Water Board of New Orleans dated January 10, 1989 is to be reviewed, revised and amended as necessary to provide procedures to ensure that all costs within the scope of the contract are allocated in an accurate manner.