

WASHINGTON PARISH SHERIFF'S OFFICE



ADVISORY SERVICES
ISSUED NOVEMBER 21, 2012

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 21, 2012

The Honorable Randy Seal
Washington Parish Sheriff
Post Office Box 668
Franklinton, Louisiana 70438

Dear Sheriff Seal:

Upon your request, my Advisory Services staff visited the Washington Parish Sheriff's Office (WPSO) in August to conduct an assessment of certain matters. My advisors previously discussed the results with you and your staff during their visit and this letter serves as a brief outline of the issues and recommendations. Our assessment was substantially less in scope than an audit.

In addition, we visited in September to follow up on certain credit card purchases made during the previous administration. We have presented our findings and recommendations related to this work in the last section of this letter under "Other Matters."

I encourage implementation of our recommendations and my staff will be monitoring the resolution of these issues. If you have any questions about the assessment, please call Mike Battle or Stuart Dickey at 225-339-3800.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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WASHINGTON PARISH SHERIFF 2012

Issues and Recommendations

The following are the issues and recommendations that resulted from our assessment:

1. **Controls over Credit Cards**

- Proper Usage
- Supporting Documentation

Recommendations: The Sheriff should implement controls to ensure that (1) purchases made using credit cards are strictly for business purposes and not for personal purposes and (2) detailed receipts and supporting documentation is maintained to support all charges/purchases.

2. **Written Contracts**

- Professional Services
- Management Oversight

Recommendations: The Sheriff should implement controls to ensure that (1) all agreements for services with third parties are in the form of a written contract and reviewed by legal counsel before execution; (2) a cost benefit analysis is performed before contracting for services; (3) contracts are awarded using bids or request for proposals; (4) the specific services to be performed and expected deliverables are included in the contract; and (5) contracts are reviewed periodically to ensure that services received comply with the terms and conditions of the contract.

3. **Annual Budgets**

- Compliance with Local Government Budget Act (LGBA)

Recommendations: In the future, the Sheriff should ensure that the budgeting process includes all elements required by the LGBA including a (1) budget message signed by the Sheriff; (2) budget adoption instrument; and (3) side-by-side comparisons of budget data required by Louisiana Revised Statute (R.S.) 39:1305 (C)(2)(a). For assistance with the new requirements for side-by-side comparisons of budget data, see the budget template available at www.la.gov/localgovernment/bestpractices. In addition, we advise you to refer to our LGBA FAQ located at www.la.gov/userfiles/file/lgba-faq.pdf.

4. **Deficit Fund Balance in General Fund**

- (\$706,639) at June 30, 2011

Recommendation: The Sheriff should prepare and adopt a written plan that incorporates short-and long-term spending cuts and/or increases in revenues to eliminate the deficit.

5. **Financial Statements and Bank Accounts**

- Monthly Financial Statements
- Monthly Bank Reconciliations

Recommendations: The Sheriff should ensure that monthly financial statements are prepared each month and reviewed for accuracy and require that all bank accounts be reconciled timely each month (by the 15th of the following month).

6. **Reporting**

- Annual Expenditure Report
- Annual Audit Report
- Grant Reporting

Recommendations: The Sheriff should ensure that the (1) annual expenditure report is filed with the Clerk of Court and the Police Jury in accordance with R.S. 42:283-286; (2) annual audit report is submitted to the Louisiana Legislative Auditor's Office on or before the statutory due date in accordance with R.S. 24:513 (A)(5)(a)(i); and (3) quarterly grant program progress reports and quarterly financial reports are filed timely with the grantor.

7. **Controls over Traffic Tickets**

- Accounting for Completeness and Accuracy of Traffic Ticket Data
- Quarterly Audit of Traffic Ticket Data

Recommendations: The Sheriff should ensure that (1) ticket data is reviewed on a periodic basis to ensure completeness and accuracy of data and (2) a quarterly audit of traffic tickets is conducted in accordance with R.S. 32:398.3 (B).

8. **Written Policies and Procedures**

- Policies and Procedures Manual

Recommendations: The Sheriff should require that (1) policies and procedures are updated or developed in accordance with applicable Louisiana laws in areas such as budgeting, financial reporting, cash receipts/revenue, bank reconciliations, ethics, contracting for services, credit cards, public bid law, and traffic tickets; (2) policy memoranda and the policy and procedure manual do not contradict one another or confuse staff; and (3) training is provided to all staff on policies and procedures.

9. **Payroll and Personnel Records**

- Attendance and Leave Records
- Written Job Descriptions

Recommendations: The Sheriff should require attendance and leave records to be maintained for all employees in accordance with the WPSO policy. We advise that written job descriptions be developed for each position and that they be shared with employees so that they have a clear understanding of their duties and responsibilities.

Other Matters

Local Restaurant Purchases by Former Sheriff

During the six-month period prior to leaving office (from January 10, 2012, to June 12, 2012), the former Sheriff may have improperly used his WPSO credit card to make 45 purchases totaling \$1,283 at local restaurants. The business purpose and the names of those who participated in the meals were not recorded on the credit card receipts.

When questioned, the former Sheriff insisted that the credit card had not been used for any personal purchases. For example, he explained that occasionally paying the lunch bill for residents was good public relations. The former chief financial officer (CFO) informed us that some of the meals may have been personal. The CFO explained that she could not “fathom” that all of his meals were work-related.

Contrary to purchasing meals while traveling on business, meals purchased at local restaurants generally do not represent a proper use of public funds and should not be permitted unless there is a valid business purpose. We could not determine the business necessity, reasonableness, or if the purchases benefited the Sheriff's Office. Purchases made without a valid business purpose may be a violation of the Louisiana Constitution, Article VII Section 14, which prohibits the donation of public funds.

Recommendations: The Sheriff's Office should:

- Consult with legal counsel and seek recovery of any monies improperly spent.
- Develop and adopt a comprehensive credit card policy that will (at a minimum):
 - Identify all authorized users
 - Set appropriate credit limits
 - Establish allowable and disallowable charges
 - Require proper documentation for all transactions
 - Require a monitoring/auditing of credit card expenses
 - Establish a means to recoup any unauthorized expenditures
- Require that all charges on the credit card statements be adequately supported by not only the signed credit card receipt, but also the itemized bill given at the time of purchase.

Fringe Benefits Provided to Former Sheriff and Former CFO

Fringe benefits were provided to the former Sheriff and former CFO and were not reported to the Internal Revenue Service (IRS). Fringe benefits provided to employees in the form of meals, personal vehicle maintenance, and personal fuel are generally considered supplemental wages to the employee that should be reported as taxable income. According to IRS Publication 15 (Circular E), taxable fringe benefits are considered supplemental wages which are wage payments to an employee that are not regular wages.

The following fringe benefits were provided to the former Sheriff and former CFO:

- The former Sheriff used his WPSO credit card to purchase meals at local restaurants and did not document a legitimate business purpose for those meals (see *Local Restaurant Purchases by Former Sheriff*). Since there was no business purpose documented, these meals purchased with the WPSO credit card may be considered a taxable fringe benefit to the former Sheriff. According to payroll personnel at the Sheriff's Office, these expenditures/benefits were not included on the former Sheriff's W-2 form as supplemental wages nor were they reported to the IRS.

- The Sheriff's Office paid for maintenance and fuel expenses for the personal vehicle of the former CFO/Chief Civil Deputy in exchange for her using the vehicle for business purposes. However, the Sheriff's Office could not provide a written agreement of this arrangement or mileage logs to account for the business use of the CFO's vehicle. This arrangement may be considered a taxable fringe benefit to the former CFO. According to payroll personnel at the Sheriff's Office, these expenditures/benefits were not included on the former Chief Civil Deputy's W-2 form nor were they reported as supplemental wages to the IRS.

When questioned, the former Sheriff told us that he allowed the former CFO to use the WPSO credit cards to pay for her fuel and maintenance expenses because she used her personal vehicle for business purposes. The former Sheriff informed us that he had an oral agreement with the former CFO regarding this arrangement. According to the former CFO, she used her personal vehicle for work-related reasons and she had a written contract with the former Sheriff for WPSO to provide her maintenance and fuel, including such items as tires. The former Sheriff, former CFO, and current administration were unable to provide us with a written contract of this arrangement.

Recommendations: The Sheriff's Office should:

- Consult with a tax professional on the proper reporting to the IRS of the value of the fringe benefits provided to the former Sheriff and former CFO.
- Consult with legal counsel and seek recovery of any monies improperly spent by the Sheriff's Office.
- Discontinue the practice of paying for purchases made at local area restaurants.
- Discontinue the practice of paying for maintenance and fuel for personal vehicles.
- Adopt written policies and procedures addressing the allowable fringe benefits provided to employees, including any documentation (e.g., written agreement) required.

APPENDIX A

Management's Response



Randy "Country" Seal

Washington Parish Sheriff
Ex-Officio Tax Collector

November 19, 2012

The Honorable Daryl Purpera
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

This letter represents my response to your draft report of November 1, 2012.pdf. I will take the items one at a time from your draft report:

1. Controls over Credit Cards. Upon this administration coming into office we placed various controls on credit cards. First, the credit cards not specifically assigned a member of the Office are kept by the administrative assistant to the Sheriff. These credit cards are logged in and out to personnel on an as needed basis, with the business purpose and expected charges being pre-approved by the employee's supervisor and one chief prior to logging the card out. Upon logging the card back in, all receipts are captured, compared to what was previously approved, and documented as to the business purpose of the use. All personal use of any of the cards is now strictly prohibited. Also, we are documenting the business purpose of each and every charge made on the credit cards for both non-specifically assigned cards as-well-as specifically assigned cards. We are maintaining all receipts and supporting documentation for all charges made.
2. Written Contracts. We are presently going through each and every service agreements with third parties and we are reducing such to written contracts; we are doing a cost benefit analysis on each prior to executing the contract; we are utilizing bid and or proposal process where appropriate. We plan to review our contracts annually to ensure that services received comply with the terms and conditions of the contract.
3. Annual Budgets. We plan to amend our budget for the current year utilizing a budgeting process that includes all elements required by the LGBA including a budget message signed by the Sheriff; budget adoption instrument; and a side-by-side comparison of budget data required by R.S. 39:1305©(2)(a).
4. Deficit Fund Balance in General Fund. We do plan to address, write and adopt a written plan that incorporates short and long-term plans to balance our budget and restore any deficit in fund balance left us by the prior administration. We first have to get our financial books in order to determine what the actual General Fund deficit is as of 6/30/2012. As the books have not been posted since January 2012, we are presently attempting to get up to date. We know the prior administration took relatively drastic steps to reduce the deficit before leaving office. Once we know the exact deficit we inherited, we will address accordingly.

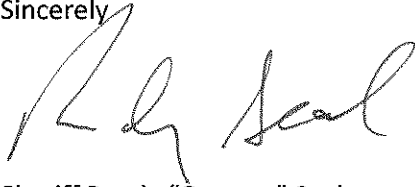
5. Financial Statements and Bank Accounts. We are in the process of catching up all the past bookkeeping and accounting including all bank reconciliations left undone by the previous administration. Once we get caught up, we will maintain monthly financial statements prepared timely each month and reviewed for accuracy. All bank accounts will be reconciled in the process and will be done by the fifteenth of the following month.
6. Reporting. We plan to report our Annual Expenditure Report with the Clerk of Court in a timely manner in accordance with R.S. 42:283-286; we plan to submit our annual audit report to your office on or before the statutory due date in accordance with R.S. 24:513(A)(5)(a)(i); and we plan to report quarterly our grant program progress reports and quarterly financial reports timely with the grantor. We plan to be timely once we have the prior administration's responsibilities caught up and get timely with our own.
7. Controls over Traffic Tickets. We will design and implement a system that ensures that ticket data is reviewed on a periodic basis for completeness and accuracy of data and a quarterly audit of traffic tickets is conducted in accordance with R.S. 32:398.3(B).
8. Written Policies and Procedures. We are updating all of our policies and procedures now in accordance with applicable Louisiana laws. We will strive to have no conflicts between policies and we will provide training throughout our office to make sure the written policies and procedures are implemented.
9. Payroll and Personnel Records. We are maintaining attendance and leave records for all employees in accordance with our policies. Written job descriptions are being developed for each position and they are being shared with employees so that they have a clear understanding of their duties and responsibilities.

In regard to the other matters:

1. Local Restaurant Purchases by Former Sheriff. We are presently consulting with legal counsel regarding the recovery of monies improperly spent. We have developed and adopted a comprehensive credit card policy. It identifies all authorized users and tracks them. Appropriate credit limits have been set. We have established allowable and disallowable charges. Our new policy requires proper documentation and approval for all transactions. Our new policy does provide for monitoring and or auditing of credit card expenses. We will payroll deduct any unauthorized expenditures. Our policy also requires that all charges on the credit card statements be adequately supported by the credit card receipts and the itemized bill given at the time of purchase. Furthermore, we are requiring that the employee incurring the charge on behalf of the WPSO document the business purpose of the charge.
2. Fringe Benefits Provided to Former Sheriff and CFO. We have consulted with a tax professional on the proper reporting to the IRS of the value of the fringe benefits provided to the former Sheriff and Former CFO. We will be reporting the 2012 amounts correctly as-well-as amending prior years to include. Furthermore, we have consulting with legal counsel and will seek recovery of any monies improperly spent. We have discontinued the practice of paying for purchases made a local area restaurants unless it is a business meal with a specific business purpose. We have discontinue the practice of paying for maintenance and fuel for personal vehicles. We will adopt a written policies and procedure addressing the allowable fringe benefits provided to employees, including any documentation required.

In another matter not addressed by your assessment, this morning we discovered that proper records have not been maintained in regards to taxes paid under protest. We will develop and maintain adequate records which will allow us to track and reconcile all funds kept in our escrow account.

Sincerely

A handwritten signature in black ink, appearing to read "Randy Seal". The signature is written in a cursive, somewhat stylized font.

Sheriff Randy "Country" Seal

Cc: Chief Deputy Mike Haley
Michael B. Burris, CPA