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Independent Accountant's Report On Applying Agreed-Upon Procedures

November 29, 2012

To Mayor Gerald Hamilton and Town Council
Town of Colfax, Louisiana

We have performed the procedures presented in the following sections of this report. We are required by the terms of our engagement to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable".

Management of the Town of Colfax is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by the management of the Town of Colfax and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Town of Colfax's compliance with certain laws and regulations during the period ended June 30, 2012 included in the *Louisiana Compliance Questionnaire*.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of 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.

Financial Management

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc.) of the entity, during the year under question.

The Town Clerk has asserted to us that she gives a copy of the financial statements, including budget comparisons to the Mayor and each member of the Town Council

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at the regularly scheduled Town Council meetings. We reviewed the monthly packets distributed to the Mayor and Council members for fiscal year ending June 2012 and found that financial statements have been included in the packets.

2. If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan.

Not applicable. We reviewed the financial statements for the fiscal year ending June 30, 2012 and found that no fund contained a deficit.

3. Determine if there are written policies and procedures for the following financial/business functions of the entity:

A. Budgeting, including preparing, adopting, monitoring, and amending the budget.

Not applicable. The Town has not adopted any written policies regarding budgeting or amending the budget. The Town has asserted they follow the Lawrason Act and State Budget Act with regards to budgeting but has not adopted written policies.

B. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) checks and balances to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes

The Town provided us their written procedures for purchasing. Purchases are initiated by completing a purchase order form clearly describing items to be purchased. The purchase order form must then be approved in writing by a designated municipal officer. The policy does not contain procedures for public bid law items nor does it contain approved vendor lists. Management is to monitor all purchases made under existing state contracts to ensure they are made in compliance with the requirements. Piggyback purchases must have documentation from the contracting agency that clearly demonstrates the contract was previously bid and is viable.

C. Disbursements, including processing, reviewing, and approving

The Town provided us with their written procedures for disbursements. Disbursement function is centralized and under the supervision of the municipal clerk. All checks are signed by the mayor and town clerk with designated aldermen given authority to sign in the absence of the mayor or town clerk. All supporting documentation is maintained at city hall.

D. Receipts, including receiving, recording, and preparing deposits

Not applicable. The Town has not adopted written procedure relating to receiving, recording and preparing deposit or cash receipts.

Credit Cards

1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

[Note: There are three types of credit cards: (1) general (e.g., VISA, Mastercard, etc.), (2) store (e.g., Wal-Mart, Office Depot, Sam's Club, etc.); and (3) gasoline (e.g. Fuelman, Exxon, etc.)].

The Town provided us with a listing of all of the credit cards. The only cards owned by Town are gas cards for Town vehicles and equipment and a Visa for general business use. Instead of being listed in the name of a certain person, each fuel card is in the name of the vehicle that purchases gas. Each employee has an individual pin number to identify themselves when the purchase is made. Although they continue to have the fuel cards, they are not being used at this time. The only card being used is the Visa credit card.

2. Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:
 - How cards are to be controlled
 - Allowable business uses
 - Documentation requirements
 - Required approvers
 - Monitoring card usage

The clerk provided us with the written policy for fuel cards. The clerk is to maintain a listing of all fuel cards and the vehicle, department and/or person that each card is assigned. The cards are to be used for the assigned vehicles only. Odometer reading is to be entered at the vendor's pump and receipts must be submitted. Management will review statements to determine that the dates of use, number of gallons, miles traveled, and miles per gallon are reasonable.

The town does not have a written policy for general credit cards.

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges.):

- A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements:
- Determine if each purchase is supported by:
 - An original itemized receipt
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)
 - Determine if each purchase is:
 - In accordance with thresholds or guidelines established in the policies and procedures
 - For and appropriate and necessary business purpose relative to the entity
 - Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement
 - Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).

We verified that the town had the monthly statements for the Visa credit card. We obtained the 2 largest statements. There were a total of 11 charges on these 2 statements. The town provided us with the receipts and documentation for all 11 charges.

We reviewed the general ledger and other documentation and verified that there were no charges made on the Fuelman Credit Card.

We could not determine if the purchases were within the established guidelines because no written policy has been adopted for general credit cards. None of the purchases appear to be for personal purposes, nor do they appear to effectively circumvented the entity's normal procurement process or the public bid law.

- B. Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement reports.

We compared the expenditures on the credit card statements to the expense reports and found no duplication of expenses.

- C. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality.)]

The monthly statements were approved by someone other than the person making the purchase.

- D. Determine if finance charges and/or late fees were assessed on the monthly statements.

We observed that seven Visa statements had interest charges and one Visa statement had late fees.

Travel and Expense Reimbursement

1. Obtain and review the entity's written policies and procedures for travel and expense reimbursements and determine if the following is addressed:
 - a. Allowable Expenses
 - b. Dollar thresholds by category of expense
 - c. Documentation requirements
 - d. Required approvers

The Town provided us with the written procedures for Travel and Expense. Travel should be conducted in the most economical means and done only when necessary and when such travel benefits the entity. All business travel must be approved in advance by the mayor. All reimbursements must be submitted on the Travel Expense form, attaching original copies of the receipts supporting all expenditures and business purpose. The traveler must document date of departure, date of return, destination, travel costs paid by municipality and travel costs paid out of pocket.

2. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money:

We obtained a listing of all travel reimbursements made during the 2012 fiscal year and selected the one person who was reimbursed the most money.

- A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to

review in detail (Note: If there are only three or less expense reports, review all (100%) of them.

We obtained all of the expense reports and the supporting documentation for the one who was reimbursed the most money during the fiscal year. We then selected the three largest expense reports to review in detail. The three largest reimbursements were for \$496.25, \$ 473.78, and \$250.48, respectively.

- Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.)

Reimbursement was in accordance with written policy.

- In accordance with thresholds or guidelines established in the policies and procedures

Reimbursement was in accordance with guidelines established in the policy.

- For an appropriate and necessary business purpose relative to the travel

The purchases were for meals and expense reimbursements that were appropriate and necessary business purposes.

- Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased) [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally do not require a receipt

Each of the items selected had the original itemized receipt which detailed precisely what was purchased and agreed to the reimbursement.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)

The business purpose was documented on each individual reimbursement request form.

- Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)

No other documentation was required per the policy.

- Determine if any of the expenditures were for personal purposes (e.g., extended hotel stays before or after training class, meals for spouses, entertainment, etc.)

We reviewed the documentation and found no evidence that any of these expenditures were for personal purposes.

- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We reviewed the documentation and found that the expense reports were reviewed and approved by someone other than the person receiving the reimbursement.

B. Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s).

We compared the reimbursement documentation to the credit card and found no duplication of expenses.

Contracts

1. Obtain and review the entity's written policies and procedures for contracts/contracting, including leasing, and determine if the following is addressed:
 - Types of services requiring written contracts
 - Standard terms and conditions
 - Legal review
 - Approval Process
 - Monitoring Process

Not applicable. The Town has not adopted written policies relating to contracting or leasing.

2. Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.

Although there are no written policies, the Town has centralized the control and oversight of contracts with the Mayor and Town Clerk.

3. Obtain and review the accounting records (e.g., general ledgers, accounts payable vendor history reports, invoices, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical,

etc.) Select the five “vendors” that were paid the most money during the period and for each:

- Determine if there is a formal/written contract that supports the services arrangement and the total amount paid.

We reviewed the accounting records and identified the five vendors that were paid the most money during the fiscal year. The town has formal contracts with three of the top five vendors.

- Determine the business legitimacy of the vendor if not known by the auditor (e.g., look-up the vendor on the LA Secretary of State’s website).

We determined the business legitimacy of each of the vendors.

4. Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.

- (1) Services –
- (2) Materials and supplies -
- (3) Public Works –

We obtained a listing of all active contract and expenditure made during the fiscal year. We selected for detailed review the largest contracts in the services and public works categories. There were no contracts for materials and supplies.

A. Obtain the selected contracts and the related paid invoices and:

- Determine if the contract is a related party transaction.

We reviewed the contract for the items selected and found no related party transactions.

- Determine if the transaction is subject to the Louisiana Public Bid Law:

We determined that the contracts were not subject to the Louisiana Public Bid Law.

- If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)

Not Applicable. The Contracts were not subject to the Louisiana Public Bid Law.

- If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.

We determined that the entity provided an open and competitive atmosphere for the work.

- Determine if the contract was awarded under the *request for proposals* (RFP) method. If done so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*.

Not applicable. No request for proposal was issued and none was required.

- Determine if the procurement was made “off” state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If done so, determine if the board formally adopted the use of the Louisiana Procurement Code (R.S. 39:1551-1755), the set of laws that govern most state agencies’ purchases of certain services, materials and supplies, and major repairs.

Not applicable. The contracts were not made off state contract.

- Determine if the procurement related to homeland security and was made from federal General Services Administration (GSA) supply schedules. If done so, determine if the entity (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA; and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee.

Not applicable. The contracts were not related to Homeland Security.

- Determine if the entity “piggybacked” onto another agency’s contract. If done so, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by the entity was the same as that contracts price.

Not applicable. The contracts were not piggybacked onto another agency.

- Determine if the contract was amended. If done so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment if outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

Not applicable. The contracts were not amended.

- Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract.

We reviewed the accounting records/documentation and determined the invoice and payments complied with the terms and conditions of the contract.

- Determine if there is written evidence that the entity's legal advisor reviewed the contract and advised entering into the contract.

We found no written evidence the Town's legal advisor reviewed the contract.

- Determine if there is documentation of board approval, if required.

We reviewed the Town's record and determined the Town Council approved the contracts.

Payroll and Personnel

1. Obtain and review the entity's written policies and procedures for payroll and personnel and determine if they address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked.

The Town provided us with a written policy regarding time cards. All water, gas, sewer, sanitation, and street department employees have a time card and must personally punch the clock at their designated start time and again when their shift ends. All cards are to be reviewed and signed by the Public Works Director. Any overtime must be approved by the mayor and public works director. All city hall employees complete their own time card and it is approved by the town clerk.

2. Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract.

Not applicable. There are no employment contracts during the fiscal year .

3. Select the attendance and leave records for one pay period and :
 - Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected

official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We selected the attendance and leave records for one payroll period and determined that all employees were properly documenting their time. None of the elected officials were eligible for leave.

- Determine if supervisors are approving, in writing, the attendance and leave of all employees.

We found that the attendance and leave record were being properly approved.

- Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.

We reviewed the leave records and determined that the Town is properly maintaining the written records.

4. Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

We selected the five highest paid employees and determined that there were no salary changes during the period.

5. Select the five largest termination payments (e.g., vacation, sick, compensatory time etc.) made during the period under examination. Determine if the payments were supported by documentation, made in strict accordance with policy and/or contract, and properly approved.

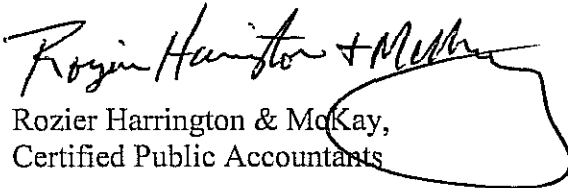
Not applicable. There were no termination payments in 2012. The town does not pay any termination benefits to employees upon resignation or retirement.

6. Determine if any employees were also being paid as contract labor during the period of the examination.

We reviewed the accounting records and found no payments to employees that were also being paid contract labor.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. 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 use of management of the Town of Colfax and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and take responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


Rozier Harrington & McKay,
Certified Public Accountants

Town of Colfax

Management's Corrective Action Plan

For the Year Ended June 30, 2012

Independent Accountant's Report on Applying Agreed-Upon Procedures

2012-01: Financial Management

We noted the Town does not have written policies relating to budgeting or cash receipts.

Response:

The Mayor and clerk will review the Legislative Auditor's Best Practices Guidelines and develop procedures to implement written policies.

2012-02: Credit Cards

We noted the Town does not have written policies concerning general (Visa type) credit cards.

Response:

The Mayor and clerk will review the Legislative Auditor's Best Practices Guidelines and develop procedures to implement written policies.

2012-03: Interest Charges

We noted that seven monthly general credit card statements contained interest charges and one late charge. Credit card purchases should be paid off immediately after receiving the monthly statement. Interest charges for credit cards are at a high rate. In addition carrying balances for several months may violate the ninety day debt restriction laws.

Response:

Management will review its procedures and will require all credit cards to be paid in a timely manner.

2012-04: Contracts

We noted the Town has not adopted policies regarding contracts and public bid law.

Response:

The Mayor and clerk will review the Legislative Auditor's Best Practices Guidelines and develop procedures to implement written policies.