

STATE OF LOUISIANA

Town of Arcadia
Arcadia, Louisiana

March 10, 2004



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Table of Contents

	Page
Finding and Recommendation	1
Background and Methodology.....	3
Other Recommendations.....	Appendix A
Management's Response	Attachment I



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

March 10, 2004

**HONORABLE EDWARD MASON, JR.,
MAYOR PRO-TEMPORE, AND
MEMBERS OF THE TOWN COUNCIL
TOWN OF ARCADIA**
Arcadia, Louisiana

We have audited certain transactions of the Town of Arcadia (Town). Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

Our audit was significantly less in scope than an audit conducted in accordance with *Government 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.

This report presents our finding and recommendation as well as your response. As part of our audit, we also applied our *Checklist of Best Practices in Government*. Appendix A provides our recommendations for board consideration.

Copies of this report and all attachments have been delivered to the council members of the Town and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in cursive script, reading "Grover C. Austin".

Grover C. Austin, CPA

First Assistant Legislative Auditor

JLM:ESS:DGP:dl

[ARCADIA04]

Finding and Recommendation

Misuse of Public Funds

During the four-year period from January 2000 through December 2003, the Town of Arcadia (Town) paid \$72,859 to have three privately owned cemeteries mowed and cleaned, expenditures that are generally prohibited by state law and Louisiana's Constitution.¹ Also, Louisiana Attorney General Opinion No. 90-630 provides that private cemeteries cannot legally be maintained by use of public funds.

Since 2000, the Town has annually solicited bids and awarded the contract for the mowing of three privately owned cemeteries that are located in the Town. Two of the cemeteries (St. Duty and New Hebron) are owned and operated by local churches, and the other cemetery (Arcadia Cemetery) is owned by individual plot owners and operated by a nonprofit organization (Arcadia Cemetery Association Inc.).

Town records reflect that, during the four-year period, public funds totaling \$72,859 were paid to two companies for mowing and cleaning the three private cemeteries as summarized below:

<u>Year</u>	<u>Company/Contractor</u>	<u>Private Cemeteries</u>			<u>Total Paid</u>
		<u>Arcadia</u>	<u>St. Duty</u>	<u>New Hebron</u>	
2000	Clean Cut Lawn Care	\$7,700	\$3,695	\$1,100	\$12,495
2001	Clean Cut Lawn Care	11,750	6,935	1,445	20,130
2002	Clean Cut Lawn Care	14,523	8,813	1,773	25,109
2003	Professional Lawn Service	9,075	4,250	1,800	15,125
Totals		\$43,048	\$23,693	\$6,118	\$72,859

Although Town funds were used to make the payments, Mayor Eugene Smith stated that the Town has no business paying for the mowing and cleaning of those private cemeteries. Mr. Donald Wills, Pastor of St. Duty Church, and Mr. Huey Vernon, Treasurer of New Hebron Baptist Church, stated that they did not know why the Town has always maintained (mowed and cleaned) their cemeteries. Councilman Gary Carlisle, a member of the Arcadia Cemetery Association, Inc., stated that he believed a portion of the Town's sales tax revenues was dedicated to the upkeep/maintenance of the three private cemeteries. However, we found no evidence that sales taxes were dedicated for private cemetery maintenance.

The Town should immediately cease spending public funds for work done on private property.

¹ Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Background and Methodology

The Town of Arcadia (Town), Louisiana, was incorporated in 1903 and operates under the Lawrason Act (mayor/board of aldermen form of government). The Town has five council members who are elected to four-year terms. The Town is located in Bienville Parish with a population of 3,041 residents. The Town provides utility services, public safety, streets, sanitation, and general administrative services to residents and businesses.

The legislative auditor received allegations of possible misuse of public funds. We visited the Town to determine the accuracy of this information.

Our procedures consisted of (1) interviewing certain employees and officials of the Town; (2) interviewing and making inquiries of other persons to the extent we considered necessary to achieve our purpose; (3) examining selected records of the Town; (4) performing observations and analytical tests; (5) applying our *Checklist of Best Practices in Government*; and (6) reviewing applicable Louisiana laws and Attorney General opinions.

Appendix A

Other Recommendations

Appendix A

We performed a limited review of certain financial records and procedures/practices of the Town for the period from January 1, 2003, to November 30, 2003. We applied our *Checklist of Best Practices in Government* and are providing our recommendations for the Town's consideration.

Written Policies and Procedures

The Town's written policies and procedures are not complete. Formal/written policies and procedures are necessary as a clear understanding of what should be done, how, who, and when it should be done. Also, written procedures aid in the continuity of operation and for cross-training of staff.

- **Budget** The Town should prepare written policies and procedures that include all steps required for each phase of the budget process, including monitoring and amending the budget during the fiscal year. In addition, a time schedule for preparing the budget and the person responsible for each phase of the budget should be incorporated in the detailed steps.
- **Disbursements** The Town should ensure that funds are disbursed in a manner consistent with management's expectations. The Town should prepare written procedures for processing, reviewing, and approving disbursements. In addition, the Town should require that all disbursements be supported by adequate documentation, including documentation of the business purpose.
- **Cellular Telephones** The Town should adopt a formal policy that provides guidance for the business use and care of the cellular phones and the extent to which the cellular phones may be used for personal calls. The board should determine the number of cellular phones needed and the individuals to whom cellular phones should be assigned. In addition, the town should periodically monitor the minutes being used to ensure that its cellular phone contract/plan is appropriate and cost-effective.

Also, Town employees were not required to reimburse the cost of personal calls made on the Town's two cellular telephones. Employees should be required to identify their personal calls and reimburse the Town using an appropriate standard rate per minute.

- **Payroll** The Town should prepare written policies and procedures for processing, reviewing, and approving payroll. Policies should also address (1) employee pay provisions (salary ranges, merit increases, overtime, et cetera); (2) employee leave provisions (annual, sick, compensatory); (3) employee benefits (insurance, retirement, et cetera); and (4) employee performance evaluations.
- **Delinquent Utility Accounts** The town should adopt a formal policy for collecting delinquent utility accounts. Providing utility services after the cut-off date and not actively trying to collect delinquent account balances are prohibited

by Louisiana's Constitution [Article VII, Section 14(A) of the Louisiana Constitution of 1974].

- **Fixed Assets** The Town should adopt a formal policy for fixed assets, including dollar thresholds and types of assets that will be inventoried. Good internal controls over fixed assets require that (1) detailed fixed asset records be current; (2) every asset includes a tag identifying it with a number that can be cross-referenced to the detailed fixed asset records; and (3) a physical inventory be conducted at least on an annual basis and records be maintained.
- **Ethics** Town officials and employees are required to comply with the Louisiana Code of Governmental Ethics (Title 42 of the Louisiana Revised Statute). The Town should adopt a Code of Ethics policy, including requiring annual certification letters from board members and employees attesting to their compliance.
- **Confiscated Weapons and Drugs** The Town should prepare written policies and procedures for recording, maintaining, and disposing evidence (weapons and drugs). All evidence should be tagged and inventoried, and a log maintained that includes the date confiscated, tag number, description of the weapon/drug, name of the individual from whom confiscated, reference to the arrest report, and final disposition.
- **Traffic tickets** The Town should prepare written policies and procedures for maintaining, issuing, and accounting for traffic tickets.

Financial Management

The Town's monthly financial statements are not submitted to the board for review and discussion. The board has a fiduciary responsibility to monitor current financial information compared to the budgeted amounts to properly manage the Town's fiscal operations. The Town should ensure that the treasurer presents accurate and timely financial statements to the mayor and board that report the operations of the town compared to budgeted amounts. Also, the board's review of the Town's financial statements should be reflected as an item on the monthly meeting agenda and that the discussions be documented in the board minutes.

Minutes

The written minutes did not always include all official actions of the board. There is no reference in the written minutes of the following matters:

- Approval of the Town's 2003 budget
- Approval of the budget amendment for employee pay raises
- Approval of the increase in the standard mileage reimbursement rate (from \$0.32 to \$0.36 per mile) paid to employees

In the future, the town should ensure that written minutes include the substance of all matters decided, including a record of any votes taken.

Purchasing and Disbursements

The Town needs to improve controls over disbursements. Our review revealed the following control weaknesses:

1. Purchase orders are approved by the mayor and reviewed by the board; however, the purchase orders are not matched to vendor invoices and reconciled to actual purchases. The Town clerk should ensure that all documentation supporting a purchase, including a copy of the approved purchase order, is attached and reconciled to the vendor invoices/statements before payment.
2. The business purpose for Town expenditures was not always documented. For example, we did not find the business purpose documented for credit card purchases made in connection with travel by Town employees. In the future, the business purpose of all expenditure transactions should be clearly documented before payment.
3. The Town pays the monthly electricity bill for a nonprofit organization (Bienville Parish Council on Aging) without a valid cooperative endeavor agreement, an arrangement that is generally prohibited by Louisiana's Constitution and state law. Article VII, Section 14(C) of the Louisiana Constitution of 1974 provides that for a public purpose, the Town may engage in cooperative endeavors with other agencies. However, to have a valid cooperative endeavor agreement, all three of the following elements must be met:
 - a. the expenditure or transfer of public funds or property must be based on a legal obligation or duty;
 - b. the expenditure must be for a public purpose; and
 - c. the expenditure must create a public benefit proportionate to its cost.

During the eleven-month period (January 1, 2003, through November 30, 2003), the Town paid \$1,698 for electricity consumption at the Arcadia Senior Citizen's Center (center). However, the center is owned by the Bienville Parish Council on Aging and no cooperative endeavor agreement exists to support such payments made by the Town.

The Town should not donate public funds unless a cooperative endeavor agreement exists that meets all of the three required elements.

4. The Town has not established a standard reimbursement rate for meal per diems. Employees were reimbursed for meals at various rates. The Town should develop and adopt reimbursement rates for meal costs, using the State of Louisiana policies as a guide.
5. The supply of blank checks was kept in boxes on the floor in the Town clerk's office. Also, prior year financial records were haphazardly stored in the warehouse. The Town should store the supply of blank checks in a locked cabinet under the control of the Town clerk and organize the records maintained in the warehouse.

Payroll Records

The Town did not maintain certain payroll documentation on all employees. Our review of payroll and personnel records revealed that the following documents were not maintained for all employees:

- Written documentation of approved pay rates
- Written performance evaluations
- Written job descriptions
- 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
- Employee Withholding Allowance Certificate Form W-4 and State of Louisiana Employee Withholding Exemption Certificate Form L-4
- Employment application forms

The Town should ensure that these documents are prepared and maintained for all employees.

Fixed Assets

The Town's detailed listing of fixed assets (land, buildings, equipment, et cetera) was not current, all movable property was not tagged, and the annual physical inventory records were not maintained. The Town should ensure that all asset acquisitions and dispositions are recorded on the detailed listing of fixed assets on a timely basis. Also, the Town should identify [tag] all assets that belong to the town and include the tag number on the detailed listing. In addition, the results of the annual physical inventory should be maintained as support for the listing of fixed assets.

Computer Controls

1. **Contingency and Recovery Plan** There is no written contingency and recovery plan in the event of a disaster. Without a tested plan, there is a high risk that the Town may not be able to continue operations in the event of a disaster.
2. **Critical Data** Changes made to critical data are not being logged to document the person making the change, when the change was done, and what was changed. A log should be maintained for such changes and supervisory review of the propriety of the changes should be performed.

Attachment I

Management's Response

Town of Arcadia
Gary Carlisle, Council Member
Post Office Box 178
Arcadia, LA 71001
(318) 263-9474

February 11, 2004

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
OFFICE OF THE LEGISLATIVE AUDITOR
1600 North Third Street
Baton Rouge, LA 70804-9397

Reference: Management Response

Dear Mr. Austin:

On behalf of the town council and mayor, I have been chosen to respond to your report dated January 30, 2004.

Please be advised that the Town of Arcadia will immediately cease mowing any and all sections of any cemetery where gravesites are considered to be or deemed privately-owned.

In the "Other Recommendations" section under Appendix A, the Town of Arcadia will prepare written policies and procedures in all areas mentioned and will adopt formal cooperative endeavor agreements as required.

I would like to thank you and your staff for the assistance and guidance provided to the Town of Arcadia.

Respectfully submitted,



Gary Carlisle, CPA, MBA
Council Member, District 5
gary@medimax.com