

PRAIRIE ROAD WATER DISTRICT



ADVISORY SERVICES REPORT
ISSUED MAY 6, 2009

**LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 6, 2009

**MR. DORTH E. BLADE, PRESIDENT,
AND MEMBERS OF THE BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana**

We visited the Prairie Road Water District (water district) on January 20, 2009, to follow up on the disposition of audit findings reported in the water district's 2007 audit report. As we understand, the water district is a component unit of the Ouachita Parish Police Jury (police jury) and the water district is governed by a five-member board appointed by the police jury.

Our assessment was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards; therefore, we are not offering an opinion on the water district's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

Attachment 1 provides the disposition/status of the 2007 audit findings and detailed below are two additional matters that came to our attention. Management's response is presented in Appendix A.

1. **Per Diem Increase** - Contrary to state law, on June 19, 2008, the board of commissioners approved a \$35 increase in its per diem (from \$25 to \$60) without the approval of the Ouachita Parish Police Jury. State law (Louisiana Revised Statute 33:3819A) provides that the police jury may fix the per diem paid to each of the members of the board of commissioners. Although state law does not specifically allow or prohibit the board of commissioners from fixing the per diem, the Louisiana Attorney General has previously opined (Opinion 96-377) that a parish governing authority is by law allowed to fix a specific per diem for members of waterworks board of commissioners.

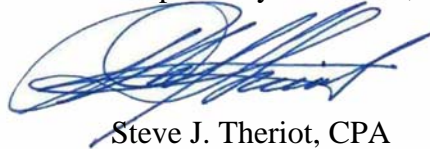
Recommendation: The board of commissioners should consult with legal counsel.

2. **Additional Compensation and Mileage Payments** - During 2008, additional compensation and mileage payments were paid to President Dorth Blade and to Secretary William Whitfield which may be contrary to state law. In addition to being paid per diem for attending board meetings (Louisiana Revised Statute 33:3819A), both members were paid compensation and reimbursed mileage for

traveling to the office to review/approve invoices and sign checks. We did not find statutory authority for the payment of this additional compensation or mileage.

Recommendation: The board of commissioners should consult with legal counsel about the propriety of paying additional compensation and mileage payments. The board may also want to formally request the opinion of the attorney general.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

RLT:ESS:JSI:sr

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Disposition of 2007 Audit Findings

The following represents a summary of the audit findings reported in the December 31, 2007, audited financial statements (reported by the water district's independent auditor) and the disposition of those findings based on our inquiries and general observations as of January 20, 2009.

December 31, 2007, Audit Findings	Disposition as of January 20, 2009
<p>1. Inadequate Segregation of Accounting Duties - The accounting duties of billing, collecting, depositing, and posting payments to customers' accounts are not adequately segregated for proper internal controls.</p>	<p><u>Partially Resolved.</u> The Board of Commissioners was reviewing and approving adjustments to customer accounts in an effort to compensate for the lack of segregation of duties.</p>
<p>2. Improve Controls Over Cash Disbursements</p> <ul style="list-style-type: none"> • Documentation was not always initialed by the check signer to evidence review. • The water district overpaid employee health insurance premiums. Also, one employee did not reimburse the insurance premium timely. 	<p><u>Resolved.</u></p> <p><u>Resolved.</u></p>
<p>3. Improve Controls Over Payroll</p> <ul style="list-style-type: none"> • The hours paid to one employee were more hours than was recorded on the timecard. • Gross pay was incorrectly calculated on one employee that resulted in an overpayment. • The social security and medicare taxes withheld on paychecks were not always calculated correctly. • Timecards were not always signed by the employee. 	<p><u>Resolved.</u></p> <p><u>Resolved.</u></p> <p><u>Resolved.</u></p> <p><u>Resolved.</u></p>

<ul style="list-style-type: none"> • A pay raise for one employee was not recorded in the minutes as being approved by the board of commissioners. • The office employees did not “clock out” for lunch as required by policy. • The tax amounts reported on the Internal Revenue Service Form 941 did not agree to the payroll records. 	<p><u>Resolved.</u></p> <p><u>Resolved.</u></p> <p><u>Resolved.</u></p>
<p>4. Improve Controls Over Accounting Records</p> <ul style="list-style-type: none"> • The utility accounts receivable balance reported in the financial statements was not reconciled monthly to the total amount due from customers recorded in the subsidiary ledger (utility system). • The monthly bank reconciliations were not properly prepared. • The bank deposits were not always posted to the correct general ledger account. • Disbursements were not always posted to the correct general ledger account. • Loan payments were not always posted to the correct general ledger account. • The liability for customer meter deposits recorded in the financial statements was not reconciled monthly to the total customer meter deposits recorded in the subsidiary ledger (utility system). 	<p><u>Unresolved.</u> The monthly reconciliation was not being performed. The reconciliation is done at the end of the fiscal year by the contract accountant.</p> <p><u>Resolved.</u></p> <p><u>Resolved.</u></p> <p><u>Resolved.</u></p> <p><u>Resolved.</u></p> <p><u>Unresolved.</u> The monthly reconciliation was not being performed. In addition, not all meter deposits were recorded in the utility system.</p>

<ul style="list-style-type: none"> Purchases of office supplies were improperly posted in the general ledger. 	<u>Resolved.</u>
<p>5. Improve Controls Over Capital Assets</p> <ul style="list-style-type: none"> The board has not established a capitalization policy for purchases of equipment. Equipment is not tagged for ownership purposes. 	<p><u>Unresolved.</u> No formal policy has been established and adopted by the board.</p> <p><u>Resolved.</u></p>
<p>6. Annual Financial Statements - The water district does not have sufficient expertise on staff to prepare the annual financial statements in accordance with generally accepted accounting principles.</p>	<p><u>Unresolved.</u> The district maintains it is not economically feasible to hire personnel with the expertise needed to correct this deficiency.</p>
<p>7. Sales Tax Collections - The water district did not prepare quarterly sales tax returns and remit the sales tax to the Louisiana Department of Revenue on a timely basis.</p>	<p><u>Resolved.</u></p>
<p>8. Loans or Donations of Public Funds</p> <ul style="list-style-type: none"> In December 2007, salaries were paid two weeks in advance. One employee was paid for unused vacation time. Flowers were purchased for funerals. 	<p><u>Unresolved.</u> In December 2008, salaries were paid one week in advance. Employees were paid on December 19th for the pay period ending December 25, 2008.</p> <p><u>Resolved.</u></p> <p><u>Resolved.</u></p>
<p>9. Compensation of Commissioners</p> <ul style="list-style-type: none"> Commissioners were paid per diem for a canceled meeting. Contrary to state law (R.S. 33:3819.A.), a commissioner who is an elected official was paid per diem for attending board meetings. 	<p><u>Unresolved.</u> Commissioners were paid per diem for a cancelled meeting in April 2008.</p> <p><u>Unresolved.</u> The president of the water district is an elected member of the Ouachita Parish Police Jury and, contrary to state law, was paid (\$520) for attending meetings in 2008.</p>

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Management's Response

**PRAIRIE ROAD WATER DISTRICT
2176 Prairie Road
Monroe, La 71202
Phone # 318-322-8706
Fax # 318-324-8181**

April 10, 2009

To Louisiana Legislative Auditor:

Presented herewith in writing the respond of the draft report from the Prairie Road Water District Board Members.

- 1. Per Diem Increase-Contrary to state law, on June 19,2008, the board of commissioners approved a \$35.00 increase in their per diem (from \$25.00 to \$60.00) without the approval of the Ouachita Parish Police Jury. State law (Louisiana Revised Statute 33-3819A) provides that the police jury may fix the per diem paid to each of the members of the board of commissioners. Although state law does not specifically allow or prohibit the board o commissioners from fixing the per diem, the Louisiana Attorney General has previously opined (Opinion No. 96-377) that a parish governing authority is by law allowed to fix a specific per diem for members of waterworks board of commissioners.**

THE BOARD OF COMMISSIONERS CORRECTIVE ACTION:

The board of commissioners requested Ouachita Parish Police Jury to increase the monthly per diem for the board members of Prairie Road Water District.

Action was taken and approved by Ouachita Parish Police Jury under Ordinance No. 8918.

2. Additional Compensation and Mileage Payments. During 2008, additional compensation and mileage payments were paid to President Dorth Blade and to Secretary William Whitfield which may be contrary to state law. In addition to being paid per diem for attending board meetings (Louisiana Revised Statute 33-3819A), both members were paid compensation and reimbursed mileage for traveling to the office to review/approve invoices and sign checks. We did not find statutory authority for the payment of the additional compensation or mileage.

THE BOARD OF COMMISSIONERS CORRECTIVE ACTION:

Mr. Blade and Mr. Whitfield no longer receive compensation for mileage and signing checks for Prairie Road Water District. The Attorney for Prairie Road Water District has formally requested an opinion from the attorney general.

The following is a summary of the audit findings reported in Prairie Road Water District's December 31, 2007 audit. Financial statements (reported by the independent auditor) and the disposition of those findings based on our inquiries and general observations as of January 20, 2009;

The Board Of Commissioners were reviewing and approving adjustments to customer accounts in an effort to compensate for the lack of segregation of duties.

THE BOARD OF COMMISSIONERS CORRECTIVE

ACTION:

The Board Of Commissioners are aware of this. It's not feasible to have Segregation duty's as we are a small agency.

The monthly reconciliation was not being performed. The reconciliation is done at the end of the fiscal year by the contract accountant.

THE BOARD OF COMMISSIONERS CORRECTIVE ACTIONS:

Reconciliation is being done on a monthly basis beginning January, 2009.

The monthly reconciliation was not being performed. In addition, not all of the meter deposits were recorded in the utility system.

THE BOARD OF COMMISSIONERS CORRECTIVE ACTION:

This is in the process, will be completed and reconciled in 2009.

No formal policy has been established and adopted by the board.

THE BOARD OF COMMISSIONERS CORRECTIVE ACTION:

The Board Of Commissioners has established a capitalization policy for purchase of equipment.

The district maintains it is not economically feasible to hire personnel with expertise needed to correct this deficiency.

THE BOARD OF COMMISSIONERS CORRECTIVE

ACTIONS:

The district is not economically feasible to hire personnel with the expertise needed to correct these capabilities.

In December 2008, salaries were paid one week in advance. Employees were paid on December 19th, for the pay period ending December 23,2008.

THE BOARD OF COMMISSIONERS CORRECTIVE ACTION:

The employees will not be paid their salaries in advance.

Commissioners were paid per diem for a cancelled meeting in April 2008.

THE BOARD OF COMMISSIONERS CORRECTIVE ACTION:

The Board Of Commissioners will be paid for attending meetings only.

The President of the water district is an elected member of the Ouachita Parish Police Jury and, contrary to state law, was paid for attending meetings in 2008.

THE BOARD OF COMMISSIONERS CORRECTIVE ACTION:

The President of the water board no longer receives payment for attending board meetings. The attorney for Prairie Road Water District has written the Attorney General Office. We are waiting for status on this.

Dorth B. Blade

4-14-09

Dorth Blade (President)

Date

W.A. Whitfield

4-14-09

William Whitfield
(Secretary Treasure)

Date

Judy Parker

4-14-09

Judy Parker
(General Manager)

Date