

RED RIVER, ATCHAFALAYA, AND
BAYOU BOEUF LEVEE DISTRICT
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 21, 2016

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Red River, Atchafalaya, and Bayou Boeuf Levee District

September 2016

Audit Control # 80160115

Introduction

The primary purpose of our procedures at the Red River, Atchafalaya, and Bayou Boeuf Levee District (District) was to evaluate certain controls the District uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds.

The District was created under the provisions of Louisiana Revised Statue (R.S.) 38:291. The District includes all or a portion of Avoyelles, Rapides, and St. Landry parishes; primarily provides flood protection for those areas; is charged with the duty of constructing and maintaining levees; and all other things incidental thereto within its territorial limits. The members of the board of commissioners (board) that governs the District are appointed from each parish by the governor of the state of Louisiana.

Results of Our Procedures

We evaluated the District's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the District's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, permit fees, tax revenues, credit cards, travel expenditures, contracts, other nonpayroll expenditures, payroll and personnel, and budget.

Current-year Findings

Inadequate Control over Travel Expenditures

The District does not have adequate controls over travel expenditures to ensure compliance with District policy and state travel regulations. Our procedures disclosed the following:

- The District made payments totaling \$2,452 including \$2,317 for District credit card charges and \$135 for an expense reimbursement for meal and hotel costs without having detailed itemized receipts.

- The former board president charged \$1,048 on the District credit card for meals and lodging costs that occurred a day after the Association of Levee Boards of Louisiana meeting in New Orleans ended on December 3, 2015.
- The former board president charged \$222 on the District credit card for meals that were already included in the registration costs of two levee association meetings.
- The former board president and a board commissioner charged \$501 on the District credit card for five meals that exceeded the individual meal amounts allowed per state travel regulations.
- The District did not maintain documentation justifying 10 special meals totaling \$2,811 or the names and titles of the persons participating in special meals claimed.
- There was no evidence of management's review or approval of all credit card statements or expense reimbursement forms before payment was made.

The District authorizes travel to Association of Levee Boards of Louisiana meetings and other related meetings by designated employees and commissioners and allows them to use the District's corporate credit card or claim reimbursement for meals and lodging. The Office of State Procurement's Louisiana Travel Guide (PPM 49) requires itemized receipts for actual hotel costs and special meals, and a list of persons attending all special meals. Also, the District's policies and procedures require original itemized receipts for all credit card charges before payment is made.

Failure to comply with state travel regulations and its own policies and procedures exposes travel transactions at the District to possible noncompliance, errors, and/or fraud and abuse.

Management should ensure through training that all personnel and commissioners have a proper understanding of the state travel regulations and that control procedures are strengthened to identify noncompliance with those regulations. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Unauthorized Increase in Commissioners' Per Diem Rate

The District increased the per diem rate of commissioners without following state law. Starting in August 2015, the per diem rate was increased from \$75 to \$97 and paid to two commissioners for attending monthly meetings and levee site visits. As a result, unauthorized payments totaling \$1,188 were made to the commissioners.

R.S. 38:308 requires a two-week notice to the public of the board's intent to increase the per diem rate and a vote of two-thirds of the total membership of the board. Management was not aware of this provision of state law and no such notice was given.

Management should follow state law when attempting to increase the per diem rate and recoup the overpayments made to the commissioners. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Payments Made Prior to Acceptance of Contract Services

The District paid \$7,932 for pest control services without following requirements set forth in the contract. The District's pest control contract stipulates that the District's acceptance of services must be in writing prior to work being performed. The District had three services performed during the year totaling \$26,520. Two of the three services, totaling \$7,932, were performed without a written acceptance of service. The former executive director failed to sign each proposal and acceptance form outlining work to be performed by the pest control company. There is a risk that unnecessary services could be performed and unnecessary costs incurred by the District.

Management should adhere to all terms of its pest control contract to ensure payments are only made for necessary services. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Other Results of Our Procedures

Cash

The District maintains one operating account that is used for general operations. Two staff persons participate in fee collection, disbursement, and reconciliation activities. Cash and certificate of deposit balances totaled \$2,068,909 and \$1,150,000, respectively, at May 31, 2016. We performed procedures to reconcile cash transactions to the District's general ledger and bank statements, and evaluated the segregation of duties between District staff. We confirmed that bank account reconciliations are performed monthly, and bank statements are reviewed timely by the executive director. Based on the results of our procedures, no exceptions were identified.

Permit Fees

Permit fees collected totaled \$3,750 as of May 31, 2016, and are included in District's other revenue. A permit must be obtained for any activities and structures within 300 feet and 100 feet, respectively, from the toe of the levee. We traced selected permit applications to supporting documentation to ensure the appropriate fees were collected in accordance with the fee schedule established by the board. Based on the results of our procedures, no exceptions were identified.

Tax Revenues

Tax revenues are approximately 87% of the District's total revenues. These revenues are based on a millage rate allocated from property value taxes assessed by Rapides, Avoyelles, and St. Landry parishes. The minimum and maximum authorized millage rates are established by state rules and regulations. State law (R.S. 47:1705) requires that millage rates be adopted by an

ordinance or resolution each year. The District's millage rate is currently at the maximum authorized rate. We confirmed the tax amounts received from the three appropriate parish sheriff's offices (Rapides, Avoyelles, and St. Landry) and compared those amounts to the taxes deposited per the bank statement. Based on the results of our procedures, no exceptions were identified.

Credit Cards

The District has four credit cards that are used by the executive director, office administrator, board president, and operations superintendent for travel and business expenses. We traced selected credit card purchases to supporting documentation and evaluated compliance with laws and regulations. Based on the results of our procedures, we found a lack of itemized receipts for travel-related transactions and no evidence of review of the credit card statements (see Current-year Findings section).

Travel Expenditures

Travel expenditures consist of mileage, meal, and hotel reimbursement payments to commissioners for District business operations. We selected reimbursement payments to commissioners made in July 2015, November 2015, December 2015, January 2016, March 2016, and April 2016 and traced to supporting documentation and evaluated compliance with laws and regulations. We also noted per diem payments to commissioners were made in conjunction with the mileage reimbursements. Based on the results of our procedures, we found exceptions with the per diem payments to commissioners and noncompliance with the State Travel Guide (PPM 49) and District policies and procedures (see Current-year Findings section).

Contracts

The District had two contracts in effect for the fiscal year ended June 30, 2016, for pest control services and financial statement compilation services, respectively. Contract payments totaled \$26,520 as of May 30, 2016, all of which was for pest control services. We traced 100% of these payments to supporting documents and evaluated compliance with laws and regulations. Based on the results of our procedures, we found the District did not adhere to all terms of its pest control contract (see Current-year Findings section).

Other Nonpayroll Expenditures

We reviewed the check disbursement transactions for the period July 1, 2015, through May 31, 2016, and selected one transaction for \$1,217 having no payee indicated. We inquired District personnel and examined the original itemized receipt. Based on the results of these procedures, we found the transaction was a special meal at a restaurant on December 17, 2015, after a regular board meeting; however, no listing of names and titles of the persons participating or justification for the meal was documented, and the tip paid was in excess of amount allowed per state travel regulations (see Current-year Findings section).

Payroll and Personnel

Approximately 74% of the District's expenditures are for payroll costs. In addition to three commissioners, District personnel include the executive director, office administrative personnel, operations superintendent, and maintenance workers. We traced selected employees' salaries to contract terms or pay structure and examined time and attendance records. Based on the results of our procedures, no exceptions were identified.

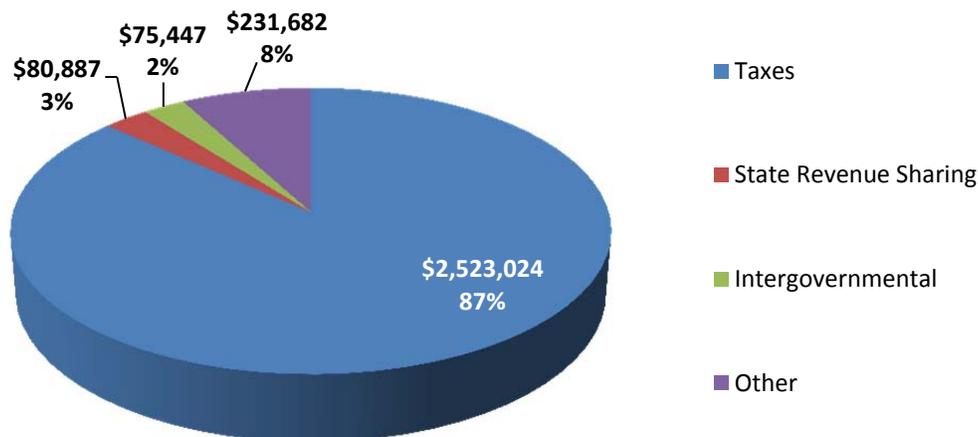
Budget

The District annually adopts a budget by majority vote of its board of commissioners. We confirmed the adoption of the District's budget and evaluated variances between budgeted amounts and actual revenues and expenditures for reasonableness. Based on the results of our procedures, no exceptions were identified.

Comparison of Activity between Years

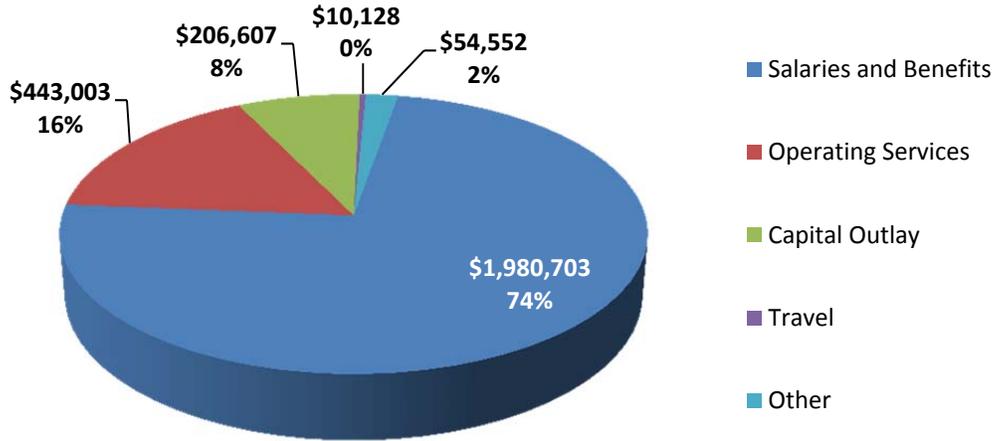
We compared the most current and prior-year financial activity using the District's general ledger to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show the District's fiscal year 2016 cash basis revenues and expenditures through May 31, 2016.

Fiscal Year 2016 Revenues, as of May 31, 2016



Source: District's General Ledger

Fiscal Year 2016 Expenditures, as of May 31, 2016



Source: District's General Ledger

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

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RRABB 2016

APPENDIX A: MANAGEMENT'S RESPONSES

RED RIVER, ATCHAFALAYA & BAYOU BOEUF LEVEE DISTRICT

BOARD OF COMMISSIONERS

Keith Lacombe, Vice President
Avoyelles

Chris Roy, Jr, President
Rapides

Andrew C. Leon, Commissioner
St. Landry



10 Calvert Drive
Alexandria, Louisiana 71303-3519
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September 1, 2016

Daryl G. Purpera, CPA, CFE
Louisiana Legislature Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Red River Atchafalaya & Bayou Boeuf Levee District; Official Response Letter for Audit Finding; Inadequate Control Over Travel Expenditures

Dear Mr. Purpera,

This Official Letter by the RRABB Levee District is in response to the 2016 Louisiana Legislatures Audit finding of ***Inadequate Control Over Travel Expenditures***.

The RRABB Levee District concurs with the said audit finding of ***Inadequate Control Over Travel Expenditures***. Proper procedures, such as those stated in the Office of State Procurement's Louisiana Travel Guide (PPM 49), were not strictly followed in regards to credit card usage and other travel expenditures. The regulations contained within the Louisiana Travel Guide (PPM 49) were not widely known or well understood by RRABB Staff or Board of Commissioners prior to the 2016 Louisiana Legislature Audit taking place.

Corrective Action Plan:

As of June 2016, the former board president as described in the audit finding, was not re-appointed as Commissioner to the RRABB Levee Board. Upon his departure with the Levee Board, the former board president returned his Commission credit card to the Administrative Office. Since that time, no other Commissioner including the newly elected board president, possesses a RRABB credit card. This, in and of itself, will dramatically reduce any future travel expenditure mishandlings. Warren Byrd, the Executive Director for the RRABB Levee District, will be responsible for increased Administrative oversight of all credit card purchases and other expenditures regarding travel. An interoffice memorandum, written by the Executive Director, will be sent to all Board Commissioners explaining topics such as: Administrative review of credit card statements, proper usage of RRABB credit cards, proper documentation and justification of expenditures, etc. This memorandum will be sent to all RRABB Levee District Board of Commissioners prior to September 30, 2016. In addition to the memorandum, in-house training by the Executive Director will be held with all pertinent personnel prior to September 30, 2016. This training will ensure that all required RRABB personnel will have a proper understanding of the state travel regulations. For accounting purposes, payment in the amount of \$27.90 was made to the RRABB Levee Board by the current Board President for his overpayment made in the 2015-2016 FY.

Sincerely,
RED RIVER, ATCHAFALAYA & BAYOU BOEUF
LEVEE DISTRICT

By: 
Stanley W. Byrd
Executive Director

RED RIVER, ATCHAFALAYA & BAYOU BOEUF LEVEE DISTRICT

BOARD OF COMMISSIONERS

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August 22, 2016

Daryl G. Purpera, CPA, CFE
Louisiana Legislature Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Red River Atchafalaya & Bayou Boeuf Levee District; Official Response Letter for Audit Finding; Unauthorized Increase in Commissioner's Per Diem Rate

Dear Mr. Purpera,

This Official Letter by the RRABB Levee District is in response to the 2016 Louisiana Legislatures Audit finding of ***Unauthorized Increase in Commissioner's Per Diem Rate.***

The RRABB Levee District concurs with the said audit finding of ***Unauthorized Increase in Commissioner's Per Diem Rate.*** The RRABB Levee District was not aware of the particulars of Louisiana Revised Statute 38:308 concerning per diem rates, which requires a two week notice to the public of the Board's intent to increase the per diem rate and a vote of two-thirds of the total membership of the Board; therefore, the RRABB Levee District unintentionally failed to follow the Louisiana Revised Statute 38:308 when increasing the Commissioner's per diem rate.

Corrective Action Plan:

In June 2016, the President of the RRABB Levee Board, Mr. Chris Roy, Jr., notified the Executive Director, Warren Byrd, to revert back to the \$75 per diem payment to Board Commissioners until the Board can further discuss the issue. The Executive Director immediately implemented this action with the RRABB Office Administration in June 2016. If the Board desires to increase the per diem rate in the future, R.S. 38:308 will be strictly adhered to. The Executive Director, Warren Byrd, will be responsible for making sure the outlined corrective action plan is followed and that R.S. 38:308 is properly followed if/when the time arises. As of June 2016, all RRABB Board of Commissioners are receiving the rate of \$75 per diem (with the exception of the Board President, who receives a salary as stated in R.S. 38:308).

In addition to the above corrective action plan, as of August 26, 2016, RRABB Levee District will have recouped the overpayments, totaling \$1,188.00, that were made to the Board of Commissioners.

Sincerely,
RED RIVER, ATCHAFALAYA & BAYOU BOEUF
LEVEE DISTRICT

By: Stanley W. Byrd
Stanley W. Byrd
Executive Director

RED RIVER, ATCHAFALAYA & BAYOU BOEUF LEVEE DISTRICT

BOARD OF COMMISSIONERS

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August 15, 2016

Daryl G. Purpera, CPA, CFE
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P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Red River Atchafalaya & Bayou Boeuf Levee District; Official Response Letter for Audit Finding; Payments Made Prior to Acceptance of Contract Services

Dear Mr. Purpera,

This Official Letter by the RRABB Levee District is in response to the 2016 Louisiana Legislatures Audit finding of *Payments Made Prior to Acceptance of Contract Services*.

The RRABB Levee District concurs with the said audit finding of *Payments Made Prior to Acceptance of Contract Services*. The RRABB Levee District unintentionally made payment on two separate occurrences to a Herbicide Spraying Contractor without first obtaining a signed proposal and acceptance form. As set forth in RRABB's service contract with the Herbicide Spraying Contractor, written proposals/acceptance must be reviewed and signed by the Executive Director prior to any services being performed or payments issued.

Corrective Action Plan:

Due to the timeframe in which this particular service was performed and payment for such services already rendered, a "retro-active" corrective action plan cannot be considered. However, to avoid any future discrepancies such as this, the RRABB Levee District will abide by all contractual agreements as set forth in any/all service contracts or agreements. The RRABB Executive Director, Warren Byrd, will be responsible for proper fulfillment of contractual obligations prior to services being provided or any payments being issued.

Sincerely,
RED RIVER, ATCHAFALAYA & BAYOU BOEUF
LEVEE DISTRICT

By: Stanley W. Byrd
Stanley W. Byrd
Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Red River, Atchafalaya, and Bayou Boeuf Levee District (District) for the period from July 1, 2015, through June 30, 2016. Our objective was to evaluate certain internal controls the District uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the District's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. The District's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the District's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the District.
- Based on the documentation of the District's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, permit fees, tax revenues, credit cards, travel expenditures, contracts, other nonpayroll expenditures, payroll and personnel, and budget.
- We compared the most current and prior-year financial activity using the District's general ledger and obtained explanations from the District's management for any significant variances.

The purpose of this report is solely to describe the scope of our work at the District and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purpose.