

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Town of Grand Coteau
Grand Coteau, Louisiana

January 15, 2003



Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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TOWN OF GRAND COTEAU
Grand Coteau, Louisiana

Dated December 27, 2002

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the St. Landry Parish Clerk of Court.

January 15, 2003

TOWN OF GRAND COTEAU
Grand Coteau, Louisiana

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LEGISLATIVE AUDITOR

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December 27, 2002

**HONORABLE JEAN COCO, MAYOR,
AND BOARD OF ALDERMEN
TOWN OF GRAND COTEAU**
Grand Coteau, Louisiana

We have performed a limited examination of the Town of Grand Coteau (town). Our examination 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.

A limited examination is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The accompanying report presents the background, methodology, our findings and recommendations, as well as a response from management of the town. We will continue to monitor the findings until you resolve them. Copies of this report have been delivered to the town and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive, flowing style.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

ESS:GLM:GCA:dl

[TGC02]

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TOWN OF GRAND COTEAU
Grand Coteau, Louisiana

BACKGROUND AND METHODOLOGY

The Town of Grand Coteau (town), Louisiana, is incorporated under the provisions of a legislative charter; however, the town operates under the Lawrason Act (mayor/board of aldermen form of government). The town has five aldermen and a chief of police that are all elected positions. The town is located in St. Landry Parish with a population of approximately 1,100 residents.

The town provides, among other services, utility (water, sewer, and gas) services to area residents and businesses. The town bills utility customers on a monthly basis for the utility services. Also, the town collects monies for meter deposits (water and gas) from new utility customers. In addition, the town collects a one percent (1%) sales and use tax that is dedicated for the purpose of improving and maintaining the town's waterworks, sewers, and sewerage disposal works.

The legislative auditor received information that there were no internal controls in place over town operations. We visited the town to determine the accuracy of this information.

Our procedures consisted of (1) examining selected town records; (2) interviewing certain employees of the town; (3) reviewing applicable Louisiana laws and Attorney General opinions; and (4) making inquiries of other persons to the extent we considered necessary to achieve our purpose.

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TOWN OF GRAND COTEAU

Grand Coteau, Louisiana

CONCLUSIONS

The following summarizes the findings that resulted from this limited examination of the town. The Findings and Recommendations section of this report provides details for these findings. Management's response is included in Attachment 1.

1. The town changed from operating under a legislative charter to the Lawrason Act form of government without following procedures set forth by state law or the Louisiana Constitution. (See page 6.)
2. The town's written policies and procedures are not complete. (See page 6.)
3. Financial statements are not prepared timely for presentation to the board. In addition, the town's utility fund financial statements are not accurate. (See page 7.)
4. Proceedings of the board meetings are not published as required by Louisiana law. In addition, written minutes did not always include all official actions of the board. (See page 8.)
5. The utility accounts receivable balance in the general ledger is not reconciled monthly with the detailed accounts receivable trial balance listing. In addition, the meter deposit bank account balances and customer deposit liability account balances in the general ledger are not reconciled monthly with the detailed listing of customers' meter deposits. (See page 8.)
6. The town is not following its policy for collecting delinquent utility accounts. Also, town employees have past due utility balances. (See page 9.)
7. The town needs to improve controls over receipts and disbursements. (See page 10.)
8. The supply of traffic/misdemeanor ticket books is not adequately safeguarded and tickets issued to police officers are not reconciled with the issued citations returned by those officers. In addition, traffic violations are not reported to the Louisiana Department of Public Safety as required by law. (See page 13.)
9. The town's police department does not have adequate controls over confiscated weapons and drugs. (See page 14.)
10. Detailed fixed asset records are not complete, all assets are not tagged, and physical inventories of fixed assets are not conducted annually. (See page 15.)
11. The town needs to improve payroll procedures. (See page 15.)
12. There is little control over the town's gasoline tank. (See page 16.)

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Grand Coteau, Louisiana

Conclusions (Concluded)

13. Town records do not clearly account for the expenditure of sales tax monies collected, which are dedicated for the purpose of improving and maintaining the town's waterworks, sewers, and sewerage disposal works. (See page 18.)
14. The computer backup tape containing the town's financial records is not maintained off-site. (See page 18.)

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TOWN OF GRAND COTEAU
Grand Coteau, Louisiana

FINDINGS AND RECOMMENDATIONS

**Town's Change in Form of Government
Not Made in Compliance With Law**

The town changed from operating under a legislative charter to the Lawrason Act form of government without following procedures set forth by state law or the Louisiana Constitution. Louisiana Revised Statute (R.S.) 33:322 provides that a town not governed by the mayor-board of aldermen form of government (Lawrason Act) may elect to be governed by the Lawrason Act provisions by holding an election. In addition, Article VI, Section 2 of the Louisiana Constitution of 1974 provides, in part, that legislative charters may be amended, modified, or repealed by local or special law.

The town changed its form of government without holding an election as required by state law or by amending its charter by legislative act as authorized by the Louisiana Constitution. A legislative charter originally adopted as Act No. 52 of 1867 of the Regular Legislative Session governs the town; however, the mayor and town attorney informed us that the town operates under the Lawrason Act form of government. The mayor was unaware of an election held or a legislative act passed to change the town's form of government. The town's attorney told us the town was operating under the Lawrason Act when he was hired approximately 16 years ago. The attorney said he advised previous mayors of the town to amend the charter by legislative act (to change to the Lawrason Act form of government), but that it was never done.

The town should strictly follow procedures set forth by law to properly change its form of government.

Written Policies and Procedures Are Not Complete

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, and that the procedures followed meet management's expectations. Written procedures aid in continuity of operation and for cross-training of staff.

The town does not maintain a policies and procedures manual and there are no detailed, written policies and procedures for the following:

1. Procurement/purchasing process, including how purchases are initiated and approved, and checks and balances to ensure compliance with bid law
2. Preparing, monitoring, and amending the budget during the fiscal year

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TOWN OF GRAND COTEAU

Grand Coteau, Louisiana

Findings and Recommendations (Continued)

3. Accounting and processing of receipts and disbursements
4. Accounting for the business and personal use of cellular telephones
5. Investing excess cash, including procedures for ensuring that bank balances and investments are adequately secured
6. Processing payroll, including overtime guidelines
7. Travel, including reimbursement rates for mileage, meals, and lodging
8. Recording and safeguarding of capital assets, including dollar thresholds and types of assets that will be inventoried
9. Storing, issuing, and accounting for traffic/misdemeanor tickets
10. Recording, maintaining, and disposing of confiscated weapons and drugs
11. Computer contingency and recovery plan in the event of a disaster, including procedures to test the plan periodically

We strongly encourage the development, adoption, and implementation of policies and procedures for these matters.

Financial Statements Not Prepared Timely and Not Accurate

Financial statements are not prepared timely for presentation to the board. In addition, the town's utility fund financial statements are not accurate. R.S. 33:425 requires the treasurer to keep accurate accounts of all receipts and disbursements and report the finances of the municipality in writing to the mayor and board of aldermen at each regular meeting.

As of the date of our visit, December 9, 2002, financial statements were prepared through September 30, 2002 (over two months late). The board cannot effectively exercise its responsibilities of managing the town's fiscal operations and monitoring the town's budget without timely financial statements.

In addition, the town's September 30, 2002, utility fund financial statements are not accurate because utility billing adjustments are not recorded in the utility fund's general ledger. As a result, the actual utility revenues/sales reflected on the financial statements are not correct. The town clerk informed us that billing adjustments made to customer's utility (water, sewer, and gas) accounts in the computer system are not recorded in the utility fund's general ledger.

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TOWN OF GRAND COTEAU

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Findings and Recommendations (Continued)

The town should ensure that the town clerk presents accurate and timely financial statements to the board. The mayor should approve all utility billing adjustments, and the town clerk should record the adjustments in the general ledger to properly reflect actual utility revenues/sales. Also, the board's review of the town's financial statements should be reflected as an item on the monthly meeting agenda and also be documented in the minutes.

Minutes Not Published and Not Complete

Proceedings of the board meetings are not published as required by Louisiana law. In addition, written minutes did not always include all official actions of the board. R.S. 43:143 requires that the proceedings of the board meetings be published in the official journal of the town. R.S. 43:144 requires the publication of minutes within ten days from the date of the meeting and provides for fines and/or imprisonment as penalty for noncompliance. In addition, Attorney General No. 94-376 provides, in part, that minutes should include the substance of all matters decided.

The mayor informed us that the minutes were not published during her administration. In addition, she said she does not remember whether the minutes were ever published during her six-year tenure on the board (before becoming mayor).

The town clerk informed us that the town's 2001-2002 budget was amended in June 2002; however, we found no such reference in the written minutes of this official action taken by the board.

The town should (1) ensure that all minutes and other official proceedings of the board are published within the ten-day limit, without exception; (2) keep the newspaper clippings of the minutes as evidence; and (3) ensure that written minutes include the substance of all matters decided, including a record of any votes taken.

Need to Improve Controls Over Utility Accounts and Meter Deposits

The utility accounts receivable balance in the general ledger is not reconciled monthly with the detailed accounts receivable trial balance listing. In addition, the meter deposit bank account balances and customer deposit liability account balances in the general ledger are not reconciled monthly with the detailed listing of customers' meter deposits.

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TOWN OF GRAND COTEAU

Grand Coteau, Louisiana

Findings and Recommendations (Continued)

At September 30, 2002, the utility fund's (Water Fund, Sewer Fund, and Gas Fund) general ledger balances total \$206,337, and the accounts receivable trial balance total \$184,019, a difference of \$22,318.

At September 30, 2002, the cash balances in the meter deposit bank accounts total \$43,444, and the customer deposits payable in the general ledger total \$42,095, a difference of \$1,349. The town clerk does not reconcile these differences. In addition, the town clerk does not maintain a detailed listing of customers' meter deposits to reconcile with the related bank account balances and general ledger balances.

The town should (1) reconcile the accounts receivable balances in the general ledger with the detailed accounts receivable trial balance on a monthly basis; (2) centralize the accounting for customers' meter deposits by entering the meter deposit information maintained on manual index cards into the utility fund's computer program; and (3) reconcile the customer meter deposit detailed listing to the related general ledger bank account balances and customer deposit liability on a monthly basis.

Insufficient Effort to Collect Delinquent Utility Accounts

The town is not following its policy for collecting delinquent utility accounts. Also, town employees have past due utility balances. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation. The town's utility policy states that delinquent customers are sent notices on the twenty-third (23rd) of each month and the utilities are cut off on the twenty-eighth (28th) of each month.

The town does not actively try to collect delinquent utility account balances in accordance with its policy. The mayor informed us that delinquent notices are only sent out three or four times per year and that the town does not always follow its cut-off policy. The November 19, 2002, active customer receivable report lists accounts totaling \$23,062, as past due. Many of the customers with accounts over 90 days past due were receiving utility service, including two employees with delinquent utility balances totaling \$457.

The town should:

- Enforce its cut-off policies and procedures to ensure that all delinquent accounts, including employees, are collected on a timely basis or that service is discontinued.
- Take aggressive action to collect delinquent amounts, including legal action when necessary.

TOWN OF GRAND COTEAU

Grand Coteau, Louisiana

Findings and Recommendations (Continued)

Need to Improve Controls Over Receipts and Disbursements

The town needs to improve controls over receipts and disbursements. We reviewed 35 disbursements, totaling \$25,459, made during the period from July 1, 2002, through November 18, 2002. Our review of these 35 disbursements, including our general observations and inquiries, revealed the following:

1. The town did not obtain quotes for the purchase and installation of fire hydrants and related materials, totaling \$8,221, in accordance with the public bid law. R.S. 38:2212 requires that purchases of materials and supplies between \$7,500 and \$15,000 be made by obtaining at least three telephone or facsimile quotations.
2. The town did not require all officials and employees to submit formal expense reports and related supporting documentation (invoices, receipts, etc.) to account for the expenditure of funds advanced to them. There was no accounting of the expenditure of town funds advanced to the mayor (\$200), an alderman (\$200), the town supervisor (\$350), and the assistant town clerk (\$325). We were informed that the advances related to convention/meeting travel.
3. The town paid/reimbursed an alderman for excessive meal costs. An alderman was reimbursed \$184 for the cost of meals in connection with the three-day Louisiana Municipal Association Annual Convention held in Lake Charles, or an average of \$61 per day. By contrast, the state's travel regulations allow state employees \$26 per day for in-state meals. In addition, we found that three of the meal receipts reflect more than one meal purchased, and three meal receipts contain no details of food items purchased.
4. Three expenditures, totaling \$759, lacked supporting documentation.
5. One payment, totaling \$471, was made from fax copies of a vendor's invoices.
6. Purchase requisition forms were not always completed for purchases and the mayor did not document (initial) her approval.
7. Invoices did not contain evidence that the mathematical accuracy was verified.
8. A part-time volunteer worker receives customer utility payments and uses the same cash drawer that is used by the clerk and assistant clerk. Also, we were informed that the volunteer worker is not bonded under the town's insurance policy.
9. The cash receipts records did not always include the traffic/misdemeanor citation number. This is essential in accounting for the final disposition of issued citations.

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Findings and Recommendations (Continued)

10. Incoming checks at the town hall (received over the counter and through the mail) are not restrictively endorsed upon receipt.
11. The supply of blank checks is kept on a shelf in the town clerk's office to which all employees have access.
12. Bank statements are not received unopened by the mayor or designated alderman for review.
13. Although there is an established cash balance for the cash drawer at the town hall, the cash drawer is not balanced on a daily basis to the established cash balance.

Also, town funds totaling \$1,020 were used to purchase food in connection with a St. Landry Parish Municipal Association dinner meeting (meeting) for which the town did not maintain adequate collection and deposit records relating to the meeting. The town hosted the quarterly meeting that was held at Beau Chene Restaurant on May 20, 2002. We were informed that all attending municipal officials, except for Town of Grand Coteau officials and other invited guests, were charged \$10 for their meal. As host, the town is responsible for billing the municipalities/attendees and collecting the monies. Although the town spent \$1,020 on the catered dinner, the town clerk informed us that only \$270 was collected/deposited in the town's bank account in connection with the meeting, a difference of \$750. Our review of town records revealed the following:

- Although the town maintained a list of attendees, the town did not prepare receipt slips to document the amount of monies collected.
- The town's deposit slips did not reflect the attendee's names and amounts deposited.
- The town did not maintain a copy of the checks that were received from attendees.

The town should:

- Strictly comply with the public bid law and obtain at least three telephone or facsimile quotes for the purchase of materials and supplies between \$7,500 and \$15,000. These quotes should be documented as part of the approval process before the purchase is made.
- Develop a standardized form to be used when funds are advanced for travel purposes and require the signature of the official or employee receiving the funds.
- Require the mayor, the alderman, the town supervisor, and the assistant clerk to immediately submit to the town an accounting (documentation, receipts, et cetera) of the expenditure of funds previously advanced to them. If adequate supporting documentation and receipts are not received, the town should demand repayment of funds advanced.

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Findings and Recommendations (Continued)

- Develop a standardized expense reimbursement form and require that it be completed and submitted with all appropriate supporting documentation to the town by all officials and employees in a timely manner after travel is completed.
- Develop and adopt a detailed travel policy, including reimbursement rates for meal costs, using the State of Louisiana policies as a guide. (See finding, *Formal Policies and Procedures Are Not Complete.*)
- Require that all disbursements be supported by adequate documentation before payment.
- Require that payments be made only from original invoices.
- Develop, adopt, and implement procurement/purchasing policies and procedures that require documentation of the mayor's approval. (See finding, *Formal Policies and Procedures Are Not Complete.*)
- Require that invoices contain evidence that the mathematical accuracy has been verified.
- Prohibit the part-time volunteer worker from accepting payments.
- Establish a separate cash drawer for use by the clerk and assistant clerk.
- Require that the traffic/misdemeanor citation number be included on the individual cash receipts records.
- Restrictively endorse all checks upon receipt.
- Require that the supply of blank checks be locked at all times under the control of the town clerk.
- Require that all bank statements be received unopened by the mayor or designated board member for his/her review.
- Balance the cash drawer to the established cash balance on a daily basis. Any cash overages or shortages should be investigated and resolved on a timely basis.
- Implement stricter controls over town collections and deposits upon hosting future St. Landry Parish Municipal Association meetings. Specifically, the town should require the town clerk to (1) prepare prenumbered receipt slips for all monies received; (2) document the attendee's method of payment (cash, check, et cetera) on the receipt slips; (3) document the attendee's name and amount on the deposit slip; (4) maintain a copy of the checks received and attach to related deposit slips; (5) reconcile the receipt book entries to the cash and checks recorded on the deposit slips; and (6) perform billings, collections, and deposits on a more timely basis.

TOWN OF GRAND COTEAU

Grand Coteau, Louisiana

Findings and Recommendations (Continued)

**Need to Improve Controls Over
Traffic/Misdemeanor Tickets**

The supply of traffic/misdemeanor ticket books is not adequately safeguarded and tickets issued to police officers are not reconciled with the issued citations returned by those officers. In addition, traffic violations are not reported to the Louisiana Department of Public Safety as required by law. Good controls over ticket books require that the supply of ticket books be locked and ticket books be issued only when police officers return previously issued tickets as issued citations. R.S. 32:393 requires that the town keep a full report of every case in which a person is charged with a traffic violation and send the report to the Louisiana Department of Public Safety (DPS).

Unused ticket books are kept in an unlocked file cabinet in the dispatch/communications office located in the police department building. Police officers obtain new ticket books as needed and the dispatcher records the police officer's name and the beginning and ending ticket numbers on the "Daily Station Log." However, the previous ticket books issued to police officers are not accounted for and reconciled with the issued citations returned by those officers. Also, the police department maintains misdemeanor summons books; however, the summonses are not prenumbered. The police chief turns in the copies of issued citations to the town hall for fine calculation, collection, and final disposition. The town does not maintain the issued citations in numerical order, rather the citations are maintained in file folders by court date.

In addition, traffic tickets are not reported to DPS. Failure to report these violations to DPS results in inaccuracies in the offenders' driving records and is in violation of state law. The town clerk informed us that the only report filed with DPS is to request a suspension of drivers' licenses when fines are not paid; however, such requests have not been made in over a year. The town clerk informed us that unpaid traffic fines for the eleven-month period between January 2002 and November 2002 total \$20,005.

The town should:

1. Use prenumbered misdemeanor summonses.
2. Require that the supply of ticket books and related files be maintained by the town clerk for proper accounting control.
3. Store the supply of ticket books in a locked cabinet.
4. Maintain a record of ticket books issued to police officers that provides the date of receipt, ticket numbers received, and the police officer's signature of receipt.
5. Issue a police officer a ticket book only after the previously issued book has been accounted for and all issued citations have been received from the police officer.

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Grand Coteau, Louisiana

Findings and Recommendations (Continued)

6. Account for the numerical sequence of all citations and the final disposition of those citations monthly.
7. Comply with state law and report all appropriate traffic violations to DPS. In addition, management of the town should contact DPS to determine what action should be taken for previous unfiled traffic violation reports.
8. File requests for suspension of drivers' licenses with DPS on a timely basis.

Need to Improve Controls Over Confiscated Weapons and Drugs

The town's police department does not have adequate controls over confiscated weapons and drugs. Failure to maintain control over confiscated weapons and drugs increases the risk that weapons and drugs will be stolen, lost, or disposed of improperly. The following matters were noted:

- Inventory records are not maintained on confiscated weapons or drugs.
- Weapons and drugs are not tagged for identification purposes.
- Weapons and drugs are not adequately secured. We made certain recommendations to the newly elected chief of police that would improve security over seized evidence, and we were assured that adequate security would be maintained in the future.

Because the police department did not maintain inventory records, we could not determine how many weapons were confiscated throughout the year or how many weapons were ultimately returned to individuals, transferred to other law enforcement agencies, lost, stolen, or otherwise disposed of during the year. In addition, we could not determine the amount and type of drugs confiscated throughout the year and the disposition of those confiscated drugs.

The chief of police should (1) perform an inventory and tag all confiscated weapons and drugs; (2) maintain a log 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; and (3) adequately secure all weapons and drugs.

TOWN OF GRAND COTEAU

Grand Coteau, Louisiana

Findings and Recommendations (Continued)

Fixed Asset Records Should Be Complete

Detailed fixed asset records are not complete, all assets are not tagged, and physical inventories of fixed assets are not conducted annually. R.S. 24:515(B)(1) requires the town to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost. 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.

The town's listing of fixed assets is not complete. The listing is incomplete as to costs, dates acquired, and tag numbers. Also, the listing is not dated and we could not determine the date the listing was last updated for additions and deletions. In addition, the mayor informed us that she is not aware of the town ever conducting a physical inventory of its assets.

The town should (1) define assets that will be inventoried, including the minimum value for inclusion on the list of fixed assets; (2) prepare a detailed list of fixed assets (the list should include the date of purchase and the initial cost); (3) take a physical inventory at least annually and follow up on items not found during the physical inventory; and (4) identify [tag] assets that belong to the town and include the tag number on the listing of fixed assets.

Controls Over Payroll Need to Be Improved

The town needs to improve payroll procedures. Our review of payroll and personnel records revealed the following:

- Federal employment taxes were not withheld from weekend "on-call" wages (\$25 per weekend) paid to one utility department employee. In addition, "on-call" pay is paid in advance of the actual work performed.
- Federal employment taxes were not withheld from wages paid to two utility department employees for fire truck maintenance (\$22 each per week).
- One employee's personnel file was missing.
- No written documentation is maintained of the approved pay rates for town employees.

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TOWN OF GRAND COTEAU

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Findings and Recommendations (Continued)

- Federal (Form W-4) and state (Form L-4) income tax withholding forms were not on file for all employees.
- Form I-9 - "Employment Eligibility Verification" is not maintained for all employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service.
- Employees do not always sign their time sheets.
- The mayor's approval is not always documented on the time sheets.
- The number of overtime hours worked are not clearly identified on the time sheet, and the specific times of day the overtime was worked is not documented.

The town should:

1. Withhold applicable federal employment taxes on all compensation/wages paid to town employees.
2. Cease paying the \$25 "on-call" pay in advance of the actual work performed.
3. Maintain a personnel file on each employee that contains, at a minimum, (1) documentation of the employee's approved pay rates; (2) a completed Form I-9 - U.S. Department of Justice Immigration and Naturalization Service "Employment Eligibility Verification" for all employees hired after November 6, 1986; and (3) completed federal and state income tax withholding forms (Forms W-4 and L-4).
4. Require that all employees sign their time sheets.
5. Require the mayor to document her approval on time sheets.
6. Require that time sheets clearly reflect the number of overtime hours worked, including the specific times of day the overtime was worked.

Little Control Over Gasoline Tank

There is little control over the town's gasoline tank. Good controls over the use of town gasoline for town vehicles require that adequate tank records be completed, be reviewed periodically, and be maintained. A periodic review will ensure that only town vehicles are receiving gasoline, vehicles receiving the gasoline are properly identified, odometer readings are accurately recorded, and the amount of gasoline received by town vehicles is reasonable.

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TOWN OF GRAND COTEAU

Grand Coteau, Louisiana

Findings and Recommendations (Continued)

The town has one gasoline tank (above ground) that is located behind the fire department. Our review of procedures on November 18, 2002, for dispensing the gasoline revealed the following:

- Although the gasoline handle/nozzle was locked, a log was not maintained for the use of town gasoline. The town supervisor informed us that he stopped completing a log a couple of months ago. Upon our request to review the previously completed gasoline logs, he informed us the logs were thrown away and that he did not know he was supposed to keep them. Subsequently, he provided us with a one-page log (Gasoline Requisition Form), which reflected vehicle numbers, amount of gasoline pumped, and the name of the person fueling the vehicle during the period from June 4 through July 22 (year was not documented on page). However, the log did not include the vehicle odometer readings and the tank meter readings. The vehicle odometer readings are necessary to determine the miles traveled between each refueling to calculate miles per gallon for each vehicle. The tank meter readings are necessary to reconcile for the gallons of gasoline dispensed with the number of gallons recorded as received by each vehicle.



- Digits/numbers on the gasoline tank meter were “worn” and therefore difficult to read.

The town should (1) require the completion of adequate records/logs to account for the use of gasoline; (2) assign specific employees the responsibility of maintaining the logs; (3) replace the tank’s meter so that the digits/numbers can be read; (4) prepare a monthly analysis or summary by vehicle that includes, at a minimum, the number of gallons received, miles traveled, and miles per gallon; (5) reconcile the number of gallons received with the tank meter readings; and (6) present the analysis to the board during its regular board meeting.

TOWN OF GRAND COTEAU

Grand Coteau, Louisiana

Findings and Recommendations (Concluded)

**Clear Records Not Maintained for
Dedicated Sales Taxes**

Town records do not clearly account for the expenditure of sales tax monies collected, which are dedicated for the purpose of improving and maintaining the town's waterworks, sewers, and sewerage disposal works. R.S. 39:704 states, "The proceeds of any special tax shall constitute a trust fund to be used exclusively for the objects and purposes for which the tax was levied. The records of the taxing authority shall clearly reflect the objects and purposes for which the proceeds of the tax are used."

The town collects a one percent (1%) sales and use tax that is dedicated "for the purpose of constructing, acquiring, extending, improving and/or maintaining waterworks, and sewers and sewerage disposal works, including the purchase of equipment therefor, title to which shall be in the public." However, the town's records do not clearly account for the expenditure of these sales tax monies. As a matter of fact, the town clerk was unaware that the sales tax collections were dedicated.

The town should fully comply with state law and execute its fiduciary responsibility in clearly accounting for the expenditure of sales tax proceeds dedicated for improving and maintaining the town's waterworks, sewers, and sewerage disposal works.

Computer Backup Tape Is Not Maintained Offsite

The computer backup tape containing the town's financial records is not maintained off-site. Town financial records should be properly safeguarded. If not, in the event of a disaster (e.g., fire, flood, et cetera), financial records of the town could be destroyed and not be readily reconstructed/replaced.

The town clerk performs the computer system backups; however, the backup tapes are kept in the office next to the computers.

The town clerk should perform the computer system backups twice so that one tape can be taken home (offsite).

Attachment I

Management's Response

Town of Grand Coteau

"THE TOWN WITH A BRIGHT FUTURE"

P.O. Drawer G

Grand Coteau, Louisiana 70541
(337) 662-5246

OFFICIALS

JEAN J. COCO, Mayor
JONTY COCO, Chief
DENISE MOORE, CMC
JESSICA A. MARCEL, Asst. Clerk
January 8, 2003

ALDERMEN

WALLACE BELSON, JR.
WILTON GUIDRY
DAVID RICHARD
ROBERT LANDRY
RUSSELL ARNOLD RICHARD

Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Town of Grand Coteau, Louisiana respectfully submits the following corrective action plan.

The Town Changed from operating under a Legislative Charter to the Lawarson Act form of Government without following procedures set forth by state law or the Louisiana Constitution.

The Town of Grand Coteau will petition the Legislature to properly change its form of government from its legislative charter to the Lawrason Act which it currently operates under.

The Town's written policies and procedures are not complete.

The town will develop, adopt, and implement policies and procedures for the following:

1. Procurement/purchasing process, including how purchases are limited and approved and checks and balances to ensure complaince with bid law,
2. Preparing, monitoring, and amending the budget during the fiscal year
3. Accounting and processing of receipts and disbursement
4. Accouting for the business and personal use of cellular telephones
5. Investing excess cash, including procedures for ensuring that bank balances and investments are adequaltely secured
6. Processing payroll, including overtime guidelines
7. Travel, including reimbursement rates for mileage, meals, and lodging
8. Recording and safeguarding of capital assets, including dollar thresholds and types of assets that will be inventoried
9. Storing, issuing, and accounting for traffic/misdemeanor tickets
10. Recording, maintaining, and disposing of confiscated weapons and drugs
11. Computer contingency and recovery plan in the event of a disaster, including to test plan periodically.

Financial Statements not prepared timely.

The Mayor will ensure that the Town present timely and accurate financial statements to the Board of Aldermen. The financial statement will be added as an item under the Mayor's Report on the monthly meeting agenda for the boards review.

Minutes not published and not complete.

The Mayor will ensure that the minutes are published within the ten day limit without exception, keep newspaper clippings of the minutes as evidence and ensure that written minutes include the substance of all matters decided, including a record of any votes taken. The Mayor and Clerk will complete by signing all minutes approved by the board.

Need to improve controls over utility accounts and meter deposits.

The town will reconcile the accounts receivable balances in the general ledger with the detailed accounts receivable trail balance on a monthly basis, centralize the accounting for customers meter deposits by entering the meter deposit information maintained on manual index cards into the utility fund's computer program and reconcile, the customer meter deposit detailed listing to the related general ledger bank account balances and customer deposit liability on a monthly basis.

Insufficient effort to collect Delinquent Utility Accounts.

The town will enforce the cut-off policy and procedures to ensure that all delinquent accounts, including employees are collected on a timely basis or their service will be cut off. The town will take aggressive action to collect all delinquent amounts, including legal action when necessary.

The town will turn over delinquent inactive accounts to a collection agency for collections.

Need to improve controls over receipts and disbursements.

The town will strictly comply with the public bid law and obtain at least three telephone or facsimile quotes for the purchase of material and supplies between \$7500.00 and \$15000.00.

The town will develop a standardized form to be used when funds are advanced for travel purposes, and require the signature of the official or employee receiving the funds.

The town will require the Mayor, the Alderman, the Town Supervisor, and the Assistant Clerk to submit to the town an account of the expenditure of funds previously advanced to them.

The town will develop a standardized expense reimbursement form and require that it be completed and submitted with all appropriate supporting documentation to the town by all officials and employees in a timely manner.

The town will develop and adopt a detailed travel policy, including reimbursement rates for meal costs.

The town will require that all disbursements be supported by adequate documentation prior to payment.

The town will require that payments be made only from original invoices.

The town will develop, adopt, and implement procurement/purchasing policies and procedures that require documentation of the mayor's approval.

The Town will require that invoices contain evidence that the mathematical accuracy has been verified.

The town will require the traffic/misdemeanor citation number be included on the individual cash receipts records.

The town will require that the supply of blank checks be locked at all times under control of the Town Clerk.

The town will require that all bank statements be received unopened by the Mayor or designated Board Member for their review.

The Town will require that the cash drawer is balanced on a daily basis.

The town will prohibit the part-time volunteer worker from accepting payments when both full-time employees are present.

The town will restrictively endorse all checks upon receipt.

The town does require that the Mayor or Mayor Pro-tem sign all checks with either the Town Clerk or Asst. Town Clerk.

Need to improve controls over Traffic/Misdemeanor tickets.

The town will use pre-numbered misdemeanor summonses.

The town will require that the supply of ticket books and related files be maintained by the Chief of Police/Town Clerk for proper accounting control.

The town will store the supply of ticket books in a locked cabinet.

The town will maintain a record of ticket books issued to police officers that provides the date of receipt, ticket numbers received, and the police officer's signature of receipt.

The town will issue a police officer a ticket book only after the previously issued book has been accounted for and all issued citations have been received from the police officer.

The town will account for the numerical sequence of all citations and the final disposition of those citations monthly.

The town will comply with state law and report all appropriate traffic violations to DPS and contact DPS to determine what action should be taken for previously unfiled traffic violation reports.

The town will file a request for suspension of drivers' license with DPS's on a timely basis.

Need to improve controls over confiscated weapons and drugs.

The Chief of Police will perform an inventory and tag all confiscated weapons and drugs; maintain a log 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, and adequately secure all weapons and drugs.

Fixed Asset records should be complete.

The town will define assets that will be inventoried, including the minimum value for inclusion on the list of fixed assets, prepare a detailed list of fixed assets, take a physical inventory and identify assets that belong to the town and include the tag number on the listing of fixed assets.

Control over payroll need to be improved.

The town will withhold applicable federal employment taxes on all compensation/wages paid to town employees. The town will cease to pay the \$25.00 "on call" in advance of the actual work performed. The town will maintain a personnel file on each employee. The town will require that all employees sign their timesheets. The town will require the Mayor to document her approval of all timesheets. The town will require the timesheets to clearly reflect the number of overtime hours worked, including the specific times of day the overtime was worked. The town plans to have this completed as of June, 2003.

Little control over gasoline tank.

The town will require the completion of adequate records/logs to account for the use of gasoline, assign specific employees the responsibility of maintaining the logs, replace the tank's meter so that the digits/numbers can be read, prepare a monthly analysis or summary by vehicle, reconcile the number of gallons received with the tank meter readings, and present the analysis to the board during their regular board meeting.

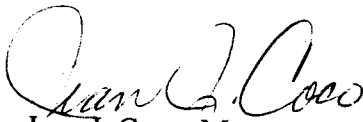
Clear records not maintained for dedicated Sales Tax.

The town will fully comply with state law and execute its fiduciary responsibility in clearly accounting for the expenditure of sales tax proceeds dedicated for improving and maintaining the town's waterworks, sewers, and sewerage disposal works.

Computer backup tape is not maintained off-site.

The Town Clerk/Asst. Town Clerk will perform the computer system backup twice so that one tape can be taken off site and rotate daily the use of tapes to provide for the maintenance of financial information for a certain period of time.

Sincerely,



Jean J. Coco, Mayor
Town of Grand Coteau