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January 21, 2004

Mr. Kenneth Harvey, Chairman,
and Members of the Board of Commissioners
Cotton Valley Housing Authority
437 Crow Street
Cotton Valley, LA 71018

Dear Mr. Harvey:

We performed a limited review of the financial records of the Cotton Valley Housing Authority (Authority) for the period beginning January 1, 2002, and ending November 30, 2003. We also reviewed the Authority's policies and procedures as well as the board meeting minutes. The scope of our work was significantly less than those required by *Government Auditing Standards* in the audit of the Authority's financial statements; therefore, we are not offering an opinion on the Authority's financial statements, the Authority's system of internal control, or assurance as to compliance with laws and regulations.

As part of our review, we noted certain matters that we want to bring to the attention of the board and management for consideration. We offer the following comments and suggestions:

1. Lack of Policies and Procedures

- a. **Financial Reporting:** The Authority does not have written policies and procedures for the production of financial statements. The Authority should adopt written policies and procedures that provide the nature, extent, and frequency of reporting financial information to management and the governing body.
- b. **Credit Cards:** Written policies and enforced procedures that provide guidance for the business use and supporting documentation of credit cards should be established. The credit card statement alone does not provide sufficient documentation of individual purchases. The Authority should require detailed documentation of each credit card purchase.
- c. **Cellular Phones:** The Authority owns a cell phone and allows its employees to make personal calls from this phone. However, employees are not required to reimburse the cost of personal cell phone calls. Written policies and procedures for the business use and care of cellular phones should be established that (1) contain guidelines for the issuance of cell phones to employees based on employee duties and

responsibilities; (2) require a review of cellular phone contracts annually to determine the minimum amount of airtime minutes needed per month and negotiate a new contract when the existing contract expires; (3) require employees who are issued a cellular phone to review their monthly phone bill and identify personal calls made or received; (4) require that each employee is billed, at a standard rate for each minute, for personal calls; and (5) require that monthly bills are reviewed for propriety and reasonableness of phone usage. The Authority should also request detailed phone bills from their cellular provider.

- d. **Payroll and Attendance Records:** The Authority should establish written policies and procedures to ensure adequate documentation of the payroll and attendance processes. Documentation should include time reports indicating hours worked, time report approval by management, and records accounting for sick and vacation leave earned and used. Personnel files should include signed I-9 forms, job descriptions, approved employee pay rates, and completed job applications.
- e. **Investments:** Although a generic investment policy exists in the policy manual, it is not adequately completed to fit the specific needs of the Authority. Louisiana Revised Statute 33:2955 provides, in part, that an investment policy shall be adopted that details and clarifies investment objectives and the procedures and constraints necessary to reach these objectives. The Authority should adopt an investment policy that conforms to Louisiana law and outlines allowable investment type, risk, and liquidity.
- f. **Records:** The Authority does not have a formal records retention schedule but does maintain records for at least three prior years. The Authority should develop a records retention schedule and seek approval of the schedule from the Louisiana Secretary of State. Although the Authority produces written records of its public meetings in a timely fashion, these minutes should also be published in order to comply with Louisiana Revised Statute 43:171.
- g. **Ethics:** Louisiana law requires compliance with the Louisiana Code of Governmental Ethics, Title 42 of the Louisiana Revised Statutes. In addition to adopting a written ethics policy, the Authority should require annual certification letters from board commissioners and employees attesting to their compliance with the law.
- h. **Information Systems:** Written policies and procedures including Internet access; files that can and cannot be downloaded from the Internet; and identifying critical and noncritical data should be established by the Authority. Critical data should be backed up regularly and stored in a secure location offsite. In addition, the Authority should have a contingency or recovery plan in the event of a disaster.

2. Noncompliance with Policies and Procedures

- a. **Disbursements:** Invoices from the gasoline service station do not detail purchases on account or description of the vehicle fueled. The Authority should follow its current policy for disbursement and ensure that all payments are supported by adequate documentation.
- b. **Capital Assets:** Not all of the Authority's movable property is tagged and the Authority's vehicle does not bear a public license plate or other required markings that identify the vehicle as a public vehicle. Louisiana Revised Statute 42:121 provides, in part, that any automobile, truck, or other vehicle belonging to the State or to any of its political subdivisions shall bear a public license plate and shall be inscribed, painted, decaled, or stenciled with the name of the board, commission, department, agency, or political subdivision to which it belongs. Authority employees should inspect all movable property and ensure that it is tagged. Also, the Authority should comply with Louisiana law by placing a public license plate and other required markings on its vehicle.

This letter is intended for the information and use of the management of the Cotton Valley Housing Authority and is not intended to be, and should not be, used by anyone other than management. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

If you have any questions, please contact me at (225) 339-3839 or Mr. Daryl Purpera at (225) 339-3807.

Sincerely,



Grover C. Austin, CPA
First Assistant Legislative Auditor

JM:EL:DGP:dl