
**IBERVILLE PARISH GOVERNMENT
WATERWORKS DISTRICT #2
REPORT OF FINDINGS AND OBSERVATIONS RESULTING FROM THE
PERFORMANCE OF AGREED-UPON PROCEDURES**

JUNE 20, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 03 2012



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**IBERVILLE PARISH GOVERNMENT
WATERWORKS DISTRICT NO. 2 AGREED-UPON PROCEDURES**

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

J. Mitchell Ourso, Jr., Parish President
and the Iberville Parish Council
Collectively, the Iberville Parish Government

We have performed the procedures listed in the scope/procedures section in the accompanying report, which were agreed to by the Iberville Parish Government and Postlethwaite & Netterville (P&N), to assist you in evaluating the internal controls of Waterworks District No. 2 of Iberville Parish (the District) and to provide information regarding certain activities by employees and other officials of the District. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The scope and sufficiency of our procedures is solely the responsibility of Iberville Parish Government. Our procedures were limited to those that you have determined will best meet your informational needs and, consequently, we make no representation regarding the sufficiency of the procedures described within this report either for the purpose for which this report has been requested or for any other purpose. This report summarizes the procedures performed and the results of those procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the internal controls, activities of employees and other officials, or the accounting records of the District. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report has been prepared for the internal use of the administration and the governing council of Iberville Parish and the Louisiana Legislative Auditor. It is not intended to be and should not be used or relied upon by anyone other than those specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

June 20, 2012

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EXECUTIVE SUMMARY:

The Iberville Parish Government hired us to perform certain agreed-upon procedures concerning the operation of Iberville Parish Waterworks District No. 2 (the District). The objective of the procedures was to inform the Iberville Parish Government as to the condition of internal controls and adherence to best practices. Our procedures resulted in findings that are set forth in detail throughout this report. A summary of the more significant findings is as follows.

- Purchases and other payments were made which lacked support and/or documentation as to business purpose. One of those payments was made to an employee in the amount of \$950 (non-payroll).
- No evidence was provided to indicate that independent review of credit card statements was occurring. Additionally, underlying receipts for purchases made with credit cards were not maintained.
- A lack of documentation with regard to approvals of compensation levels.
- A lack of employee time and attendance records
- A payment of \$5,300 representing a payment for unused accrued leave upon retirement which was not supported by either a written policy or accrued leave records.
- Payment of overtime wages without having supporting timesheets or other documentation to evidence the overtime worked.
- Numerous new service accounts were established for which the standard "set-up fee" of \$500 was potentially not received. The total potential missing "set-up" fees ranges from \$4,000 to \$6,500.
- New customers were sometimes inadvertently given a credit to their account upon payment of the "set-up fees" due to failure by the District to properly charge the accounts for service "set-up fees".
- Write-off of customer accounts was occurring without documented approval. No policy exists that establishes the appropriate approval level for write-off of accounts. Additionally, a segregation of duties issue exists because the employee having the ability to write-off accounts receivable is also the person collecting cash payments

It should be noted that Baton Rouge Water Company supplies, through contract, water to the District and performs many other key services on behalf of the District including reading meters, maintaining infrastructure, performing maintenance requests initiated by the District, and billing. Baton Rouge Water Company provided us certain billing and customer information for use in our procedures.

We appreciate the opportunity to be of service to Iberville Parish and would like to thank the District's employee, the Parish Government employees, and the Baton Rouge Water Company for their cooperation and assistance to us during this engagement

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OBJECTIVE:

The primary purpose of this engagement was to assist the Iberville Parish Government in evaluating the internal controls of Waterworks District No. 2 of Iberville Parish (the District) and to provide indications of whether certain fees associated with new customer meter installations and maintenance activities were received by the District and deposited into the proper accounts.

SCOPE/PROCEDURES:

- A. Performed the procedures as outlined in the attached listing of procedures presented as Exhibit A, focusing on the following areas:
- Financial Management
 - Credit Cards
 - Travel and Expense Reimbursement
 - Contracts
 - Payroll and Personnel
- B. Obtained and reviewed the file of bills paid as maintained onsite and the bank statements for the period to identify non-payroll payments to employees and board members of the District to determine if each disbursement was supported by an original itemized receipt and documentation of the business purpose. Such disbursements were traced to the Accounts Payable register to determine if the disbursement was appropriately recorded.
- C. Obtained and reviewed the Accounts Payable register for any payments to employees and board members that were non-payroll disbursements. Any such payments were compared to the list of bills compiled in procedure B.
- D. Obtained a listing of all work orders for the period of November 1, 2010 through October 31, 2011 from the Baton Rouge Water Company and extracted all new service/meter installation services performed. The District's log of payments and the bank statements for that period were reviewed to determine if the customer's new meter service payment was received and deposited and whether the customer application was received. All missing payments and documentation were noted.
- E. We obtained a listing of all meter re-reads performed by Baton Rouge Water Company on behalf of customers in the District. For meter re-reads that identified repairs were required to be paid by the customer, we selected a sample of 10 and placed a phone call to the customer and inquired of services performed, if repairs were made, and if so, the name of the vendor that performed the repair. Any vendors indicated by the customers were compared with a listing of District employees and known related parties.
- F. We obtained billing registers for all billing cycles of the District for the periods of November 2010 and October 2011. We compared customers included on the billing registers as of November 2010 and October 2011. Any customers appearing in October 2011 that did not appear in November 2010 were compared to the extract of all new service/meter installation services in procedure D. For any new customers not included on the extract of all new service/meter installation services, we determined if a 'set up' fee was received by the District. This procedure was performed to provide assurance of the completeness of the list extracted in procedure D.
- G. We interviewed one of the homebuilders/developers that appeared on the District's log of new service set-ups and inquired as to the fees paid to the District and identification of vendor and/or

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individuals that generally completed the hook ups and performed any maintenance services. A list of such vendors/individuals was compiled and compared to the list of employees of the District and known related parties

- H. We obtained a listing of all customer billing adjustments for the District from December 2010 through March of 2012. The adjustments were reviewed to determine the user ID of the person initiating the adjustment and the reason for the adjustment. A sample of 10 adjustments was selected to determine if adjustments were supported by documentation, approved by the board, or were otherwise made in accordance with the District's policy.

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FINDINGS RESULTING FROM PROCEDURES PERFORMED:

I. Procedures Involving Internal Control

During the period subjected to our procedures, the District's staffing consisted of five employees. At the time we performed our procedures, only one of those staff members was employed by the District. Because of this and an overall substandard condition of records, several of the planned procedures could not be performed. We have indicated those planned procedures for which there was insufficient information or documentation to perform the procedures.

A Financial Management

1 P&N obtained and reviewed all monthly board meeting minutes provided for the period of November 1, 2010 through October 31, 2011 to determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements within three weeks of month-end, including budget-to-actual comparisons of the entity during fiscal year 2011.

a) Per review of the monthly meeting minutes provided, there were only two references to financial statements and/or financial information. The July 13, 2011 meeting minutes documented 'The annual audit and financial statement were distributed for review.' The October 19, 2011 meeting minutes documented 'A motion to approve the proposed budget, pending the public hearing, was made by Mr. Thomas, and seconded by Mr. Lodge. Yeas - all; Nays - none.'

Based on the dates for which meeting minutes were provided, it appears that not all monthly meeting minutes were provided to P&N for review. For those minutes reviewed, there was no indication that reviews of monthly financial statements had occurred.

ii. The entity was not in deficit spending during 2011, 2010, or 2009.

iii P&N requested written policies and procedures for the following financial/business functions of the entity:

- Budgeting, including preparing, adopting, monitoring, and amending the budget;
- Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) checks and balances to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- Disbursements, including processing, reviewing and approving,
- Receipts, including receiving, recording and preparing deposits.

a) P&N was not provided the policies and procedures for the District. Per discussion with the remaining employee of Water District #2, she was not aware of the existence of any written policies and procedures of the District

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B. Credit Cards

- i. P&N requested written policies and procedures for credit cards to determine if the following was addressed:
 - How cards are to be controlled
 - Allowable business uses
 - Documentation requirements
 - Required approvers
 - Monitoring card usage
 - a) Per discussion with the remaining employee of Water District #2, she was not aware of any written policies and procedures specific to the use of credit cards.

- ii. P&N obtained the monthly statements for all credit cards used during the period of November 1, 2010 through October 31, 2011 and selected the two largest (dollar amount) statements for each card. The statements and supporting documentation were reviewed to determine if each purchase was supported by an original itemized receipt identifying the item purchased; documentation of the business/public purpose; any other documentation as may be required by policy; and if each purchase was in accordance with the thresholds or guidelines established in the policies and procedures; evaluation as to whether or not purchases were made for personal purposes; evaluation as to whether or not purchases were non-compliant with the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law. P&N further compared charges on the credit card statements to the expense reimbursement reports for the same month and one month after to note any duplicate payments. Exceptions are noted below:
 - a) Of the 4 purchases included on the monthly statements selected for review, none were supported by an original itemized receipt.
 - b) 2 of the 4 purchases selected for testing did not include documentation of the business/public purpose (denoted with a ² in the table below). The remaining 2 purchases, (denoted with ¹ in the table below) contained handwritten notes on the credit card statements indicating these purchases were for business purposes.
 - c) No policies/procedures were provided by the District specific to credit cards, therefore, we were unable to test to determine if other documentation required by policy was included and if purchases were in accordance with the guidelines or thresholds established in the policies and procedures.
 - d) There were no employee expense reimbursement reports submitted and therefore, no comparison of these charges was made to such reports. The one non-payroll disbursement identified and reported at procedure II.A. did not appear to be a duplicate payment.

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1	Home Depot ¹	Iberville Parish Water	September	2011-09-01	Home Depot	\$98.19
2	Home Depot ¹	Iberville Parish Water	September	2011-09-12	Home Depot	\$279.93
3	Office Depot ²	Iberville Water Works	October	2011-10-18	Office Depot	\$150.78
4	Office Depot ²	Iberville Water Works	October	2011-10-20	Office Depot	\$176.80

- iii. P&N obtained the monthly statements for all credit cards (including supporting documentation) for the period of November 1, 2010 through October 31, 2011 and selected two statements for testing. The statements selected for testing were reviewed to determine if each monthly statement was reviewed and approved, in writing, by someone other than the person making the purchases
- a) Of the 2 statements selected for testing, neither was reviewed and approved in writing by someone other than the person making the purchases. However, the corresponding check payment was signed by a board member, thereby indicating high level approval.

1	Home Depot	Iberville Parish Water	September
2	Office Depot	Iberville Water Works	October

C. Travel and Expense Reimbursement

- i. P&N requested written policies and procedures for travel and expense reimbursement to determine if the following was addressed:
- Allowable expenses
 - Dollar thresholds by category of expense
 - Documentation requirements
 - Required approvers
- a) Per discussion with the remaining employee of Water District #2, she was not aware of any written policies and procedures specific to travel and expense reimbursements. Additionally, per discussion with the remaining employee and review of audited financial statements, employees did not receive travel and expense reimbursements.

D. Contracts

- i. P&N requested written policies and procedures for contracts/contracting, including leasing, to determine if the following was addressed:
- Types of services requiring written contracts
 - Standard terms and conditions
 - Legal review
 - Approval process

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- Monitoring process
 - Centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.
- a) Per discussion with the remaining employee of Water District #2, she was not aware of any written policies and procedures specific to contracts/contracting, including leasing.
- ii. P&N obtained and reviewed the accounting records from QuickBooks for the period of November 1, 2010 through October 31, 2011 to identify individuals/businesses being paid for contracted services. The 5 highest paid vendors during the period were selected for review. For each vendor, the following procedures were performed: determined if there was a formal/written contract supporting the services arrangement and the total amount paid; determined the business legitimacy of the vendor; reviewed for evidence of related party transactions; for purchases subject to LA Public Bid Law, determined if the entity complied with all requirements; for contracts awarded under RFP method, determined if contract was awarded to appropriate proposer; for any purchases made 'off' state contract, determined if the board formally adopted the use of the LA Procurement Code; for any purchases 'piggybacked' onto another agency's contract, determined if there was documentation demonstrating the contract was a previously bid, viable contract and the price paid by the entity was the same as the contract's bid price; for any amended contracts, determined whether the original contract provided for an amendment; for amendments outside the scope of the original contract, determined if it should have been separately bid and contracted; selected one invoice paid to the vendor and determined if the invoices received and payments made during the period complied with terms and conditions of the contract; determined if there was written evidence the entity's legal advisor reviewed the contract and advised entering into the contract; and determined if there was documentation of board approval, if required. **Note: payments to BRWC were excluded from testing. Exceptions are noted below.**
- a) For 4 of the 5 vendors selected for testing, if a formal contract was executed for the services provided, it was not provided to P&N for review. For the remaining vendor, an insurance proposal was provided; however, no formal contract was provided (indicated with a ¹ below).
- b) For 4 of the 5 vendors selected for testing, due to lack of documentation provided, P&N was unable to determine if contracts, when present, were awarded on the RFP method or 'piggybacked' onto another agency's contract (indicated with a ² below).
- c) For all 5 of the vendors selected for testing, due to lack of documentation provided, P&N was unable to determine if contracts, when present, were amended; if invoices received and payments made during the period complied with the terms and conditions of the contract, when present; if contracts, when present, included written evidence that the entity's legal advisor reviewed the contract and advised entering into the contract; and if contracts, when present, were approved by the board.

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1	Owen & White ²	\$36,224 50	Engineering Firm
2	Blumberg and Associates, Inc ^{1, 2}	\$21,118 80	Insurance
3	QA Consultant, LLC ²	\$13,941.00	Unknown
4	City of St. Gabriel	\$10,212.10	Reimbursement for Meter Overread for a long period of time
5	Apple Guerin Company, LCC ¹	\$8,718 00	Accounting

E Payroll and Personnel

- i. P&N requested written policies and procedures for payroll and personnel to determine if they addressed the processing of payroll, including reviewing and approving of time and attendance records, paid leave and overtime worked.
 - a) Per discussion with the remaining employee of Water District #2, she was not aware of any written policies and procedures specific to payroll and personnel.
- ii. P&N requested a listing of employment contracts/agreements in force during the period of November 1, 2010 through October 31, 2011 to determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract for the largest (dollar amount) employment contract.
 - a) Per discussion with the remaining employee of Water District #2, and review of employee file documentation, there were no employment contracts or written salary agreements.
- iii. P&N requested the leave and attendance records for one pay period to determine if all employees were documenting their daily attendance and leave; if supervisors were approving, in writing, the attendance and leave of all employees; and if the entity was maintaining accurate written leave records on all eligible employees.
 - a) During the period under review, the District employed 3 full-time and 2 part-time employees. Of the full-time employees, 2 were considered hourly and 1 was considered salaried. Per discussion with the remaining employee of Water District #2, and review of employee file documentation, there were no employee sign in sheets or other mechanisms to track employee attendance. Hourly employees were typically paid based on their standard hours to be worked. Per review of the November 2010 pay file, one of the employees was paid 11 hours of overtime. No timesheet or other documentation to support the overtime worked was provided to us as support.
- iv. P&N selected all employees of the District and reviewed to determine if changes made to their hourly pay rates/salaries during the period of November 1, 2010 through October 31, 2011 were approved in writing in accordance with policy.

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- a) Per minutes of board meeting held April 27, 2011, "After reviewing the salary requirements of the District's employees, a motion to accept the manager's recommendation was made and seconded. Salaries are attached as part of these minutes. Yeas - all; Nays - none". However, the attachment with salary increases was not included in the copies of the minutes provided to us. We were unable to determine if salary and wage increases per testing were those increases that were approved by the Board. All employee files provided were also reviewed; review did not identify any documentation of pay rate approval. Pay rate changes are listed in the table below

1	EMPLOYEE #1	WD#2	Hourly	\$7.33	\$7.62	\$0.29
2	EMPLOYEE #2	WD#2	Hourly	\$14.59	\$15.17	\$0.58
3	EMPLOYEE #3	WD#2	Hourly	\$9.05	\$16.83	\$7.78
			Car Allowance	\$283.33	\$283.34	\$0.01
4	EMPLOYEE #4	WD#2	Hourly	\$8.82	\$9.17	\$0.35
5	EMPLOYEE #5	WD#2	Salary	\$6,000.00	\$5,700.00	\$(300.00)
			Car Allowance	\$0.00	\$283.34	\$283.34

- b) Because there was no policy specific to payroll, we were unable to test for changes to pay in accordance with District policy.
- v. P&N requested the five largest termination payments made during the period of November 1, 2010 and October 31, 2011. Such payments were reviewed to determine if they were supported by documentation, made in strict accordance with policy, and properly approved.
- a) One termination/leave payment was identified in the period under examination. No documentation was provided to support the leave payment. All board minutes provided were reviewed for evidence of review of termination/leave payments. Per minutes of meeting held October 19, 2011 and November 9, 2011, no specific approval was documented. However, the check was signed by 2 board members.

1	EMPLOYEE #2	WD#2	Hourly	Leave	\$5,293.71	26194	2011-10-26
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- b) According to the one remaining employee, the District had no policy regarding vesting of unused leave or payout thereof. Again, no written policies existed. Because there was no policy specific to

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termination/leave payments we were unable to determine whether the payment was made in accordance with District policy.

However, the audited financial statements for the year-ended October 31, 2010 indicated that the District's policy allowed employees to accumulate up to 45 days of accrued unpaid sick leave. The amount paid approximates 45 days of pay.

II. Disbursements Testing

P&N obtained and reviewed the file of bills paid as maintained onsite and bank statements for the period of November 1, 2010 through October 31, 2011 to identify non-payroll payments to employees and Board members of the District. Two such payments were identified. Each payment was reviewed to determine if each disbursement was supported by an original itemized receipt and documentation of the business purpose. Each disbursement was also traced to the Accounts Payable Register to determine if the disbursement was appropriately recorded. The following was noted during our testing:

One of the two disbursements was not supported by an original itemized receipt and did not include documentation of the business purpose. *Note: "Invoice #1" was indicated per the memo on the check, however, no invoice or supporting documentation was included* The other of the two disbursements was properly supported and documented.

NO.	EMPLOYEE	DATE	AMOUNT	STATUS
1	EMPLOYEE #3	2011-01-12	\$950 00	NOT SUPPORTED
2	EMPLOYEE #3	2011-09-26	\$261 60	PROPERLY SUPPORTED

III. New Meter Installation Testing

The District charges a standard fee of \$500 as an initial fee for "new service" set-up. P&N obtained a listing of all work orders for the District's customers for the period of November 1, 2010 through October 31, 2011 from Baton Rouge Water Company and extracted all new service/meter installation services. These services were reviewed to determine if each customer/developer's new service payment of \$500 and customer application was submitted to the District. To make this determination, P&N traced payments to the District's log of payments, the customer application, and the deposit to the bank. All missing payments and documentation are noted below:

- A. Of the 48 new taps installed during the period of review, 22 new service orders were not included on the log of District payments provided to P&N. *Note: of the 22 service orders noted above, per printout from billing system, the \$500 fee for service was applied to the customer account for 11 service orders. This indicates that although these 11 service orders were not recorded on the District's log of customer payments, the customer did remit payment for the new service fee (indicated with a ' on the table below).*

NO.	METER NO.	DATE	TYPE	STATUS
1	70 70 21 841 0069 00	2010-11-10	Tap	New Service

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2	70 70 21 811 0211 00	2011-01-06	Tap	New Service
3	70 70 21 831 0106 00'	2011-02-28	Tap	New Service
4	70 70 21 822 0104 00'	2011-03-08	Tap	New Service
5	70 70 21 821 0197 00'	2011-04-05	Tap	New Service
6	70 70 21 811 0224 00'	2011-05-03	Tap	New Service
7	70 70 21 811 0225 00	2011-05-16	Tap	New Service
8	70 70 21 841 0071 00	2011-05-18	Tap	New Service
9	70 70 21 841 0072 00	2011-05-18	Tap	New Service
10	70 70 21 821 0198 00'	2011-06-29	Tap	New Service
11	70 70 21 811 0233 00'	2011-07-05	Tap	New Service
12	70 70 21 831 0108 00'	2011-08-02	Tap	New Service
13	70 70 21 811 0239 00'	2011-08-08	Tap	New Service
14	70 70 21 811 0243 00	2011-08-12	Tap	New Service
15	70 70 21 811 0244 00	2011-08-12	Tap	New Service
16	70 70 21 811 0238 00'	2011-08-15	Tap	New Service
17	70 70 21 831 0110 00	2011-08-18	Tap	New Service
18	70 70 21 831 0109 00	2011-08-22	Tap	New Service
19	70 70 21 821 0199 00'	2011-08-23	Tap	New Service
20	70 70 21 811 0247 00	2011-09-06	Tap	New Service
21	70 70 21 831 0111 00'	2011-09-14	Tap	New Service
22	70 70 21 831 0112 00	2011-09-14	Tap	New Service

B. Customer applications were not provided to P&N to support 12 new service orders.

1	70 70 21 841 0069 00	2010-11-10	Tap	New Service
2	70 70 21 811 0211 00	2011-01-06	Tap	New Service
3	70 70 21 831 0106 00	2011-02-28	Tap	New Service
4	70 70 21 822 0104 00	2011-03-08	Tap	New Service
5	70 70 21 821 0197 00	2011-04-05	Tap	New Service
6	70 70 21 811 0224 00	2011-05-03	Tap	New Service
7	70 70 21 841 0071 00	2011-05-18	Tap	New Service
8	70 70 21 841 0072 00	2011-05-18	Tap	New Service
9	70 70 21 821 0198 00	2011-06-29	Tap	New Service
10	70 70 21 811 0233 00	2011-07-05	Tap	New Service
11	70 70 21 831 0108 00	2011-08-02	Tap	New Service
12	70 70 21 811 0238 00	2011-08-15	Tap	New Service

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C. Fee for service for 13 new customer taps could not be traced to the bank deposit

1	70 70 21 841 0069 00	2010-11-10	Tap	New Service
2	70 70 21 811 0211 00	2011-01-06	Tap	New Service
3	70 70 21 822 0104 00	2011-03-08	Tap	New Service
4	70 70 21 811 0224 00	2011-05-03	Tap	New Service
5	70 70 21 841 0071 00	2011-05-18	Tap	New Service
6	70 70 21 841 0072 00	2011-05-18	Tap	New Service
7	70 70 21 821 0198 00	2011-06-29	Tap	New Service
8	70 70 21 831 0110 00	2011-08-18	Tap	New Service
9	70 70 21 831 0109 00	2011-08-22	Tap	New Service
10	70 70 21 811 0246 00	2011-08-23	Tap	New Service
11	70 70 21 831 0111 00	2011-09-14	Tap	New Service
12	70 70 21 831 0112 00	2011-09-14	Tap	New Service
13	70 70 21 831 0113 00	2011-10-25	Tap	New Service

D Review of bank statements identified 5 deposits to the bank account in the amount of \$500 which appeared to be for new service fees, which we were unable to trace to a new customer account. In addition, review of new service work orders identified 24 new taps in the name of a particular company (new customer #5), while a review of bank statement deposits identified 25 new service fees that were received from that company during the fiscal year.

1	NEW CUSTOMER #1	2011-01-13	\$500 00
2	NEW CUSTOMER #2	2011-07-15	\$500 00
3	NEW CUSTOMER #3	2011-09-07	\$500 00
4	NEW CUSTOMER #4	2011-09-20	\$500.00
5	NEW CUSTOMER #5	N/A	\$500.00

Potential Financial Impact of New Meter Installation Testing

The 13 new customer taps which could not be traced to the bank deposit into the District account represent \$6,500 in potential missing funds. However, as indicated in item D above, 5 deposits existed which could not be linked to a new customer in Baton Rouge Water's system. The possibility exists that the 5 deposits which could not be linked with an account were for 5 of the 13 "no-deposit" accounts. This possibility exists because of differences or variances in names between the deposit slips and the system. If these 5 deposits were for 5 of the 13 "no deposit" accounts, then the net missing funds would amount to \$4,000.

IV. Meter Re-Reads

P&N obtained a listing of all meter re-reads performed by Baton Rouge Water Company on behalf of customers in the District during the period of November 1, 2010 through October 31, 2011. For meter re-reads that identified repairs were required to be paid by the customer, P&N selected a sample of 10 and placed a phone call to the customer and inquired of services performed, if repairs

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were made, and if so, the name of the vendor that performed the repair. The listing of vendors identified was compared with a listing of District employees and any known related parties. The following was noted during our testing:

- A. Of the 10 customers selected for testing, P&N was unable to contact 6 customers. *Note: 2 attempts were made to contact each customer.*
- B. For the 4 customers contacted by P&N results of the inquiries are noted below.

1	70 70 21 821 0175 06	2011-09-17	Leak repaired	Unsure of vendor. Spoke with tenant; landlord acquired the services.	Unknown
2	70 70 21 831 0100 02	2011-07-20	Line leak has not been fixed	N/A	N/A
3	70 70 21 831 1205 01	2011-09-12	District came out to inspect the leak.	Roto Rooter	No
4	70 70 21 841 0610 07	2011-08-10	Leak repaired	"Town fixed the leak." Per conversation, it was a problem with a part attached to the water meter	N/A

It should be noted that the customer made reference to the "town". The City of St Gabriel does not provide water services. The customer appeared to be of the belief that the repair person was a government employee.

V. Homebuilder/Developer Interview

P&N interviewed one of the homebuilders/developers that appeared on the District's log of new service set-ups during the period of November 1, 2010 and October 31, 2011 and inquired as to the fees paid to the District and identification of the vendor and/or individuals that generally performed the work for service set ups and maintenance services. The vendors that they identified were compiled and compared to the list of employees of the District and related parties.

The interview revealed:

- The homebuilder/developer would complete the application and submit its \$500 to the District office in accordance with established procedure
- The homebuilder/developer experienced delays between the time it submitted its application and the delivery of the new set up service.
- The homebuilder/developer was told by a District employee, Employee #3, that he was to perform the work for new service set-ups and to make payments to him for performing the work instead of the District office.

VI. Customer Billing Adjustments

IBERVILLE PARISH GOVERNMENT
WATERWORKS DISTRICT NO. 2 AGREED-UPON PROCEDURES

P&N obtained a listing of all customer billing adjustments for the District from December 2010 through March of 2012 and reviewed the adjustments to determine the user ID of person initiating adjustment and the reason for adjustment. A sample of 10 adjustments initiated by Employee #5's user ID was selected and reviewed to determine if adjustments were supported by documentation, approved by the board, or were otherwise made in accordance with the District's policy. A procedure which includes documenting the reasons for adjustments, obtaining proper approval, and adhering to a consistent policy regarding the reasons for adjustments is considered best practice.

Our procedures revealed the following:

- A. No policy was provided by the District specific to customer billing adjustments.
- B. The person initiating the adjustments (entering them into the system) was the same person who collected the payments from customers.
- C. Documentation and approval for 9 customer billing adjustments selected for testing could not be located in the District's files.

1	70 70 21 821 0177 01	2011-01-14	CRUL	Credit underground leak	(\$183 32)
2	70 70 21 842 1190 01	2011-02-14	CRUL	Credit underground leak	(\$193 86)
3	70 70 21 842 0395 07	2011-03-10	COBD	Charge off bad debt	(\$559 42)
4	70 70 21 842 1030 03	2011-03-10	COBD	Charge off bad debt	(\$411 39)
5	70 70 21 842 0395 10	2011-03-10	COBD	Charge off bad debt	(\$263.94)
6	70 70 21 811 1580 01	2011-05-12	CRUL	Credit underground leak	(\$394.59)
7	70 70 21 811 1580 01	2011-05-12	APEN	Adjust penalty amount	(\$78 93)
8	70 70 21 842 0860 01	2011-08-08	CRUL	Credit underground leak	(\$429 06)
9	70 70 21 842 0860 01	2011-08-08	APEN	Adjust penalty amount	(\$72 19)

- D. Documentation was provided in support of 1 customer billing adjustment; however the adjustment amount per the documentation did not support the actual adjustment amount. Board approval for this adjustment could not be located in the District's files.

1	70 70 21 821 1866 10	2011-11-08	CRUL	Credit underground leak	(\$395 31)	(\$436 06)
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VII. Other Observations

The following additional observations were noted during our procedures:

- A. P&N selected all board meeting minutes provided for the period of November 1, 2010 through October 31, 2011 and reviewed to determine if any board members were absent from board meetings. For any member absences, corresponding payments to board members were reviewed to determine if there were corresponding pay deductions for missed meetings.
 - i. Review of meeting minutes identified 1 – 3 board members were absent from each meeting, as documented in the table below. In 9 of 11 instances in which members were absent from board meetings, the member received full pay for the pay period.

**IBERVILLE PARISH GOVERNMENT
 WATERWORKS DISTRICT NO. 2 AGREED-UPON PROCEDURES**

In the remaining 2 instances, no check stub was provided for the board member for the corresponding pay period; therefore, we were unable to determine if full pay was made (indicated with a ¹ in the table below). *Note No Board policy was provided; therefore, unable to determine if Board members were to be paid for serving on the board or if Board members were to be paid based on Board meetings attended.*

1	4/13/2011	BOARD MEMBER #1	APRIL 1 – APRIL 30, 2011	\$60 00
		BOARD MEMBER #2		\$60 00
2	4/27/2011	BOARD MEMBER #1	APRIL 1 – APRIL 30, 2011	\$60.00
		BOARD MEMBER #3		\$60.00
3	6/8/2011	BOARD MEMBER #4 ¹	MAY 16 – JUNE 15, 2011	NO CHECK STUB PROVIDED
		BOARD MEMBER #5 ¹		NO CHECK STUB PROVIDED
		BOARD MEMBER #6		\$60 00
4	7/13/2011	BOARD MEMBER #1	JUNE 16 – JULY 15, 2011	\$60 00
		BOARD MEMBER #7		\$60 00
		BOARD MEMBER #5		\$60.00
5	10/19/2011	BOARD MEMBER #3	OCTOBER 16 – NOVEMBER 15, 2011	\$60 00
TOTAL PAID YET MEETINGS NOT ATTENDED				\$540.00

- ii. Per our observations and discussions with District employees, it was noted that in some instances the \$500 fee for new meter installation was not always posted to the customer account correctly, sometimes resulting in a prepaid on the customer account.

LISTING OF PROCEDURES

Financial Management

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements within three weeks of month-end, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc.) of the entity, during 2011
2. If management was deficit spending during 2011, 2010 and 2009 determine if there is a written plan to eliminate the deficit spending.
3. Determine if there are written policies and procedures for the following financial/business functions of the entity:
 - Budgeting, including preparing, adopting, monitoring, and amending the budget
 - Purchasing, including (1) how purchases are initiated, (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders, (4) checks and balances to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - Disbursements, including processing, reviewing, and approving
 - Receipts, including receiving, recording, and preparing deposits

Credit Cards

1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

[Note: There are three types of credit cards: (1) general (e.g., VISA, MasterCard, etc), (2) store (e.g., Wal Mart, Office Depot, Sam's Club, etc); and (3) gasoline (e.g., Fuelman, Exxon, etc)].
2. Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:
 - How cards are to be controlled
 - Allowable business uses
 - Documentation requirements
 - Required approvers
 - Monitoring card usage

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card (Note For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges):

A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements

- Determine if each purchase is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)
- Determine if each purchase is:
 - In accordance with thresholds or guidelines established in the policies and procedures
 - Documented as to the appropriate and necessary business purpose relative to the entity
- Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement
- Determine if any purchases were non-compliant with the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).

B. Compare charges on the credit card statement to expense reimbursement reports for the same month and one month after and note any and all duplicate payments

C. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases.

D. Determine if finance charges and/or late fees were assessed on the monthly statements.

Travel and Expense Reimbursement

- 1 Obtain and review the entity's written policies and procedures for travel and expense reimbursement and determine if the following is addressed:
 - Allowable expenses
 - Dollar thresholds by category of expense
 - Documentation requirements
 - Required approvers

2. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money:
 - A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to review in detail (Note: If there are only three or less expense reports, review all (100%) of them.):
 - Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.)

 - In accordance with thresholds or guidelines established in the policies and procedures

 - Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
[Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt]

 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)

Exhibit A

- Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)
 - Identify any expenditures that were for extended hotel stays before or after training class, meals for spouses or other non-district employees or representatives, or entertainment.
 - Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
- B Determine if there was any duplication of expenses by comparing the expense reports to credit card statements for the current and previous month.**

Contracts

1. Obtain and review the entity's written policies and procedures for contracts/contracting, including leasing, and determine if the following is addressed:
 - Types of services requiring written contracts
 - Standard terms and conditions
 - Legal review
 - Approval process
 - Monitoring process
2. Determine if the entity's written policies and procedures contain provisions for centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts
3. Obtain and review the accounting records (e.g., general ledgers, accounts payable vendor history reports, invoices, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and for each:
 - Determine if there is a formal/written contract that supports the services arrangement and the total amount paid
 - Determine the business legitimacy of the vendor if not known by the auditor (e.g., look-up the vendor on the LA Secretary of State's website)

4. From the same accounting records used in procedure number 3 above, select for detailed review, the largest (dollar amount) vendor paid in 2011 whose services were provided under contract in each of the following categories that was entered into during the period.

(1) Services

(2) Materials and supplies

(3) Public works

- A. Obtain the selected contracts and the related paid invoices and.

Look for evidence of related party transactions. To do this, a list of all family members of the District and businesses owned will be provided to the accountants. Findings or related parties will be limited to those parties listed

- Determine if the transaction is subject to the Louisiana Public Bid Law:
 - If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)
- Determine if the contract was awarded under the *request for proposals* (RFP) method. If done so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*.
- Determine if the procurement was made "off" state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If done so, determine if the board formally adopted the use of the Louisiana Procurement Code (R.S. 39:1551-1755), the set of laws that govern most state agencies' purchases of certain services, materials and supplies, and major repairs
- Determine if the procurement related to homeland security and was made from federal General Services Administration (GSA) supply schedules. If done so, determine if the entity (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA; and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee.

Exhibit A

- Determine if the entity “piggybacked” onto another agency’s contract. If done so, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by the entity was the same as that contract’s bid price

- Determine if the contract was amended. If done so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

- Select one invoice paid to the vendor for the selected contract and determine if the invoices received and payments made during the period complied with the terms and conditions of the contract.

- Determine if there is written evidence that the entity’s legal advisor reviewed the contract and advised entering into the contract.

- Determine if there is documentation of board approval, if required.

Payroll and Personnel

1. Obtain and review the entity’s written policies and procedures for payroll and personnel and determine if they address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked.

2. Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract.

3. Select the attendance and leave records for one pay period and
 - Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Exhibit A

- Determine if supervisors are approving, in writing, the attendance and leave of all employees.

 - Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.
4. Select the four highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

 5. Select the five largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by documentation, made in strict accordance with policy and/or contract, and properly approved.

 6. Determine if any employees were also being paid as contract labor during the period of the examination.

J MITCHELL OURSO, JR
PARISH PRESIDENT
MATTHEW H JEWELL
CHAIRMAN
WARREN TAYLOR
VICE CHAIRMAN
EDWARD A SONGY, JR
CHIEF ADMINISTRATIVE OFFICER
KIRSHAD BARKER
COUNCIL CLERK
RANDALL W DUNN, CPA
DIRECTOR OF FINANCE

Iberville Parish Council

P.O. Box 389
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DISTRICT 13

July 30, 2012

Ms. Joy Irwin, CPA, MBA
Assistant Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Re: Iberville Water District #2
Corrective Action Plan

Dear Ms. Irwin,

This letter is in response to your attempted correspondence with Mr. Steve Fox, former manager of the Iberville Water District #2 (IWD#2). Mr. Fox was relieved of his duties by the IWD#2 Board on March 7, 2012 along with all other employees. On that same date, the board voted to contract with the Iberville Parish Utility Department to assume the day-to-day management of the District. We believe it is the duty of the Iberville Parish Administration to respond to your request since our Utility Department is now managing IWD#2.

We have contracted with Postlewaite and Nettekville, and independent accounting firm, to perform an agreed upon procedures engagement related to the internal controls of IWD#2. Your office has approved those procedures and a report is forthcoming by the end of this week. The draft report by Postlewaite and Nettekville was presented to the Iberville Parish Council during its regularly scheduled meeting on July 24, 2012 and the IWD#2 Board of Commissioners on July 25, 2012. The corroborating results of the independent audit report and the report on agreed upon procedures has led us to provide you with the following corrective measure:

Iberville Parish Council Administration will recommend the abolishment of Iberville Water District #2 at our next regularly scheduled meeting on August 21, 2012. We are in the process of working with financial advisors and bond counsel to propose a plan on the retirement of the district's outstanding debt.

58050 MERIAM ST • PLAQUEMINE, LA 70765 • PHONE (225) 687-5190 • FAX (225) 687-5250

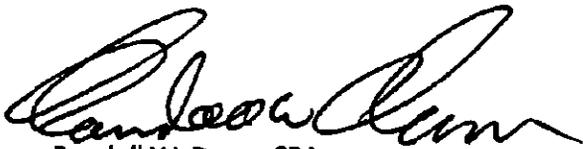
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Once abolishment is complete and the district's assets are transferred to the Utility Department, the water distribution will be subject to the policies and procedures already adopted by the Utility Department effectively *correcting* all reportable conditions

This Administration understands the severity of the financial condition of the district. We intend on taking an aggressive approach to implementing our corrective action. Should you have any questions, please feel free to contact me at (225) 687-5186.

Sincerely,

A handwritten signature in black ink, appearing to read "Randall W. Dunn". The signature is fluid and cursive, with a large initial "R" and "D".

Randall W. Dunn, CPA

Director of Finance

Iberville Parish Council