

RED RIVER LEVEE AND DRAINAGE DISTRICT  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 7, 2016

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
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BATON ROUGE, LOUISIANA 70804-9397**

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DARYL G. PURPERA, CPA, CFE

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**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Red River Levee and Drainage District

September 2016

Audit Control # 80160117

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### Introduction

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

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

### Results of Our Procedures

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

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### Follow-up on Prior-year Findings

We reviewed the status of the three prior-year findings reported in the agreed-upon procedures report dated April 1, 2016, related to the lack of written policies and procedures for the primary financial/business functions of the District, the lack of odometer readings or website mileage calculator to support mileage reimbursements, and the lack evidence of management's review of expense reports. We determined that management has resolved the prior-year findings related to mileage reimbursements and expense reports; however, the lack of written policies and procedures finding has not been resolved and is repeated in this report.

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## **Current-year Findings**

### **Lack of Written Policies and Procedures**

The District does not have written policies and procedures for its primary financial and business functions to include those for cash reconciliation, budgeting, revenues and receipts, purchasing, disbursements, payroll and personnel, contracting, travel, related parties, and ethics. Good internal controls require written policies and procedures to be in place and communicated to all employees to guide staff in their job duties.

The District should develop written policies and procedures for business functions to ensure consistency in executing its processes. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

### **Inadequate Controls over Contract Agreements**

The District does not have adequate controls over contract agreements to ensure that all agreements are in writing and properly signed, and all relevant terms are included. Our procedures disclosed the following:

- The District uses office space and pays rent without a written agreement with the building owner detailing relevant terms, such as monthly payment amount, effective dates, and the responsibilities and liabilities of the District and building owner. A verbal agreement exists between the District and the owner of the building.
- The District's written contract agreement with an outside accounting firm for accounting and consulting services does not stipulate a rate per hour or maximum annual payment amount. The contract is renewed annually, automatically, without these terms included.

Failure to formalize a contract or agreement to include all provisions increases the risk of misunderstandings and/or nonperformance of needed services without any protection for the District, including remedies for default. Good internal controls require that all contract agreements be written and signed with all relevant terms clearly defined.

The District should design and implement written procedures for processing contract agreements to ensure that all agreements are in writing and signed by appropriate persons, and all relevant terms are included. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

### **Unauthorized Increase in Commissioners' Per Diem Rate**

The District's board president increased the per diem rate of the commissioners without following state law. In March 2016, the per diem rate was increased from \$75 to \$105 and paid

to each of the three commissioners for attending monthly meetings and levee site visits. As a result, unauthorized payments, totaling \$658 were made to the commissioners.

R.S. 38:308 requires a two-week notice to the public of the board's intent to increase the per diem rate and a vote of two-thirds of the total membership of the board. The board president was not aware of this provision of state law.

Management should follow state law when attempting to increase the per diem rate and recoup the overpayments made to the commissioners. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

### **Required Ethics Training not Completed**

The District's part-time employee and three board commissioners did not complete the annual requirement of one hour of ethics education and training required by R.S. 42:1170 (3)(a)(i). The statute requires that all public servants receive a minimum of one hour of education and training on the Code of Governmental Ethics during each year of public employment or term of office.

Management should ensure that all employees and commissioners complete the required ethics training annually. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

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## **Other Results of Our Procedures**

### **Cash**

The District maintains an operating account which is used for general operations and a tax account for tax payments to the Internal Revenue Service. The board president and a part-time employee participate in cash collection and disbursement activities. Accounting services are contracted out to a third-party CPA firm for the bank reconciliation activities. Cash balances totaled \$2,738,481 at May 31, 2016. We performed procedures to reconcile cash transactions to the District's check register (general ledger) and bank statements, and evaluated the segregation of duties between District staff. We confirmed that bank reconciliations are performed annually by contracted CPA firm, and monthly bank statements are reviewed timely by the board president and commissioners. Based on the results of our procedures, no exceptions were identified.

### **Permit Fees**

Approximately \$200, or less than 1%, of the District's revenue collections is permit renewal fees. The District only issued one permit renewal during the fiscal year. We traced this permit to supporting documentation to ensure the appropriate fees were collected in accordance with the fee established by the District. Based on the results of our procedures, no exceptions were identified.

### **Tax Revenues**

Tax revenues are approximately 98% of the District's total revenues. These revenues are based on a millage rate allocated from property value taxes assessed by the Red River and DeSoto parishes. The minimum and maximum authorized millage rates are established by state rules and regulations. State law (R.S. 47:1705) requires that millage rates be adopted by an ordinance or resolution each year. The District's millage rate is currently below the maximum authorized rate and has been unchanged for 12 years. We confirmed the tax amounts received from the two appropriate parish sheriff's offices (Red River and DeSoto) and compared those amounts to the taxes deposited per the bank statement. Based on the results of our procedures, no exceptions were identified.

### **Travel Expenditures**

Travel expenditures consist of mileage reimbursement payments to commissioners for District business operations. There were 12 mileage reimbursement payments totaling \$962 for the 2016 fiscal year as of May 31, 2016. We traced 100% of these payments to supporting documentation and evaluated compliance with laws and regulations. We also noted per diem payments to commissioners totaling \$3,225 were made in conjunction with each mileage reimbursement. Based on the results of our procedures, we found exceptions with six per diem payments to three commissioners (see Current-year Findings section).

### **Contracts**

The District had one written contract in effect for the fiscal year ended June 30, 2016, for accounting and consulting services. Payments on the contract for the period July 1, 2015, through May 31, 2016, totaled \$2,899. We traced these payments to supporting documents and evaluated compliance with laws and regulations. Based on the results of our procedures, we found that the contract does not stipulate a total amount or a rate per hour for the services (see Current-year Findings section).

### **Other Nonpayroll Expenditures**

We reviewed the check disbursement transactions for the period July 1, 2015, through May 31, 2016; selected transactions for bush hogging, office rent, and storage unit rental; and examined supporting documents for each transaction. Based on the results of our procedures, we found that the District rents office space without a written agreement (see Current-year Findings section).

### **Payroll and Personnel**

Approximately 13% of the District's expenditures are for payroll expenditures. Besides the three commissioners, the District employs one part-time employee whose hourly pay is approved in the District's annual budget. We traced this employee's wages to the 2016 budget and examined support for the employee's attendance. Based on the results of our procedures, no exceptions were identified.

### **Ethics**

We reviewed documentation to determine if the employee and commissioners completed the annual one hour of ethics education and training required by state law and the District took appropriate action on any ethic violations reported to the District. We determined the employee and three board commissioners did not complete the training (see Current-year Findings section). We also determined there were no ethics violations reported to the District during fiscal year 2016.

### **Budget**

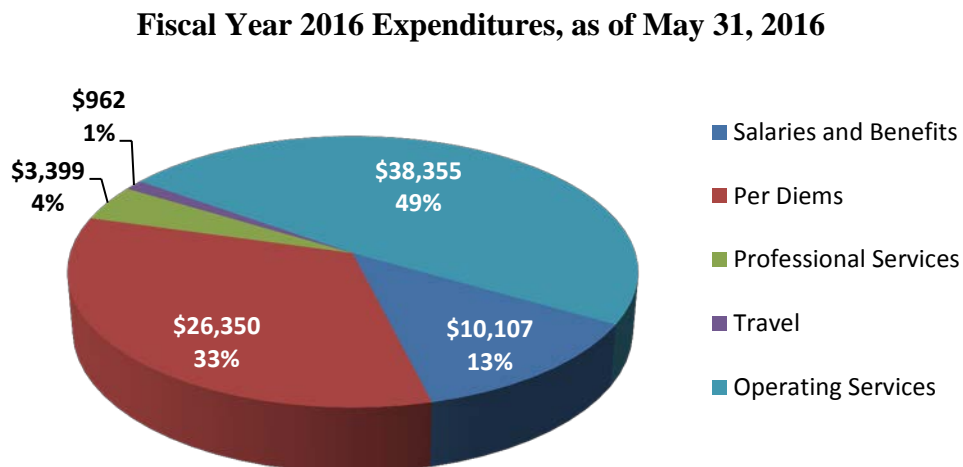
The District annually adopts a budget by majority vote of its board of commissioners. We confirmed the adoption of the District's budget and evaluated variances between budgeted amounts and actual revenues and expenditures for reasonableness. Based on the results of our procedures, no exceptions were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

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## **Comparison of Activity between Years**

We compared the most current and prior-year financial activity using the District's general ledger information to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

Revenues for fiscal year 2016 as of May 31, 2016, totaled \$691,899, of which \$681,025 (98%) were from tax revenues. The following chart shows the District's fiscal year 2016 expenditures (cash basis) as of May 31, 2016.



Source: District's General Ledger

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first name being the most prominent.

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

PGH:BAC:BH:EFS:aa

RRLDD 2016



## **APPENDIX A: MANAGEMENT'S RESPONSES**



# RED RIVER LEVEE & DRAINAGE DISTRICT

PO BOX 433 COUSHATTA, LA 71019

WILLIAM WALTMAN, PRESIDENT

August 9, 2016

David G. Purpera, CPA, CFE

Legislative Auditor

P. O. Box 94397

Baton Rouge, LA 70804-9397

RE: Lack of Written Policies and Procedures

Dear Mr. Purpera:

The Red River Levee and Drainage District concurs with the referenced findings.

The Board of Commissioners has developed a written policy and procedures plan to ensure consistency to execute the primary financial and business functions. It will cover financial and business procedures, cash receipts and disbursements, ethics, fixed assets, accounts payable and payroll, financial statements, budgeting and ethics training.

In the future this plan will be followed. Mr. William Waltman, the Board President is responsible for corrective action.

Sincerely,



William Waltman

President

Red River Levee & Drainage District

# RED RIVER LEVEE & DRAINAGE DISTRICT

PO BOX 433 COUSHATTA, LA 71019

WILLIAM WALTMAN, PRESIDENT

August 9, 2016

David G. Purpera, CPA, CFE

Legislative Auditor

P> O> Box 94397

Baton Rouge, LA 70804-9397

RE: Inadequate Controls Over Contract Agreements

Dear Mr. Purpera:

The Red River Levee and Drainage District concurs with the referenced findings.


The Board has a verbal agreement for rent of office space.

The Red River Parish Police Jury Administrator, has advised the Board President that if the need arises the Police Jury will provide office space for the Board.

The Board has a written contract with an outside accounting firm and consulting service. This contract does not have a rate per hour or maximum accrual payment amount.

The Board President will discuss with the firm prior to the expiration of this contract the need for terms to be included. William Waltman, the Board President is responsible for corrective action.

Sincerely,



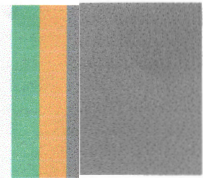
William Waltman

President

Red River Levee & Drainage District

Red River Levee and Drainage District

P. O. Box 433  
Coushatta, LA 71019



July 25, 2016

David G. Purpera, CPA, CFE  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Unauthorized Increase in Commissioners  
Per Diem

Dear Mr. Purpera,

The Red River Levee and Drainage District concurs with the referenced findings.

The unauthorized payments totaling \$658 made to commissioners have been refunded. The \$105 per diem paid to commissioners was an allowable amount if Louisiana Revised Statute 38:308 had been followed. Louisiana Revised Statute 38:308 has now been followed. A two week public notice of the Board's intent to increase the per diem rate from \$75 to \$105 has been made in the local newspaper, The Coushatta Citizen, and the Board has voted with a 100% vote of the total membership of the Board to increase the per diem from \$75 to \$105.

In the future management will follow state law. William Waltman, the Board President is responsible for corrective action.

Sincerely,

William Waltman  
President  
Red River Levee and Drainage District



# RED RIVER LEVEE & DRAINAGE DISTRICT

PO BOX 433 COUSHATTA, LA 71019

WILLIAM WALTMAN, PRESIDENT

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August 9, 2016

David G. Purpera, CPA, CFE

Legislative Auditor

P. O. Box 94397

Baton Rouge, LA 70804-9397

RE: Required Ethics Training Not Completed

Dear Mr. Purpera:

The Red River Levee and Drainage District concurs with the referenced findings.

All Board Commissioners and part time employees have now completed the annual requirement of one hour of ethics education and training required by Louisiana Revised Statue 42:1170 (3)(a)(i).

In the future this annual requirement will be met. William Waltman, the Board President is responsible for corrective action.

Sincerely,



William Waltman

President

Red River Levee & Drainage District

## APPENDIX B: SCOPE AND METHODOLOGY

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

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

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