



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

April 21, 2014

## CITY OF BOGALUSA

The city of Bogalusa must devise a “detailed action plan” to address its fiscal problems and submit it to Legislative Auditor Daryl Purpera’s office by May 16, according to a letter made public Monday by the state auditor’s office.

“This letter summarizes the results of our assessment which indicated that there are significant concerns about fiscal operations of the city,” Purpera wrote to Bogalusa Mayor Charles Mizell. “Because of the severity of the issues” the action plan must be submitted by May 16.

The letter pointed out seven areas that must be addressed, including a \$12.7 million-plus unfunded actuarial accrued liability in the City of Bogalusa Employees’ Retirement System. Funding levels for the system have dropped from 57 percent in 2003 to 36 percent in 2012.

Actuarial consultants told city officials that the financial condition of the retirement system “will continue to deteriorate if the recommended annual contributions are not timely made. . . . If the recommended contributions are not made, the retirement system will eventually become insolvent.”

The letter recommended the mayor and the Bogalusa City Council work together to develop a comprehensive plan to address the system’s problems, including looking at options to provide adequate funding and pension plan reform.

City officials must also address a \$1.1 million negative fund balance in the general fund because the shortage is causing “operating cash shortages and fiscal stress.”

The letter said city officials do not have “an up-to-date plan to eliminate the deficit and begin operating on a fiscally sound basis.” The state auditor recommended that Mayor Mizell and the council update the city’s “cost savings and revenue enhancement plan” adopted in 2008 and “focus on the elimination of this significant deficit in fund balance” by cutting expenses, raising revenues, or both.

Purpera said Bogalusa officials should review all expenditures and focus “on the economic sustainability of continuing to pay existing salaries and benefits.” The letter said that approximately 75 percent of the city’s general fund goes to pay salaries and fringe benefits – including 100 percent city-paid health premiums for all full-time employees. The city budgeted \$7.4 million for pay and benefits in 2013.



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The letter said the city should review its organizational structure for possible savings and “conduct a comprehensive salary and fringe benefits review.”

Bogalusa officials should also:

- Develop and implement back-up procedures in the event its main computer system fails. In May of 2013, the letter said, the city sustained a computer system failure which city officials were not able to get fully operational for accounting functions the rest of 2013.
- Strengthen controls over the use of credit cards. The letter said some employees are not turning in itemized receipts or documenting the business purpose of purchases made on city credit cards.
- Work to repay \$610,000 of the \$811,000 the city general fund improperly borrowed in 2006 and 2007 from the debt service fund and the street overlay fund.
- Ensure sufficient cash is transferred into bond reserve accounts to eliminate deficits. The letter said a total shortage of almost \$466,000 exists in reserve accounts.

**For more information, contact:**

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**On Twitter:** Bogalusa told to address fiscal issues by mid-May.