

CITY OF JEANERETTE



INVESTIGATIVE AUDIT
ISSUED MAY 17, 2017

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 17, 2017

**THE HONORABLE APRILL FOULCARD, MAYOR
AND MEMBERS OF THE BOARD OF ALDERMEN
CITY OF JEANERETTE**

Jeanerette, Louisiana

We have audited certain transactions of the City of Jeanerette. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the validity of complaints we received.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our findings and recommendations, as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 16th Judicial District of Louisiana and others, as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

CITYOFJEANERETTE

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BACKGROUND AND METHODOLOGY

The City of Jeanerette (City) is located in Iberia Parish and has a population of 5,530 residents (2010 Census). The City was incorporated under a special charter in 1878 and has a mayor-board of aldermen form of government that consists of four elected aldermen representing various wards within the City, one alderman elected at-large, and an elected mayor. The City provides public works, public safety, and general administrative services. The City's public works department operates a water system, oversees sanitation collection, and maintains City streets.

We received information regarding a possible misappropriation of City assets and initiated an audit to determine the validity of those complaints. The procedures performed during this audit included:

- (1) interviewing City employees and other persons, as appropriate;
- (2) examining selected City documents and records;
- (3) gathering and examining external parties' documents and records; and
- (4) reviewing applicable state laws and regulations.

FINDINGS AND RECOMMENDATIONS

Improper Management of the Water System

The City of Jeanerette (City) did not manage its water system (referred to herein as the utility system) properly, which contributed to the City's financial information being incomplete, inaccurate, and unreliable. Our audit identified multiple weaknesses in the City's utility system, including (1) inadequate oversight over water meter readings, (2) improper management of customer accounts, (3) failure to reconcile customer meter deposits, and (4) failure to monitor the utility system's financial stability.

The City's available audited financial statements from fiscal years ending June 30, 2012 to June 30, 2014, show the City's utility system incurred substantial losses. The City does not have audited financial statements for fiscal years ending June 30, 2015 and June 30, 2016. The following table summarizes the utility system's reported operating losses for the five-year period:

Fiscal Year Ended	Operating Loss ^A
June 30, 2012	(\$373,515)
June 30, 2013	(\$410,051)
June 30, 2014	(\$215,321)
June 30, 2015	Unavailable ^B
June 30, 2016	Unavailable ^B

Additionally, the City does not reconcile its utility fund bank account properly. Without audited financial statements and reconciled bank accounts, we are unable to determine the utility system's current financial position. However, our audit identified the following weaknesses:

Inadequate Oversight over Meter Readings

Mayor Aprill Foulcard stated that she initiated a City-wide study of water meters in May 2016, because City records indicated the City produced nearly twice as much drinking water as it billed to customers. Mayor Foulcard stated that an outside consultant later determined that City employees were miscalculating water production, and the City was not producing as much drinking water as the records indicated. Even though Mayor Foulcard did not initiate this study until May 2016, City records as far back as July 2014 indicate that the City was producing nearly twice the water it billed to customers.

^A From Statement of Revenues, Expenses, and Changes in Fund Net Assets

^B Pursuant to Louisiana Revised Statute 24:513(A)(5)(a)(i), the City is required to complete its financial statement audit within six months of the close of its fiscal year. The City failed to complete its financial statement audits within the required time limit for fiscal years ended June 30, 2015 and June 30, 2016.

As part of the City-wide study of water meters, Mayor Foulcard sent six employees to read all water meters in the City to properly identify all inactive customers and broken water meters. According to City records and Utility Billing Clerk Ianthia Joseph, those readings were input to the utility system and at least 193 customers' water bills increased drastically (in some cases more than 11,000%) from the previous month's billings. This increase indicates that the customers either had (1) abnormally large consumption since the last meter reading one month prior, (2) water usage was underreported in prior months, (3) one or more recent customer meter readings were inaccurate, or (4) the customer has an unreliable water meter.

According to former City Meter Reader Charles Edwards, he read water meters for approximately nine years until he retired on July 22, 2016. Mr. Edwards was primarily responsible for reading customer water meters, reporting customer water usage to Ms. Joseph, and cutting off customer utilities for nonpayment. Approximately once a month, Mr. Edwards and a part-time City employee traveled around the City to read and record each water customer's meter reading. According to Mr. Edwards, they manually recorded the readings, and he (Mr. Edwards) input the readings into a handheld device for Ms. Joseph to import into the City's utility system. Ms. Joseph generated reports from the utility system, reviewed the reports for inconsistencies, and generated the City's utility bills.

Since water meters report usage at a given date, we were unable to determine if and when water usage was underreported for the customers that received high water bills. We reviewed City records and interviewed former and current City employees and noted the following:

- **Intentional underreported water usage.** Former City meter reader Charles Edwards stated that he "helped out" two or three customers he believed had water leaks or broken meters by recording less water usage on the meter reading sheets than what the meter indicated. Mr. Edwards also said that he did not remember the names of the customers that he underreported; therefore, we were unable to determine the amount of water usage that Mr. Edwards did not properly report. Mr. Edwards indicated that he did not receive any personal gain from underreporting the usage for these customers. By recording false meter readings on the meter reading sheets, Mr. Edwards may have violated state law.¹
- **Inadequate oversight over meter readings.** Mr. Edwards and his part-time assistant were primarily responsible for reading customer water meters. Mr. Edwards stated that he was supposed to review the work of his part-time assistant; however, he did not do so and takes full responsibility for any errors that may have been made.
- **Faulty equipment.** City records indicate that from August 1, 2016 to September 30, 2016, the City reduced 63 customer accounts by a total of \$101,706 because the customers' water meters were determined to be unreliable. According to the City's policies on meter failure, customers with faulty meters are billed based on their average consumption for the last three billing months prior to the meter failing. According to Mayor Foulcard, she does not know how the City determined the date of meter failure since the practice was in place prior to her

administration. Since the City appears to be utilizing faulty equipment, it is impossible to determine what loss, if any, the City actually incurred when the meters failed. Mayor Foulcard stated that the City is working to replace the faulty water meters.

Improper Management of Customer Accounts

Mayor Foulcard indicated that the City spoke with customers and studied customer accounts with high bills to determine the appropriate course of action. The City has either attempted to collect the high bills or reduced the amount the customer owes based on whether or not the customer had a reliable water meter and the date the customer occupied the residence. We reviewed City records and interviewed former employees to determine if the City's response and its management of customer debt was appropriate. As a result, we noted the following:

- **Unapproved customer billing adjustments.** The City's policies on account adjustments state that, "all accounts receivables credits issued, account adjustment, and similar transactions will be approved, in writing, on proper pre-numbered forms by the City Clerk or Accountant/Treasurer prior to said credit being issued against the consumer's account." City records indicate that Ms. Joseph recorded 183 adjustments to customer accounts from August 1, 2016 to September 30, 2016, but did not obtain written approval prior to recording these adjustments. Mayor Foulcard stated that, although she did not sign off on the customer adjustments, she was aware that Ms. Joseph made the adjustments.
- **Conflicting records for customers with high bills.** Ms. Joseph said if the customer was the only individual to reside at the location since the water meter was installed, the City determined that the customer is responsible for the entire bill he/she received. The reports Ms. Joseph prepared show 72 customers owe approximately \$64,234 for the abnormally high usage. According to Mayor Foulcard, some customers agreed to the high water bill and signed an agreement to make scheduled payments. Ms. Joseph is primarily responsible for monitoring customers with high bills and payment arrangements. Although Ms. Joseph's records indicate that 40 customers have entered into a payment arrangement, the City could only produce 34 signed payment agreements. Additionally, we found that some of the past-due balances contained in the payment agreements did not agree with the past-due balances in Ms. Joseph's reports. For example, one customer's payment agreement indicates that the customer's past-due balance is \$126; however, a report prepared by Ms. Joseph indicates this customer's past-due balance is \$611. These conflicting records may result in uncollected balances due to the City.
- **Inconsistent treatment of customer debt.** The vast majority (71%) of the payment agreements we found required that customers pay their current monthly bill, plus \$25 per month on their past-due balance. The remainder of these payment agreements required monthly payments ranging from as little as \$10 per month to as much as \$150 per month. Additionally, City records and statements

from City employees indicate that the City did not hold some customers accountable for the entire bill they received because multiple individuals lived at the residence since the meter was installed. For example, a customer began service at her current residence on January 6, 2015. From January 2015 to June 2016, this customer received an average bill of \$38. On August 4, 2016, the City billed this customer \$815 based on the reported usage for July 2016; however, the customer's balance was reduced by \$768 on August 23, 2016. City policies do not address the conditions for which an account can be reduced. Records indicate that Ms. Joseph reduced this balance because the residence had a prior occupant. Mayor Foulcard said that since more than one customer occupied the residence since the water meter was installed and there is no beginning meter reading from when the customer moved in to the residence, the City was unable to identify which customer was responsible for the high usage. City records indicate that from August 1, 2016 to September 30, 2016, the City permanently reduced 58 customer accounts by a total of \$32,703 for having prior occupants at the location. This amount represents a loss of utility revenue as the City will not collect these balances.

- **Inadequate oversight over all past due accounts.** The City does not have adequate procedures regarding unpaid utility accounts. As of March 22, 2017, active utility customer balances greater than 60 days totaled \$88,250, and inactive utility customer balances greater than 60 days totaled \$100,587.^C According to Ms. Joseph, she prints a report each month showing past-due balances for all active customer accounts. Ms. Joseph stated that she does not print this report for inactive customer accounts. According to Mayor Foulcard, no collection efforts have been made for inactive customer accounts.

Failure to Reconcile Customer Meter Deposits

Before a customer can receive utility services, he/she must pay a customer meter deposit with the City. The City keeps these account deposits in a separate bank account. Ms. Joseph stated that meter deposits are recorded on an index card filed at City Hall and in the City's utility system. The following table illustrates the discrepancies we found in City records regarding customer meter deposits as of July 31, 2016:

Customer Meter Deposit	Balance at July 31, 2016
Per Bank Account	\$65,734
Per General Ledger	\$89,591
Per Utility Billing System	\$119,914

The City could not provide documentation indicating which customer meter deposits the City actually has in its meter deposit bank account. By not keeping an accurate and complete record of all meter deposits, the City cannot reconcile its meter deposit bank account to the

^C The City billed its customers an average of \$103,879 each month from December 2016 to February 2017. Therefore, the unpaid balance in inactive accounts is approximately one month of the City's water bills to all residents.

customer meter deposits on record. According to Ms. Joseph, there are no periodic reconciliations of the customer meter deposit bank account to the customer account records. Since the City did not maintain and reconcile an accurate record of meter deposits, the City cannot determine if it has sufficient funds to refund customer meter deposits.

Failure to Monitor the Utility System's Financial Stability

The City's utility system may not be generating enough revenue to meet its obligations. City records and statements from Mayor Foulcard indicate that the utility system did not generate enough revenue for the City to pay its residential solid waste (garbage) contractor. Records and statements from City employees further indicate that a dispute with the contractor and a failure to appropriately increase the garbage rate contributed to the City's inability to pay.

Failure to Increase Garbage Rate Appropriately

A City Ordinance requires that the City increase its rate "in accordance with the formula contained in any solid waste collection and disposal contract between the City and a third party contractor, plus 15 percent of such increase or decrease for administrative costs." Records indicate that the contractor increased its rate five times from August 2011 to February 2017; however, the City never increased the rate charged to its customers. As a result, the City invoiced \$74,590^D less for the garbage contract than the amount they paid.

Dispute with Solid Waste Contractor

The City entered into an intergovernmental agreement with Iberia Parish Government (Parish) on December 13, 2010, by which the Parish would seek competitive bids and contract with a residential solid waste contractor (contractor) on the City's behalf. The contractor bills the City a flat fee per house (based on a previously conducted count) for solid waste (garbage) collection plus a fuel adjustment (if necessary) on a monthly basis. At February 28, 2017, the City owed its solid waste contractor a past-due balance of \$118,405, which the City was unable to pay.

According to Mayor Foulcard, the City has disputed the house count with this contractor and the Parish for approximately two years. The residential units billed to the City increased from 1,837 to 2,057 in 2012 after the contractor conducted a count of houses in the City. Mayor Foulcard said the City conducted its own count of houses and found that the 220 house increase by the contractor was not correct. The City informed the Parish on October 13, 2016, that they would not participate in the Parish's renewal of the garbage collection contract. On November 29, 2016, the contractor offered the City a \$60,000 credit toward its past-due balances, provided that the City agree to use the new garbage collection contract between the contractor and the Parish. Since the City had not yet accepted this offer, the contractor sent another letter on February 15, 2017, demanding payment of the City's balance of \$139,354 (including the past-due balance of \$118,405). The City's records indicate that Mayor Foulcard responded on March 8,

^D Calculation is based on the City billing 1,836 customers per month.

2017, by sending a check to the contractor for \$60,000 and requesting a credit from the contractor for \$60,000.

Conclusion

The City did not manage its utility system properly, which contributed to the City's financial information being incomplete, inaccurate, and unreliable. Our audit identified multiple weaknesses in the City's utility system, including inadequate oversight over meter readings, improper management of customer accounts, failure to reconcile customer meter deposits, and failure to monitor the utility system's financial stability.

Recommendations

City management should consult with legal counsel to determine the appropriateness of the customer payment agreements. In addition the City should develop and implement detailed written policies and procedures to ensure that customers are billed appropriately. We recommend that City management:

- (1) require that all water usage be accurately reported on a monthly basis;
- (2) bill customers for all water used;
- (3) utilize multiple meter readers and alternate routes on a monthly basis to ensure that water usage is accurately reported;
- (4) replace faulty water meters to ensure that customers are accurately billed each month;
- (5) require that adjustments to customer accounts be sufficiently documented and approved, in writing, by management;
- (6) take aggressive action to collect delinquent utility accounts, including legal actions, when necessary;
- (7) reconcile customer meter deposits recorded in the utility system to the funds reserved for customer meter deposits and resolve any differences; and
- (8) ensure that the garbage rate billed to customers is in accordance with the City's solid waste contract and City Ordinance.

LEGAL PROVISIONS

¹**Louisiana Revised Statute (La. R.S.) 14:133 (A)** provides that, “Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) Any forged document. (2) Any wrongfully-altered document. (3) Any document containing a false statement or false representation of a material fact.”

La. R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

APPENDIX A

Management's Response

P. O. Box 209
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CITY OF JEANERETTE

Aprill F. Foulcard, Mayor

"Sugar City"

May 12, 2017

BOARD OF ALDERMEN/ALDERWOMEN

Christia Simmons, Mayor Pro Tem

Clarence Clark - Ward 1

Charles Williams - Ward 2

Butch Bourgeois - Ward 3

Kenneth Kern - Ward 4

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

First, the City would like to thank everyone who expressed concerns about the nature of business for the City of Jeanerette.

The City first identified water production in the study conducted in May 2016. It was determined that the water production was not calculated properly. Water production from previous years June 2012, June 2013 and June 2014 audit reports indicated the City demonstrated a large operating loss for Fiscal years 2012-2014 which is a result of miscalculation of water produced. This error signifies a significant decrease in operating loss of water utility for those years.

The City did launch an internal investigation to identify improper activity of employees responsible for implementing billing to customers. During the course of the investigation the following was identified:

- Improper coding after placement of new meters
- Customers receiving water and sewer services not billed accordingly
- Updating active and inactive customer list
- Misreading of the actual meter (Some meters did not move in a forward direction but a backward direction)
- Follow-up activity to verify initial readings
- Faulty equipment

Following these findings the City in conjunction with the City of Jeanerette Police Department conducted a criminal investigation of the meter reader(s) activities in recording and reporting readings for billing. It was determined that through the action of the meter reader the City endured a loss of approximately \$64,234.00. The meter reader was subsequently arrested and this matter has been turned over to the 16th Judicial District Attorney's Office. The City of Jeanerette has made the corrective measures to ensure proper management of the city's water system:

- The City ensures accounts are properly coded



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- The City ensures all customers utilizing water and sewer utility is billed accordingly
- The City modified customer list with correct status of active and inactive customers
- The City is currently replacing broken and faulty meters identified
- The City is in the practice of Follow-Up Activity of Readings indicating High Water Consumption
- The City employs 2 full-time meter readers to ensure accurate readings. The meter readers alternate routes read monthly
- The City will promote trainings periodically to ensure quality assurance

The City identified high water consumption in August billing and wanted to address customers with high bills. Letters were sent to customers with high bills. Customers were welcomed to come and discuss high bills with the Mayor, City Clerk and Billing Clerk. The City identified the reasons for implementation of water production and consumption evaluation in the municipality. The City also identified possible causes of high water consumption to customers. There were customers that identified with the high bill he/she received and agreed to pay for water consumption utilized. Some customers paid the full amount owed and others were offered payment arrangements to remit payment on balance owed. The City requested the customer to sign an agreement, pay his/her current bill and pay @25.00 per month towards balance until paid in full. Customers unable to pay the additional \$25.00 per month due to financial hardships negotiated with the City an amount he/she could afford to pay out balance owed on his/her account. Customers unable to remit full payment of bill owed but financially capable of remitting more than \$25.00 per month negotiated with the City the amount he/she is willing to pay in addition to his/her current bill.

The Billing Clerk, City Clerk and Mayor worked together in handling accounts with high bills. The Mayor and Billing Clerk identified high bill accounts and evaluated accounts to determine accounts eligible for adjustments because of the following reasons: (1) Multiple residents resided @ residence (2) Faulty meter (3) Improper coding and (4) Inaccurate reading.

The Mayor did give verbal approval for adjustments made to customers eligible for adjustments. However, there were customers refusing to remit payment. The Billing Clerk placed all signed agreements on file. Past due balances contained in the payment agreement did not agree with the past due balances this may be due to customers may have had a payment agreement prior to August 2016 September 2016 billing; clerical error, posted to wrong account. For delinquent accounts the City sends certified mail to customers requesting payment. After 60 days the City finalizes customer account in which the customer service deposit is applied to account. If there is a balance the City makes two attempts requesting payment. The City sends a 10 day certified letter and 30 days certified letter requesting payment. If payment is not received in 30 days of the 2nd notice the balance is forwarded to City Court to collect payment. The City identified some accounts unpaid were due to deceased customers. Relocation of customers in which correspondence is forwarded back to the City due to incorrect address or a forwarding address is not identified by customer.

The City may collect past due accounts when a customer requests reactivation of service. The City ensures customer remits payment for past due account before activating service.

The City hired a CPA firm to reconcile bank accounts including Customer Service Deposits. In review of records the City did not receive correspondence from the contractor, Progressive Waste Solutions regarding an increase in garbage rate. According to the Consumer Price Index (CPI) in 2015 there was decrease in the CPI rate and the City was not made aware of this decrease in garbage rate. The City was invoiced \$42,486.14 for the November 2012 invoice in which the City did collect revenue for 220 customers at a rate of \$10.72 per residential unit and did not collect the \$17,429.91 charged in addition to the monthly invoice amount. Therefore, the City was responsible for remitting payment in the amount of \$17,429.91 in which no collection was received from the customers. The Mayor requested all correspondence forwarded to the City in reference to garbage rates from Progressive Waste Solutions over two months ago and has not received any information to this date. Currently, the contractor is charging the City the new rate @ \$11.41 per residential unit that became effective December 2016 in which the City had not signed a contract and/or intergovernmental agreement with the Iberia Parish Government renewing services with Progressive Waste Solutions. The City did not receive any correspondence from the contractor indicating new effective garbage rate. Currently, the City is collecting the same rate as before. As a result the City invoiced \$.92 cents less per customer for the garbage contractual amount in which not enough revenue is generated to remit payment for the months of December 2016 to May 2017. The City will consult with legal counsel about reimbursement to the City to determine appropriate course of action. The City will request Progressive Waste Solutions provide 60 days advance notice to the City of increase/decrease in garbage rate to ensure the City is compensated enough revenue to remit payment for garbage services.

The City has disputed the overage charges since 2014. The City was overcharged for garbage services since November 2012. The City was charged for 2057 residential units but the City received compensation for 1837 residential units signifying revenue for the remaining 220 units was not collected by the City. However, payment was remitted for 2057 residential units. As of December 2015 the City submitted a letter to Progressive Waste Solutions and the Iberia Parish Government identifying the overage to be reimbursed to the City in the amount \$60,642.69. Progressive Waste Solutions credited \$60,000.00 to the City's account. The City was overcharged for garbage rates in 2016 for January to November. Progressive Waste Solutions charged the City for 2057 residential units in which the City received compensation for 1837 residential units, revenue for the remaining 220 residential units was not collected for garbage services. Progressive Waste Solutions owes the City reimbursement for overages incurred January 2016 – November 2016. The City identified the total amount to be reimbursed to the City is \$115,390.00. The contractor is only willing to credit \$60,000 to the city's account and nothing more. The City will continue to seek appropriate course of action to attain reimbursement from Progressive Waste Solutions.

The City is in compliance with more than 80% of the recommendations identified by your agency. The City has taken the necessary measurements to ensure the City is not losing revenue for the City's Utility System. The City pride on the fact that studies were conducted to ensure the City identifies with customer accounts for Water Utility Services and receives compensation in accordance with utilization of water service.

Even though overages of garbage rates were implemented prior to the Mayor's administration, the City identified overages of garbage charges in 2014 and made every effort to resolve the matter when first identified and has made continuous effort to resolve the matter until this current day.

The City would like to thank all parties involved in the Investigative Audit Report on the City of Jeanerette. The City recognizes the fact the City's management system is not perfect but will make every effort to improve our management system to be a successful and beneficial to the City.

Sincerely,

April Foulcard
Mayor
City of Jeanerette