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**TOWN OF HOMER  
Homer, Louisiana**

**Independent Accountant's Report  
On Applying Agreed-Upon Procedures  
As of and for the Year Ended  
December 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 MAR 10 1999

**VERNON R  
COON**  
CERTIFIED PUBLIC ACCOUNTANT



**Independent Accountant's Report  
On Applying Agreed-Upon Procedures**

Mayor and Board of Aldermen  
Town of Homer  
400 East Main  
Homer, LA 71040

I have performed the procedures enumerated below, which were agreed upon by the mayor and board of aldermen solely to assist the users in evaluating the propriety of certain transactions, records, and procedures. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In connection with this engagement, the following specified procedures were performed:

1. *Select a representative sample of all expenditures made during the last twelve months for materials and supplies exceeding \$7,500 or public works exceeding \$100,000, and determine whether such purchases were made in compliance with LSA-RS 38:2211-2251.*

Twenty-five out of 30 items tested in a compliance test of public works expenditures did not comply with requirements of LSA RS 38:2212 as it relates to bid advertisement, bid openings and obtaining of price quotes, when allowed, for supplies.

It was noted that three vendors were consistently utilized during 1998 for the purpose of providing public works supplies and services totaling \$49,762, \$10,140, \$11,540, respectively. The cumulative amount of purchases from each of these vendors may constitute a violation of LSA RS 38:2212. The Attorney General, in Opinion 94-54, opined that purchases of the same commodities during one fiscal year from the same vendor should be awarded by public bid or quotation process as required by LSA RS 38:2212.

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For 23 of the 30 tested items, it was noted that purchase orders/written confirmations were either incomplete or non-existent. While not a violation of law, this does indicate a lack of adequate internal controls over such expenditures.

2. ***Obtain a list of all labor contracts issued or paid by the town during the last 18 months and determine whether those contracts violated LSA-RS 42:1112-1113.***

The review of the town's operations and accounting files did not produce any labor contracts. However, see comments at Procedure No. 12

3. ***Obtain a copy of the legally adopted budget and all amendments for the current fiscal year. Trace the adoption of the budget and amendments to the minute book. Compare actual revenues and expenditures to the approved amended budget and determine whether any unfavorable variances were within the limits set by LSA-RS 39:1310.***

The Local Government Budget Act (LSA-RS 39:1301-1314) places various requirements and restrictions on units of local government with regard to the adoption and amendment of budgets.

LSA RS 39:1308(B) provides that the adopted budget shall be balanced with approved expenditures not exceeding the total of estimated funds available. From a review of the town's original budget, it appears that the town adopted a budget reflecting an end-of-year deficit in current operations of \$14,000, which would be a violation of the above statute.

LSA RS 39:1310 requires that "The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when; (1) Total revenues and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more; (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more; (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures." An analysis of the General Fund budget for the year ended June 30, 1999 indicated that, at December 31, 1998, actual expenditures to date were 60% of the annual budget. Based on discussions with town personnel concerning expenditures for the remainder of the year, a projection was made for the entire year. That projection indicated that, at year end, actual expenditures would exceed budgeted amounts by approximately 20 per cent, which exceeds the statutory allowance by 15 per cent. Based on the analysis, it appears that the town is in violation of LSA RS 39:1310 and the mayor should notify the board of the need for an amendment to the budget. Further, when the board of aldermen receive the notification, they should comply with LSA RS 39:1309 which requires that they amend the budget. It should also be noted here that, in the process of amending the budget, the mayor and board of aldermen should eliminate the budgeted year end deficit discussed above.

4. ***Randomly select 25 disbursements made during the last 12 months. Trace payments to supporting documentation and determine that the amount and payee are correct. Determine if payments were coded to the correct fund and general ledger account. Determine whether payments received proper approval.***

Of the 25 items tested, 15 did not have adequate support or authorization. All fifteen items contained purchase orders which were written after the purchase had already been made and/or were not completed with the specific terms of the purchase e.g. ( price, units, date of delivery, etc.,). Of the 15 exceptions noted, two were related to travel expenditures for which no guidance could be provided by the town (ie., travel reimbursement policies). Additionally, one expenditure contained evidence of questionable use of a cell phone by a town employee, one check that was paid from a copy of an invoice, one item that was paid without any support for the expenditure, and 2 payments for numerous items purchased on charge accounts from local vendors without purchase orders.

During the test of expenditures, it was noted that the town made payments to and on behalf of the Homer Chamber of Commerce in excess of \$4,500 during the last 12 months of operation. Article VII, Section 14 of the Louisiana Constitution provides that the "funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private." Donations to or payments for the chamber of commerce are considered to be a violation of the above referenced Article. This has been affirmed by several opinions of the Attorney General.

It was noted during the test of expenditures that the town made purchases in excess of \$10,000 from a company owned by an individual who, according to town personnel, was a brother of the former mayor. LSA RS 42:1112 provides that no public servant shall participate in a transaction involving the governmental entity in which any immediate family member has a substantial economic interest. Further, LSA RS 42:1113 provides that no member of a public servant's immediate family shall bid on or enter into any transaction that is under the supervision or jurisdiction of the agency of such public servant.

5. ***Review each rental agreement/contract pertaining to the town hall auditorium during the last 12 months and determine if payments were received and properly accounted for.***

Testing included examining support for 47 occurrences of town hall rental. Rental contracts could not be located for 39 rental occurrences .

It was noted during testing that some rental damage deposits are not deposited into the town's bank account but are held until after the event and then returned to the renter if no damage has been incurred. All receipts should be deposited and, after the event is over and the deposit is due back to the renter, a town check issued.

Testing included an estimation of rental income for the year. The estimation determined that the minimum amount of rental received should have been \$2,750. Rental income reflected in the

general ledger was \$2,325, or a difference of \$425. The difference could be caused by several things, including posting to the wrong account, a failure to collect rental fees, or a failure to deposit rental fees. Deposit records of the town did not provide sufficient detail to determine the disposition of individual rental fees.

6. *Examine evidence and determine if agendas for meetings during the last 12 months were posted or advertised as required by LSA-RS 42:1-12.*

The Town Clerk could not provide evidence of proper public notice of two special town meetings.

7. *Examine bank deposits for the last year determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.*

An examination of bank deposits did not disclose any deposits which appeared to be bank loans, bond proceeds, or other indebtedness.

8. *Obtain a listing of fixed assets owned by the town. Determine the physical existence of all computers, saws, pianos, tractors, and furniture.*

LSA-RS 24:515 requires that political subdivisions of the State keep adequate records of general fixed assets and movable property. During the test of physical existence, four of twenty items selected could not be located nor was there enough information in the Town's records to determine those item's acquisition dates.

Discussions with the interim purchasing agent and town clerk disclosed that the town no longer employs a tagging system for tracking and identifying its assets. The discussions also disclosed that fixed asset records are updated only at fiscal year end, based on a list of recommended adjustments from the town's auditor. The maintenance of fixed asset records is the responsibility of the town. An adequate internal control system for fixed assets should include, among other things, the recording, tagging and tracking of movable property.

It was also noted during the tests of fixed assets that the town of sold town assets (a vehicle to an employee) and (excess supply items to an unknown recipient) without following the following the formal public bid process. LSA-R.S. 33:4712 requires a public bid process, described therein, for the sale of property no longer needed by the town for public purposes.

As noted above, the town allowed an employee to purchase a vehicle, which was subsequently financed through payroll deduction. The employee may have violated the Ethics Code (LSA RS 42:1112) which prohibits a public servant from entering into a transaction of the agency of such public servant. Additionally, by allowing the employee to pay for the vehicle through payroll deductions, the town may have violated Article 7, Section 14 of the Louisiana Constitution.

9. ***Determine whether the employment of any former aldermen or alderwomen during the past 12 months violated applicable state law.***

LSA-R.S. 42:1121 (A)(2) provides that, "No former member of a board or commission shall, for a period of two years following the termination of his public service on such board or commission, contract with, be employed in any capacity by, or be appointed to any position by that board or commission.

It has long been a practice in Louisiana that former aldermen take a position with the town (due to their experience in town matters) however, the Louisiana Board of Ethics has recently issued an advisory opinion which states that the term "board or commission" includes "elected" boards or commissions

10. ***With regard to employees, review documentation on the last 15 employees hired by the town during 1998 and determine compliance with the town's employment policies. Evaluate whether benefits provided to part-time employees is in accordance with adopted policies. Evaluate whether the town's drug-testing policy is being followed.***

A test of personnel practices disclosed that departures from policies existed for the period examined. Of the 15 personnel files tested, the required personnel records of 4 employees were not located or did not exist. Fourteen employees records did not have adequate documentation in their files to support their rates of pay. Each of these files lacked a signed acknowledgment of the town's drug policy. Additionally, these employees had not been required to take a physical exam and drug test. Finally, there was no evidence of authorization to hire employees for 10 of the 15 employee files tested. The town's policies require that personnel records shall include the "status, classification, and pay of all employees" as well as all "personnel or employment records including application forms and records relative to selection, appointment, demotion, termination, rates of pay or other terms of compensation". Each applicant must "take a physical exam" which includes testing for alcohol, drugs, and medication".

11. ***With regard to positions on the board of aldermen, determine whether a vacancy of five months violated state law. Also determine whether a failure to appoint a mayor pro tem for five months or more violated state law.***

The constitution, Article X, Section 28, states that a vacancy occurs "in the event of death, resignation, removal by means, or failure to take office for any reason."

The formality of resignations is governed by LSA RS 18:652, which states that, "A resignation shall be in writing, shall be dated, may specify a prospective date on which the resignation is to be effective, and shall be signed by the official and duly acknowledged by him before an officer authorized to administer oaths."

Vacant positions on the board of aldermen are governed by LSA RS 18:602. The statute provides, in Section 18:602(A), that when a vacancy occurs in an alderman or mayoral position,

the governing body shall, within ten days, appoint a person to fill the vacancy who meets the qualifications of the office. Section 18:602(D) further provides that, if the vacancy is not filled within the time specified, the governor shall fill the vacancy. No time limit is specified for the governor to fill the vacancy.

The only statutory reference located for the position of Mayor Pro Tem was in the Lawrason Act, which does not apply to the Town of Homer. Consequently, it would seem that the town's charter would govern. If the town's charter is silent on the matter, then there is no governing law. However, I believe this is a matter best answered by the town's attorney or the Office of Attorney General.

12. *Review grant programs in effect for the current fiscal year and evaluate whether accounting records are current and complete.*

A review of accounting records indicated that they are current and complete.

13. *Review insurance contracts in effect during the current fiscal year and evaluate compliance with applicable ethics statutes.*

During the review of insurance contracts it was noted that the town obtained insurance through a local agent who was, according to town personnel, a nephew of the former mayor. LSA RS 42:1113 provides that no member of the immediate family member of a public servant shall enter into any transaction with the agency of such public servant. LSA RS 42:1102 defines immediate family member as a public servants children, spouses of his children, brothers, sisters, parents, spouse, and parents of his spouse. Therefore, a nephew of a mayor conducting business with the town is not a violation of 42:1113.

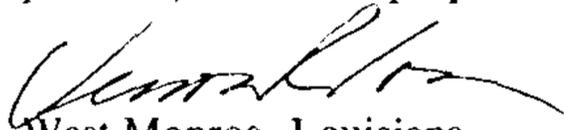
14. *Review bank reconciliations and investment accounts at December 31, 1998 and evaluate the correctness of amounts presented in the accounting records.*

An examination was made of all December 31, 1998 bank reconciliations. No exceptions were noted. However, during the examination it was noted that there is not an adequate system of internal controls. During discussions with personnel and observations of the Cash and Cash receipts functions it was noted that there was not security for checks of four accounts (General Fund, Master Clearing Account, Sales Tax Account, and Sales Tax No. 2 Account). Freedom of access to cash handling areas was available to employees and others.

## GENERAL

I was not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of the specified users noted above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

A handwritten signature in black ink, appearing to be 'J. M. ...', written over the typed name.

West Monroe, Louisiana

February 1, 1999