

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3



ADVISORY SERVICES  
PROCEDURAL REPORT  
ISSUED FEBRUARY 10, 2021

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## St. Tammany Parish Waterworks District No. 3

February 2021

Audit Control # 70190077

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### Introduction

The Louisiana Legislative Auditor performed certain procedures at the St. Tammany Parish Waterworks District No. 3 (District) to address the requirements of Act 774 of the 2014 Regular Legislative Session, as amended. The primary purpose of our procedures at the District was to assist the District in evaluating certain controls the District uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. Our procedures were more limited than an audit; therefore, we are not issuing an opinion on the District's financial statements nor the effectiveness of the District's internal control over financial reporting and compliance.

### Results of Our Procedures

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#### Follow-up on Prior-year Exceptions

We assessed the status of all exceptions reported in the prior-year agreed-upon procedures report dated July 16, 2019. Prior-year exceptions relating to written policies and procedures, board oversight, and open meetings law compliance have not been fully resolved. The results of our follow up are documented for each category below, except for debt collection/account write-offs, which is a new category tested this year.

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#### Current-year Results

##### 1. Written Policies and Procedures

We obtained the District's written policies and procedures and assessed whether they addressed contracting, ethics, and debt service.

Results: Management represented that the District's written policies and procedures were in draft form. We observed that they generally addressed contracting and ethics but did not include certain best practices. Written policies and procedures did not address debt service.

Recommendation: Management should revise/update the policies and procedures to specifically address the following:

- (a) **Contracting** should include (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process;
- (b) **Ethics** should include the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, and actions to be taken if a violation takes place; and
- (c) **Debt Service** should include (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Management provided a plan of corrective action (see Appendix A).

## 2. **Board Oversight**

We obtained and reviewed the board minutes for the fiscal year and assessed whether the board met and discussed key financial information at its monthly meetings.

Results: The minutes noted the approval of vendor invoices and discussion of past due accounts but did not include a detailed review of financial information.

Recommendation: We advise the District to strengthen its board oversight by a monthly review of budget-to-actual comparisons of receipts and expenditures. Also, because the District shares an account with two other utility districts, we recommend that board members receive and review a monthly reconciliation between customer billings, past-due balances, account adjustments, and pro-rata share of the joint bank account. These actions will allow the board to better identify financial trends in billings and collections and to monitor the posting of joint account activities.

Management provided a plan of corrective action (see Appendix A).

## 3. **Open Meetings Law Compliance**

Using the board minutes previously obtained, we observed whether the minutes included the date, time, and place of each meeting, evidence that the entity provided an opportunity for public comments, and evidence that meeting minutes were published in the official journal. We also inquired if a copy of the open meetings law was posted at the location where the entity holds its meetings.

Results: The meeting minutes were not published in the official journal as required by law but did include the date, time, and place of meeting, as well as references to public comments in two of the meetings. Management represented to us that a copy of the open meetings law was posted at the meeting location.

Recommendation: The board should publish all meeting minutes in the official journal as required by Louisiana Revised Statute 43:171.

Management provided a plan of corrective action (see Appendix A).

#### 4. Debt Collection/Account Write-offs

We obtained the District's written policies and procedures over debt collection. We selected five customer accounts that were past due more than 90 days to assess whether management followed policies/procedures in pursuing collection and disconnecting water services.

Results: Management represented that the District's written policies and procedures were in draft form and not complete. We observed that while they generally addressed debt collection and disconnecting services on past-due accounts, they did not address the District's practice of using door hangers, email reminders, and a justice of the peace for collections. We also noted that water services were not disconnected on the five past-due customer accounts. Management represented that the District was either in the process of locating the water lines or the contractor was unable to locate the shutoff valve at the time of the implementation of the COVID-19 protocol that prohibited the District from disconnecting services on past due accounts.

Recommendation: Management should review and tailor the policies and procedures to specifically address the District's debt collection practices, including payment plans and cut-offs relating to those customers impacted by COVID-19, as well as a monthly review of the accounts receivable aging schedule.

Management provided a plan of corrective action (see Appendix A).

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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WATER3



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



**Management Response**  
**St. Tammany Parish Waterworks District No. 3**  
**February 3, 2021**

To Whom it May Concern,

The Board of Directors are responsible for responding to the results of the preceding agreed-upon procedures report. Management's responses are as follows:

**Written Policies and Procedures**

**Results:** Management represented that the District's written policies and procedures were in draft form. We observed that they generally addressed contracting and ethics but did not include certain best practices. Written policies and procedures did not address debt service.

**Recommendation:** Management should revise/update the policies and procedures to specifically address the following:

- a. Contracting should include (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process ;
- b. Ethics should include the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, and actions to be taken if a violation takes place; and
- c. Debt Service should include (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Management Response:**

The board will review the recommendations for more detailed procedures and incorporate them into our policies and procedures in 2021.

**Board Oversight**

**Results:** The minutes noted the approval of vendor invoices and discussion of past due accounts but did not include a detailed review of financial information.

**Recommendation:** We advise the District to strengthen its board oversight by a monthly review of budget-to-actual comparisons of receipts and expenditures. Also, because the District shares an account with two other utility districts, we recommend that board members receive and review a monthly reconciliation between customer billings, past due balances, account adjustments, and pro-rata share of the joint bank account. These actions will allow the board to better identify financial trends in billings and collections and to monitor the posting of joint account activities.

**Management Response:**

Monthly statements are emailed to all board members. The board will incorporate a formal review of accounting statements into the monthly meeting agenda.

**Open Meetings Law Compliance**

**Results:** The meeting minutes were not published in the official journal as required by law but did include the date, time, and place of meeting, as well as references to public comments in two of the meetings. Management represented to us that a copy of the open meetings law was posted at the meeting location.

**Recommendation:** The board should publish all meeting minutes in the official journal as required by Louisiana Revised Statute 43:171.

**Management Response:**

The board will publish the meeting minutes in the official journal – the St. Tammany Farmer.

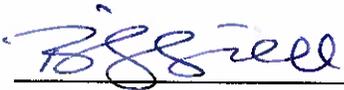
**Debt Collection/Account Write-Offs**

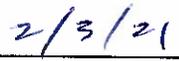
**Results:** Management represented that the District’s written policies and procedures were in draft form and not complete. We observed that while they generally addressed debt collection and disconnecting services on past due accounts, they did not address the District’s practice of using door hangers, email reminders, and a justice of the peace for collections. We also noted that water services were not disconnected on the five past due customer accounts. Management represented that the District was either in the process of locating the water lines or the contractor was unable to locate the shutoff valve at the time of the implementation of the COVID-19 protocol that prohibited the District from disconnecting services on past due accounts.

**Recommendation:** Management should review and tailor the policies and procedures to specifically address the District’s debt collection practices, including payment plans and cut-offs relating to those customers impacted by COVID-19, as well as a monthly review of the accounts receivable aging schedule.

**Management Response:**

The board reviews collections and accounts receivable during its monthly meetings. Specific procedures for collections will be detailed in the policies and procedures that will be issued in 2021.

  
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Brian Swindell, Chairman

  
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Date