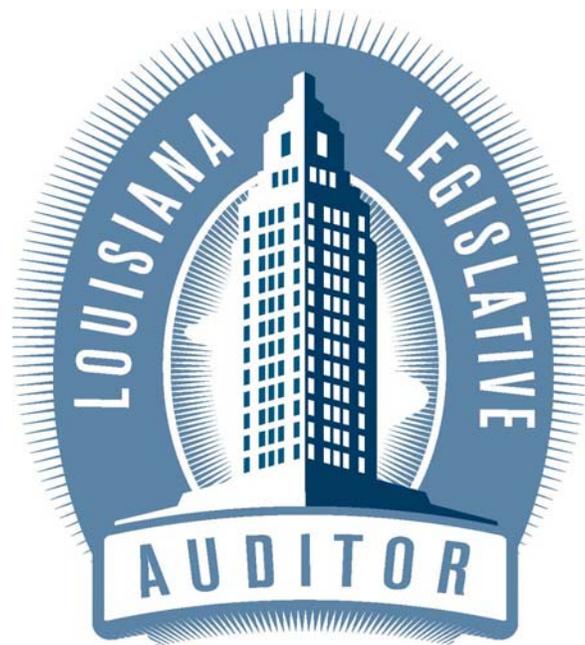


TOWN OF VIDALIA



ADVISORY SERVICES REPORT
ISSUED JUNE 27, 2018

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 27, 2018

The Honorable Buz Craft, Mayor
and Members of the Board of Aldermen
Town of Vidalia
P.O. Box 2010
Vidalia, LA 71373

Dear Mayor Craft:

At your request, my Advisory Services staff visited the Town of Vidalia (Town) to perform an assessment of internal controls over programmatic and fiscal operations. In addition, during the assessment my staff reviewed additional matters that came to their attention. This report contains the results of our assessment and includes related recommendations to help the Town strengthen internal controls over programmatic and fiscal operations. Management's response to the report is presented in Appendix A. The former mayor's response is presented in Appendix B.

We did not perform an audit of the Town's financial statements, and accordingly, we do not express an opinion on those financial statements. In addition, our assessment was limited in scope and not designed to identify all deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

We would like to thank you and your staff for your cooperation and assistance during our assessment. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

TOWN OF VIDALIA

TABLE OF CONTENTS

	Page
Executive Summary	2
Results and Recommendations	4
Management’s Response	Appendix A
Former Mayor Hiram Copeland’s Response	Appendix B

EXECUTIVE SUMMARY

The Town of Vidalia (a Lawrason Act municipality) asked the Louisiana Legislative Auditor to perform an assessment of internal controls over programmatic and fiscal operations and provide recommendations to improve those controls. This report is the result of working closely with the current administration on areas of concern, and we believe that our recommendations will resolve many of the issues identified below. The scope of our procedures included the period from September 2015 through January 2018.

Although Vidalia represents itself as a “city,” the 2010 Census population of 4,299 indicates it should be classified as a “town” because it no longer has more than 5,000 residents. Within this report, we will refer to the “Town” of Vidalia.

We noted possible violations of state law and/or Town policy and provided recommendations in the following areas:

- **Municipal classification:** City officials were not able to confirm whether Vidalia’s designation has officially been changed from a “city” to a “town,” as required by law.
- **Local Government Budget Act:** The Town did not comply with all requirements of the Local Government Budget Act and continues to budget expenditures that exceed the total of estimated funds available for the ensuing fiscal year in its general fund.
- **Paying Leave Balances of Former Mayor and Former Chief of Police:** The Town’s previous administration paid its former Mayor \$82,692 and former Chief of Police \$36,517 for accumulated personal and vacation leave. The Town’s current officials provided system leave balances but were not able to provide time sheets or leave slips to document hours worked and leave taken to support these payments.
- **Paying Leave Balances of Other Former Employees:** The Town’s previous administration also paid leave balances for six terminated employees. At least \$11,054 of the amounts paid for unused leave balances exceeded the allowable amounts in Town policy.
- **Payment of Employee Share of Health Insurance Premiums:** The Town disclosed that the previous administration paid both the employer and employee portions of health insurance premiums for three employees while they were on workman’s compensation, as well as a Board member, in violation of Town policy.
- **Open Meetings Law:** The Town may not have complied with the Open Meetings Law on at least one occasion.

- **Incentive Pay:** The Town made \$109,725 of incentive payments to 162 employees and elected officials, possibly in violation of state law.

We also provided additional recommendations in the following areas:

- **Written Policies and Procedures:** The Town did not have a comprehensive policies and procedures manual addressing all critical functions of the Town.
- **Credit Cards:** The Town did not have proper controls or documentation for its credit cards.
- **Contracts, Leases, and Business Agreements:** The Town did not maintain a complete listing of active contracts or leases, did not monitor contract terms for existing contracts, and did not have formal contracts for certain business agreements.
- **Payroll and Personnel:** The Town did not have adequate controls over payroll and personnel.
- **Accounts Receivable and Collections:** The Town did not have adequate controls over receivables, segregation of duties over cash collections, and physical controls over cash.
- **Purchasing and Disbursements:** The Town did not have proper segregation of duties over purchasing duties and did not have a formal, centralized purchasing system.
- **Utility Systems:** The Town lost money on utility operations and did not collect all outstanding utility receivables.
- **Travel:** The Town did not have sufficient documentation to show that all travel was necessary; did not maintain travel logs in vehicles; did not rely on Fuelman card data to monitor vehicle use; and did not mark all Town vehicles as public vehicles.
- **Hydroelectric Plant Royalties:** The Town's ordinance over royalty revenues did not clearly outline the priorities relating to uses of the revenues.
- **Convention Center Losing Money:** The Town continued to lose money on the operations of its Convention Center, including more than \$1 million in fiscal year 2016.
- **FEMA Public Assistance Reimbursements:** The Town had not pursued reimbursement for two open and obligated Public Assistance projects related to flooding events in 2011 and 2016.
- **Budgeted Positions:** We provided guidance on the Mayor's authority to hire positions that were not specifically identified by line item in the budget.

RESULTS AND RECOMMENDATIONS

Municipal Classification

City officials were not able to confirm whether Vidalia’s designation has officially been changed from a “city” to a “town,” as required by Louisiana Revised Statute (R.S.) 33:341. Although Vidalia is officially classified as a city, the 2010 Census population of 4,299 indicates it should be classified as a town because it no longer has 5,000 or more residents. Vidalia is a Lawrason Act municipality.

We recommend that Management:

1. Consult with legal counsel regarding any actions necessary to officially change Vidalia’s designation from a city to a town.

Management concurred with the recommendation and provided plans for corrective action as well as corrective actions already taken (see Appendix A, page 1).

Local Government Budget Act

The Town did not comply with all requirements of the Local Government Budget Act (LGBA) and continues to budget expenditures that exceed the total of estimated funds available for the ensuing fiscal year in its general fund.

The following required elements were omitted from the Town’s fiscal year 2017 and 2018 budgets:

- Budget message that includes the preparer’s signature;
- Proposed budget adoption instrument that defines the authority and powers of management and governing body in making changes to budget; and
- clearly presented side-by-side detailed comparison of information for the current year (year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character; and the percentage change for each item of information).

The Town also adopted a general fund deficit of \$859,267 (ending fund balance) in its 2017 original budget and a deficit of \$3.6 million in the adopted 2018 budget. R.S. 39:1305 provides

that the total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year (i.e., the beginning fund balance and any anticipated revenues).

We recommend that Management:

1. Utilize the comprehensive LGBA template on the Louisiana Legislative Auditor's (LLA) website when preparing and/or amending the annual budget. Management may also wish to consult the LGBA frequently-asked questions (FAQs) and flowchart on the Legal page of the LLA website.
2. Prepare and implement a written fiscal improvement plan that addresses the general fund balance deficit. The plan should include specific targets and deadlines and consider such factors as reductions in staffing, aggressive collection of delinquent accounts, and a cost/benefit analysis of government operations that are not self-supporting.

Management concurred with the recommendations and provided plans for corrective action (see Appendix A, page 1).

Paying Leave Balances of Former Mayor and Former Chief of Police

In June 2016, the Town's previous administration paid former Mayor Hiram Copeland \$82,692 (before payroll deductions) for 2,074 hours of accumulated personal and vacation leave. The previous administration also paid former Chief of Police Arthur Lewis \$36,517 (before payroll deductions) for 1,049 hours of accumulated personal and vacation leave. The Town's current officials provided system leave balances but were not able to provide time sheets or leave slips to document actual hours worked and leave taken to support the payments to the former mayor and former police chief. Current officials were also not able to identify a specific ordinance or policy that would have allowed the former mayor and police chief to accumulate or be paid for unused leave without documentation of leave balances.

The Louisiana Attorney General (AG) has opined (*AG Op 15-0186*; *AG Op 03-91*; *AG Op 96-391*; and *AG Op 89-222*) that the Mayor and Police Chief are entitled to payment of accrued leave provided that formal records were maintained to reflect that the leave was accrued and unused. Because the Town's records did not include documentation that the former Mayor and former Police Chief prepared time sheets or leave slips to support their earning and use of leave, the Town's payments appear to be contrary to related AG opinions.

We recommend that Management:

1. Obtain additional time sheet and leave slip documentation from the former Mayor and former Police Chief to support the hours used for the leave payout.

2. Consult legal counsel to determine the propriety of these payments if additional time sheet and leave slip documentation cannot be obtained from the former Mayor and former Police Chief. If deemed improper, management should consult with legal counsel about options to recoup the amount of the leave payout to the former Mayor and Police Chief.
3. Consult legal counsel when updating or establishing new documentation requirements for attendance and leave records.

Management concurred with the recommendations and provided plans for corrective action (see Appendix A, pages 1-2). The former Mayor did not concur with the finding (see Appendix B). The former Chief of Police did not provide a written response to our report.

We concur that former Mayor Copeland's "...accrued leave balance was documented on his check stubs and in other redundant systems and ledgers," as he states in his formal response. However, the former mayor's response does not address whether he completed time sheets, leave slips, or equivalent documentation to support that he earned this leave. During our correspondence with the former mayor's attorney, we asked "Can you please confirm whether your client asserts that he prepared time sheets, leave slips, or equivalent documentation during his tenure as mayor to support the leave balances in the city's accounting software?" This question was not answered in the former mayor's official response to our report.

Paying Leave Balances of Other Former Employees

The Town's leave policy, which Town officials represented has not been updated since 1992, is not clear regarding how leave taken is documented, how much leave can accumulate, when leave expires, and how unused leave will be paid out upon employment termination. In addition, the existing policy indicated that unused personal leave accumulates to a maximum of three times the employee's annual personal leave. This equates to a maximum 72 or 108 hours carried forward each year, depending on an employee's hourly classification. However, a June 2016 leave report indicates that six employees were paid by the previous administration for more than the carry-forward amounts, for an excess of at least \$11,054. One of these employees was paid for 323 personal leave hours.

Town officials informed us that they are working with human resource and legal specialists to update personnel manuals to clarify Town policies.

We recommend that Management:

1. Clarify the leave policy, including how leave taken is documented, how much leave can accumulate, when leave expires, and how unused leave will be paid out upon employment termination.
2. Consult with legal counsel regarding the Town's leave accumulation policies and the leave pay-outs to the former employees. If the payments are determined

improper, the Town should consult with legal counsel regarding remedies, including recouping the funds.

3. Require that documentation be maintained in the personnel files to support any leave payouts. Files should include amount of leave earned, used, the current balance, and the amount paid out.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions taken (see Appendix A, page 2).

Payment of Employee Share of Health Insurance Premiums

The Town disclosed that the previous administration paid both the employer and employee portions of health insurance premiums for three employees while they were on workman's compensation, as well as a Board member, in violation of Town policy. Although the Town's current administration has been working to recoup the employee portion of payments, they had not recouped total amounts owed of approximately \$25,000 as of January 2018. Paying these premiums may violate Article VII, Section 14(A) of the Louisiana Constitution [La. Const. Art. VII, §14(A)], which prohibits donations of public funds.

We recommend that Management:

1. Consult with legal counsel regarding the most effective manner in which to recoup payments from the three employees and Board member.
2. Clarify in the Town's policy and procedure manual the insurance benefits available, eligibility requirements to participate in the benefits, and the requirements related to an employee's portion of the premium.

Management concurred with the recommendations and provided plans for corrective action (see Appendix A, page 2).

Open Meetings Law

The Town may not have complied with the Open Meetings Law (R.S. 42:4.1, *et. seq.*) on at least one occasion. We noted that a meeting to discuss the former Mayor's legal fees was held by the former administration in an executive session, even though the meeting did not appear to meet executive session criteria. Also, meeting minutes were not being posted on the Town's website under both the former and current administrations. We were further informed by Town officials that "polling" and/or "walking quorums" may have occurred on a couple of occasions.

We recommend that Management:

1. Post notice of public meetings at least 24 hours before the meeting by placement of a copy of the notice at the place of the meeting or at the body's official office;
2. Allow executive sessions to be held only under the following conditions:
 - Discussion of character, professional competence, or physical or mental health of a person [does not apply to appointments of a person to a public body or to discussions of the award of a public contract, except as provided in R.S. 39:1595(B)(7) and R.S. 42:17(A)(1)];
 - Strategy sessions or negotiations with respect to collective bargaining, prospective litigation after formal written demand, or litigation when an open meeting would have a detrimental effect on the bargaining or litigating position of the public body;
 - Discussion regarding the report, development, or course of action for security personnel, plans, or devices;
 - Investigative proceedings regarding allegations of misconduct;
 - Cases of extraordinary emergency, limited to natural disaster, threat of epidemic, civil disturbances, suppression of insurrections, the repelling of invasions, or other matters of similar magnitude; and
 - Any other matters that are or that will be provided for by the Legislature.
3. Allow a public comment period prior to action on all agenda items upon which a vote is to be taken;
4. Allow the audience to record the meeting;
5. Require the recording of the meeting minutes;
6. Publish the meeting minutes on the Town's website in compliance with R.S. 42:20(B)(2).
7. Prohibit Board members from participating in a "walking quorum" and polling a majority of the members of the public body on matters which may later be considered by the public body as a whole, if such actions are used to circumvent the purpose and intent of the Open Meetings Law by minimizing the debate on the matter. A prohibited action, for example, could include debate on an item in the absence of a quorum, coupled with a vote without debate on the item in an open meeting.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, pages 2-3).

Incentive Pay

The Town made \$109,725 of incentive payments to 162 employees and elected officials, consistent with its practice in prior years. However, the qualifications for receiving such payments were vague and did not appear to comply with the requirements as set forth in AG opinions (*AG Ops 06-0321; 02-0315; 00-481; 99-137; 97-190; 95-210; 93-227; 92-295*) and La. Const. Art. VII, §14(A).

We recommend that Management:

1. Request an AG opinion regarding the facts and circumstances of the incentive payments to determine whether the Town violated La. Const. Art. VII, §14(A), which prohibits payment of bonuses to employees. If the incentive payments are determined to be improper, the Town should recoup the payments from employees and elected officials.
2. Prospectively implement written policies and procedures that address the specific requirements that must be met to qualify for incentive pay. The Town should consult with Legal counsel when drafting the policies and procedures.
3. Ensure compliance with R.S. 33:404.1, which states: “the board of aldermen shall by ordinance fix the compensation of the Mayor, aldermen, clerk, chief of police, and all other municipal officers. The board of aldermen may by ordinance increase or decrease their compensation and the compensation of any nonelected municipal officer and may increase the compensation of other elected officials. However, the board of aldermen shall not reduce the compensation of any elected official during the term for which he is elected.”

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, pages 3-4).

Written Policies and Procedures

The Town did not have a comprehensive policies and procedures manual that addresses all critical functions of the Town, although it has begun working to develop such a manual. Written policies and procedures are necessary to provide a clear understanding of what should be done, how it should be done, when it should be done, and who should do it. In addition, written policies and procedures aid in the continuity of operations and for cross-training staff or training new staff.

We recommend that Management:

1. Incorporate the recommendations made in this report as part of a comprehensive policies and procedures manual. When drafting policies and procedures, management may refer to “best practices” on the LLA website for further guidance. The LLA is currently updating its best practice documents to provide greater clarity in topical areas.
2. Once developed, adopt this manual by ordinance. The ordinance should also provide that policies and procedures should be periodically reviewed and updated to address changing conditions in the future. In addition, the ordinance should require that the updated policies and procedures be ratified once a year. See R.S. 33:423.2 and R.S. 423.3 for guidance.
3. Provide training on the policies and procedures manual and have staff sign an annual form acknowledging that they have received the manual, have read and understand its contents, and agree to comply with its provisions.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, page 4).

Credit Cards

The Town did not have proper controls or documentation for its credit cards. We noted problems with the Town’s documentation, including missing credit/fuel card statements, missing receipts, missing documentation of business purpose for purchases, fuel card entry exceptions, and segregation of duties. Further, we noted that the Town paid approximately \$311 in late fees and interest charges and inadvertently paid a credit card bill on behalf of the Concordia Economic & Industrial Development District.

The Town has one credit card, one Walmart store card, and 62 fuel cards for general Town use. The Town also has another credit card and 34 fuel cards for police department use. However, the Town could not produce a complete listing of the persons to whom these cards were assigned.

We recommend that Management:

1. Maintain a list of all credit cards (general, store, and fuel cards). The list should be updated as necessary and should include the card number; issuer name and phone number; person responsible for securing the card; credit limit; active/inactive status of card; and cancellation date/documentation.
2. Update the credit card request form to include information about who checked out the card, which card was checked out, and the date and time the card was checked

out and returned. An example credit card issuance log is located on LLA's website for additional ideas for tracking credit card usage.

3. Require employees who use office credit cards to provide adequate documentation to support all purchases.
4. Segregate duties by assigning different employees to maintain/secure credit cards; approve credit card purchases; and review/reconcile credit card statements and purchase documentation.
5. Make credit card payments timely to avoid late fees and interest charges.
6. Recoup the amounts inadvertently paid to the Concordia Economic & Industrial Development District, if not already done.
7. Establish additional policies and procedures to address other critical areas, such as:
 - Monitoring card usage/persons responsible for monitoring;
 - Lost or stolen cards;
 - Return of cards upon employment termination;
 - Prohibiting purchases from being split into multiple transactions to avoid bid law thresholds;
 - Periodically re-assessing the need for cards;
 - Monitoring reimbursement requests for duplicate purchases made on credit cards; and
 - Prescribing disciplinary action for failing to comply with credit card policies and procedures.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, pages 4-5).

Contracts, Leases, and Business Agreements

The Town did not maintain a complete listing of active contracts or leases and did not have formal contracts for certain business agreements, including its Town attorney. The Town's previous administration also had only an informal agreement with the Economic Development Director and made payments for salary and benefits to the Director without a job description, work schedule, time sheets, or supervisory oversight, a practice that continued during our assessment. In addition, the Town did not monitor contract terms for existing contracts. Finally,

we noted that the Town's current administration could not produce evidence of deliverables under a marketing research contract with Retail Strategies, LLC, for which the contractor had been paid \$37,500.

We recommend that Management:

1. Compile an inventory of formal and informal agreements with third parties (e.g., law firms, engineering firms). Evaluate whether any agreements should be cancelled and document remaining agreements through formal, signed contracts. Legal counsel should review all contracts prior to signing, including verification of compliance with the Public Bid Law, as applicable.
2. Prepare a listing of contracts, including the vendor's name and contact information; starting date of the contract; ending date of the contract; services to be received; cost of the services; and employee responsible for monitoring each contract.
3. Establish a policy/checklist for new contracts, which should include verifying that contracts clearly state the terms and conditions including: services to be received and costs; timing of service delivery; the period covered by the contract; how vendor performance will be evaluated; and consequences for failure to meet contract requirements. Contracts should be reviewed by legal counsel, signed and dated by all parties, and maintained on file at Town hall.
4. Establish additional policies/checklist for professional service contracts (e.g., legal and IT professionals) to include provisions limiting total billings and requiring notification before reaching contract limits.
5. Formalize, through contract, the arrangement between the Town, the Concordia Economic and Industrial Development District, and Natchez, Inc., whereby each entity utilizes the services of the same Economic Development Director. The Town should also work with the Economic Development Director to:
 - Create a formal job description;
 - Clarify reporting relationship (reporting to Mayor or a town official);
 - Establish consistent hours for which she will be available to the Town;
 - Establish a protocol for record keeping, including time sheets and leave requests and documentation of time sheet and leave approval; and
 - Establish performance measures to quantify and document the impact of economic development efforts.
6. Monitor the terms and conditions of all contracts on a periodic basis, including:

- Preparing a checklist containing each contract's terms and conditions, which should be used by the assigned contract monitor to document review and monitoring of the contract;
 - Assigning contract monitors with the authority and skills/training to effectively monitor the contract and related project;
 - Tracking budgets and comparing invoices and charges to contract terms and conditions;
 - Verifying that deliverables are received on time and documenting the acceptance or rejection of deliverables;
 - Withholding payments to vendors until deliverables are received; and
 - Retaining documentation that supports payments to vendors.
7. Obtain periodic reports from Retail Strategies, LLC, presenting its performance as it relates to the Town's agreement/contract for market research and analysis for commercial development and retail recruitment. Management should also have legal counsel review the agreement. If no identifiable services are being provided or have not been provided, management should discuss with legal counsel the provisions of contract default and severance and the potential recoupment of any payments, as applicable.
8. Develop formal policies and procedures providing detailed guidance on the contracting process, including all of the recommendations discussed above.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, pages 5-7).

Payroll and Personnel

The Town did not have adequate segregation of duties relating to payroll. For example, the clerk and assistant clerk could add employees to the payroll system, input pay rates for employees, input hours worked into the system, generate pay checks, and distribute pay checks.

We also noted that the Town was not using its payroll system to track changes made to payroll data (e.g., pay rates); not all employees' time sheets were reviewed or signed by a supervisor; leave was not accurately accounted for in some cases (i.e., we noted individuals that had a negative ending leave balance); performance appraisals were not being conducted for all staff; employees did not have current job descriptions; and personnel files were incomplete and disorganized.

We recommend that Management:

1. Segregate payroll system access to prevent the clerk and assistant clerk from being able to add employees to the payroll system, input pay rates for employees, input hours worked into the system, generate pay checks, and distribute pay checks without independent review.
2. Ask the payroll system vendor to provide a report that includes changes made to critical payroll fields. This report should be subject to an independent review each pay period.
3. Require time sheets and leave documentation be completed by each employee and approved in writing by each employee's supervisor.
4. Validate leave balances by comparing to time sheet records, leave requests, leave accumulation rates set in the payroll system, and leave payout/usage records by an employee independent of the payroll process. Management should resolve any exceptions and investigate any possible areas of abuse or fraud.
5. Conduct annual employee performance appraisals and use the appraisals as the basis for compensation, training, and disciplinary actions. When developing and implementing this process, the Town should consult with legal counsel and human resources professionals.
6. Create job descriptions for all positions, including detailed duties and responsibilities.
7. Update and maintain critical documentation in personnel files. Personnel files should be kept in a secure location with limited access and include all documents related to employee hiring, payroll deductions, garnishments, evaluations, terminations, etc.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, page 7).

Accounts Receivable and Collections

The Town did not maintain a comprehensive list of receivables, making it difficult for management to verify whether the Town was receiving all monies owed. We also noted problems with segregation of duties over cash collections and physical controls over cash.

We recommend that Management:

1. Compile a list of receivables, including working with all departments to identify balances owed. Once identified, receivables should be recorded in the general

- ledger and reconciled to subsidiary ledgers (utility data system or accounts receivable module). All departments should continue to provide receivables updates/postings to Town Hall on a weekly basis for reconciliation and posting. The Town should also consider the cost/benefit of centralizing collections.
2. Restrict cash handling duties to a limited number of employees and segregate cash collection duties to prevent the same employee from collecting, recording, depositing, and reconciling collections.
 3. Prohibit employees from sharing cash drawers and hold employees accountable for the balances in their drawers. Collections should be reconciled daily, and any overages or shortages should be investigated. The Town should also implement surprise cash counts of cash drawers.
 4. Issue a receipt to each customer, regardless of payment method. In addition, the Town should post signs asking customers to request receipts upon payment in all areas where collections occur. The Town may consider installing cameras in collection areas.
 5. Establish a clear trail of responsibility and documentation when cash is transferred between employees. All employees that handle cash should be bonded/insured.
 6. Require daily cash deposits, when practicable, in accordance with R.S. 39:1212.
 7. Lock safes when not in use and require two people to be present when the safe is opened, entered, and locked. The Town should also require a log to be completed any time a safe is opened. The log should document who opened the safe; who witnessed the safe being opened; the reason for opening the safe; the date and time that the safe was opened; and the date and time the safe was verified as locked by those present.
 8. Review penalty provisions for late payments in Town agreements, contracts, and leases and enforce penalties consistently. If penalty provisions are not included in agreements, contracts, or leases, consider including in future agreements.
 9. Update written policies and procedures to specifically address adjustments to utility bills and other receivables, including maintaining documentation of the adjustments, requiring supervisory approval, and independently reviewing adjustments monthly.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, pages 7-8).

Purchasing and Disbursements

The Town did not have proper segregation of duties over purchasing duties and did not have a formal, centralized purchasing system (i.e., each department has its own purchasing process).

We recommend that Management:

1. Segregate employee duties to require different employees to initiate requisitions, create purchase orders, and approve purchase orders. These employees should not be able to approve invoices for payment, record invoices, receive goods, maintain inventories, or modify vendor master files. Also, employees that have access to the vendor master files should not have ability to disburse checks to vendors.
2. Centralize the purchasing/disbursement function and require that all departments use the centralized system, as follows:
 - Purchase requisitions - submitted by the department requesting the purchase and approved by a designated Town official prior to purchase to ensure that purchase is necessary to carry out Town business;
 - Purchase orders - prepared by a designated employee who verifies that funds are budgeted and available and that the purchase is in compliance with the Public Bid Law and public purpose;
 - Receiving reports - evidence from the Town employee receiving the materials or supplies that they have observed and can attest to the receipt of goods;
 - Invoices - evidence from the vendor of the services or materials provided;
 - Approval of invoices - verified by the approver of the requisition that documentation is present to support the payment and the amount owed is correct; and
 - Disbursements - employee responsible for disbursements ensures that all above documentation is completed prior to invoice payment and prepares files that include all disbursement support.
3. Establish purchase approval levels based on monetary thresholds. For example, the Town should establish a maximum purchase amount that can be authorized by a department and by the Mayor, as well as a threshold for purchases that must be approved by the Board. The Town should also establish an emergency purchasing process and designate who is authorized to approve emergency purchases.

4. Limit access to update vendor files to employees who do not have the ability to generate payments to vendors. Also, ask the accounting system vendor to provide a vendor report that includes all pertinent information for each vendor, including vendor number, name, address, phone number, and tax identification number. This list should be reviewed by the Mayor or someone independent of the purchasing function on a weekly basis to identify improper changes in vendor information. When first created, the list should be confirmed with actual vendors for accuracy.
5. Require that the Mayor sign all checks issued by the Town, as required by state law (R.S. 33:404), and consider the following points:
 - The Mayor may require an additional signature on all checks drawn on the treasury, provided: (a) the Mayor is still required to sign all checks; (b) the additional signature required by the Mayor must be a purely ministerial act, and the additional signatory shall have no discretion regarding the signing of checks; and (c) the Mayor shall have the authority to revoke the requirement of a second signature at will (*La AG 05-0003*);
 - We recommend an Alderman serving as a second signature on checks if the Mayor wishes to have an additional signature. Clerks are not recommended as a second signature since they are involved in check preparation; and
 - We recommend that all public officials who handle fiscal affairs (including check signing) obtain and record bonds (*La AG 77-655*).
6. Assign a specific employee to be responsible for overseeing the establishment/updating of policies and procedures related to the Public Bid Law and for monitoring compliance with policies and procedures. Policies and procedures should, at a minimum, address the following requirements:

Materials and Supplies

- Obtain no fewer than three telephone or facsimile quotations and obtain written confirmation of the accepted offer for purchases of \$10,000 or more, but less than \$30,000 dollars;
- Advertise and let for contract with the lowest responsible bidder for purchases with a value of more than \$30,000; and
- Obtain at least three written quotes for purchases less than \$10,000, but greater than \$1,000 (best practice, but not required by law).

Public Works (includes any contract for the erection, construction, alteration, improvement, or repair of any public facility or immovable property owned, used, or leased by a public entity)

- Advertise and let for contract with the lowest responsible and responsive bidder for all contracts exceeding the current contract threshold of \$152,550 [amount is updated each year by the state's Office of Facility Planning and Control (OFPC)] and use the Louisiana Uniform Public Work Bid Form established by the OFPC, and
- Use a Request for Proposal (RFP) process and/or solicitation of at least three bids for public works of less than \$152,550 (best practice, but not required by law).

Professional Services

- Obtain written quotes or use an RFP process (best practice, but not required by law)
7. Document compliance with the Public Bid Law (R.S. 38:2211, *et seq.*) by keeping a master listing of purchases that required quotes or bids, as well as the related quote/bid documentation.

For additional guidance regarding bid law procedures and exceptions, refer to the Public Bid Law FAQ document located on the LLA website.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, pages 8-10).

Utility Systems

The Town's previous administration lost more than \$300,000 on its utilities (gas, water, electric, and sewer) based on the 2016 audit report. In addition, the Town did not have an ordinance setting forth utility rates and cut-off procedures. Finally, the Town's current administration had a past-due utility receivables balance of more than \$90,000 as of October of 2016 (60+ days overdue). Failure to collect money owed to the Town may be a violation of La. Const. Art. VII, §14(A).

We recommend that Management:

1. Conduct a review of prior-year utility revenues and expenses, including the cost of maintenance, acquisition of the utilities, and necessary upgrades for each type of utility.
2. Based on the review above, request a utility rate study (e.g., Louisiana Rural Water Association) for each utility to evaluate which rates need to be increased to keep up with the cost of providing the services.
3. Develop, approve, and implement an ordinance that:

- Provides a clear explanation of the Town’s authority to set utility rates;
 - Provides specific instructions on how to implement rates, including examples;
 - Educates residents regarding rate setting methodologies, how bills are calculated, and how the Town uses utility revenue;
 - Provides for specific rates to be charged for electricity, gas, water, and sewer rates, including which rates are “fixed” and which rates are “variable;”
 - Provides for bill payment due dates, late penalties and reinstatement fees, cut off procedures when payments are not received, and process for referring bad debts to the LA Municipal Advisory & Technical Services Bureau.
4. Obtain and review the listing of unpaid accounts on a monthly basis and aggressively try to collect on unpaid bills. Management should consider the use of payment plans to increase likelihood of payment and use the services of LMA’s Municipal Advisory & Technical Services Bureau for collection of bad debts.
 5. If unable to collect amounts owed for utility services, terminate service in accordance with the ordinance above. The Town should consider reasonable provisions for elderly and handicapped customers in the Town’s cut-off procedures. Refer to the Public Service Commission’s *General Order Docket No. R-29706* adopted October 5, 2007, as a guide and discuss with legal counsel.

Management concurred with the recommendations and provided plans for corrective action as well as corrective actions already taken (see Appendix A, pages 10-11).

Travel

The Town did not have sufficient documentation to show that all routine and non-routine travel was necessary and related to Town business; did not maintain travel logs in vehicles; did not rely on Fuelman card data to monitor vehicle use; and did not mark all Town vehicles as public vehicles. The Mayor also asked us for guidance regarding the best options for his municipal travel and vehicle.

We recommend that Management:

1. Limit travel to that which is necessary to conduct Town business, and:
 - Approve staff’s non-routine travel in advance and in writing by the Mayor. The Mayor’s non-routine travel should be approved by the Board, and

- Board travel should be discussed in open meetings and specifically authorized by the entire Board;
- Update policies and procedures for any changes to travel practices;
 - Include travel expenditures in the annual budget;
 - Advance travel funds only in accordance with policy and state law and upon approval by the Mayor;
 - Maintain travel logs and expense reports with detailed/itemized receipts documenting the business purpose for the expenditures; and
 - Require specific authorization to use Town credit cards for travel, including detailed/itemized receipts documenting the business purpose of the charges.
2. Maintain mileage logs for the Town's vehicles that include the date or date range of usage, the driver's name, purpose of usage, and beginning and ending odometer readings. The logs should be periodically reviewed and compared to the Fuelman data to ensure that vehicle usage was appropriate, and any undocumented/ abnormal usage should be investigated and resolved. In addition, the logs should periodically be compared to fuel purchases on general credit cards to ensure that fuel purchases are reasonable when compared to the miles driven. Any unreasonable fuel purchases should be investigated and resolved.
 3. Implement formal policies and procedures to require regular review of Fuelman reports and the resolution of any exceptions noted.
 4. Apply municipal decals to all Town vehicles in accordance with R.S. 49:121, excluding those vehicles used in crime prevention and detection and similar investigative work.
 5. Evaluate the costs and benefits associated with the options available for the Mayor's transportation for Town business. That is, the Town should consider mileage reimbursement, monthly vehicle allowance, vehicle lease or purchase, or use of existing Town vehicles and present the most cost effective option to the Board for approval.

Management concurred with the recommendations and provided plans for corrective action as well as correction actions already taken (see Appendix A, page 11).

Hydroelectric Plant Royalties

The Town's ordinance over royalty revenues does not clearly outline the priorities relating to uses of the revenues. Town Ordinance No. 588 governs the use of revenues derived from the Town's participation in the S.A. Murray Hydroelectric Generation Station. The ordinance directs that the hydro plant revenues may be used for seven purposes in order of priority, and some Town employees have questioned whether the revenues have been used in accordance with the priorities set forth in the ordinance. Based on our review of the ordinance and discussions with Town employees and the contracted manager of the funds, we cannot determine the proper application of the priorities because the ordinance language is not clear. The contracted manager also agreed that provisions were unclear and that the ordinance needed to be clarified.

We recommend that Management:

1. Consider whether to pass a new ordinance to clarify future priorities as they relate to future uses of revenue.

Management considered the recommendation but has decided to not make any changes to the existing ordinance (see Appendix A, page 12).

Convention Center Losing Money

The Town continues to lose money on the operations of its Convention Center. The fiscal year 2015 annual audit report showed a loss of \$659,000 for the Convention Center, and the fiscal year 2016 audit report showed a loss of more than \$1 million. The Town's 2017 final budget estimated \$128,300 of revenue and \$519,850 of expenditures, while the 2018 budget estimates \$81,050 of revenue and \$446,500 of expenditures.

We recommend that Management:

1. Evaluate the financial viability of the Convention Center, including the economic benefit and costs to Vidalia. This evaluation should include cash flow projections for the current and at least two future years.
2. Based on the evaluation, develop strategies to maximize revenue and/or minimize expenses in order to eliminate recurring losses. The strategies may include consideration of whether to increase promotion efforts, sell the facility (if viable), propose a new millage, or develop public-private partnerships to increase utilization.

Management concurred with the recommendations and provided plans for corrective action (see Appendix A, page 12).

FEMA Public Assistance Reimbursements

At the time of our visit, the Town had not pursued reimbursement for two open and obligated Public Assistance projects related to flooding events in 2011 and 2016. The Town has subsequently requested and received reimbursement of \$167,660 of the total \$257,443 estimated amount due to the Town.

We recommend that Management:

1. Continue working with its designated Governor's Office of Homeland Security and Emergency Preparedness Disaster Recovery Specialist to determine the necessary steps and submit the required documentation to receive reimbursement on the open Public Assistance projects that FEMA has obligated.

Management concurred with the recommendation and provided plans for corrective action (see Appendix A, page 12).

Budgeted Positions

A Board member questioned whether it was allowable for the Mayor to hire positions that were not specific line items in the budget. From our review of state law and applicable AG opinions, we believe that the Mayor can hire positions that were not "specifically" provided for by line item.

We recommend that Management consider the following guidance:

1. A Mayor has authority to supervise and direct the administration and operation of all municipal departments, offices, and agencies, other than a police department with an elected chief of police, in conformity with ordinances adopted by the board of aldermen and with applicable provisions of state law. However, no such ordinance may limit the authority granted to the mayor by this Paragraph. All administrative staff shall be subordinate to the mayor. [R.S. 33:404 (A)(1)].
2. Subject to applicable state law, ordinances, and Civil Service rules and regulations, the Mayor has the power and responsibility to appoint and remove municipal employees, other than the employees of a police department with an elected chief of police. However, appointment or removal of a nonelected chief of police, municipal clerk, municipal attorney, or any department head shall be subject to approval by the board of aldermen, except that in the case of a tie vote, the recommendation of the Mayor shall prevail [R.S. 33:404 (A)(3)].
3. While the Mayor has the authority to incur liabilities and authorize expenditures, the liabilities and expenditures must be within the bounds of the amount allocated for such in the adopted or amended budget (*La AG Op 10-0268*).

4. The budget may contain specific line items for the nonelected chief of police, municipal clerk, municipal attorney, and department heads. However, the budget should not contain specific line items for specific municipal employees because, if the Council amends salaries of municipal employees, they could be violating R.S. 33:404, which states, in part, that the Council cannot affect the Mayor's right to hire, fire, and set salaries of municipal employees.

Management concurred with the recommendations (see Appendix A, pages 12-13).

APPENDIX A

Management's Response



CITY OF VIDALIA
P. O. BOX 2010
VIDALIA, LOUISIANA 71373-2010

BOARD OF ALDERMEN
JON BETTS
SABRINA DORE
ROBERT GARDNER
TRIAND McCOY
TOMMY PROBST

BUZ CRAFT
MAYOR

April 25, 2018

JAY LASYONE
CITY CLERK

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

Dear Sir:

Please see below Management's Response on the Louisiana Legislative Auditor's Report for the Town of Vidalia.

Municipal Classification

1. Management has confirmed with the Secretary of State that Vidalia is currently designated as a Town. However, some signage, i.e., stationery, etc. currently has "City of Vidalia" printed on them but will be phased out and changed to reflect our current designation as a Town.

Local Government Budget Act (LGBA)

1. Management agrees with the Louisiana Legislative Auditor's recommendations to utilize the comprehensive LGBA template on the LLA website when preparing and/or amending the annual budget. Management will also consult the LGBA frequently asked questions (FAQs) and flowchart on the Legal page of the LLA website.
2. Management agrees to prepare and implement a written fiscal improvement plan that addresses the general fund balance deficit. The plan will include specific targets and deadlines and consider such factors as reductions in staffing, aggressive collection of delinquent accounts, and a cost/benefit analysis of government operations that are not self-supporting.

Paying Leave Balances of Former Mayor and Former Chief of Police

1. Management agrees to require additional documentation from the former Mayor and former Police Chief to support the hours used for the leave payout.



2. Management will consult legal counsel to determine the propriety of these payments if additional leave documentation cannot be obtained from the former Mayor and former Police Chief. If deemed improper, management will consult with legal counsel about options to recoup the amount of the leave payout to the former Mayor and Police Chief.
3. Management will consult legal counsel when updating or establishing new documentation requirements for attendance and leave records.

Paying Leave Balances of Other Former Employees

1. Management has clarified the leave policy, including how leave taken is documented, how much leave can accumulate, when leave expires, and how unused leave will be paid out upon employment termination.
2. Management will consult with legal counsel regarding the Town's leave accumulation policies and the leave pay-outs to the former employees. If the payments are determined improper, the Town will consult with legal counsel regarding remedies, including recouping the funds.
3. Management agrees that documentation will be maintained in the personnel files to support any leave payouts. Files will include amount of leave earned, used, the current balance, and the amount paid out.

Payment of Employee Share of Health Insurance Premiums

1. Management will consult with legal counsel regarding the most effective manner in which to recoup payments from the three employees and Board member.
2. Management agrees to clarify in the Town's policy and procedure manual the insurance benefits available, eligibility requirements to participate in the benefits, and the requirements related to an employee's portion of the premium.

Open Meetings Law

1. Management is currently posting notice of public meetings at least 24 hours before the meeting by placement of a copy of the notice at the place of the meeting or at the body's official office.
2. Management is now allowing executive sessions **ONLY** under the following conditions:
 - Discussion of character professional competence, or physical or mental health of a person [does not apply to appointments of a person to a public body or to

discussions of the award of a public contract, except as provided in R.S. 39:1595(B)(7) and R.S. 42:17(A)(1)];

- Strategy sessions or negotiations with respect to collective bargaining, prospective litigation after formal written demand, or litigation when an open meeting would have a detrimental effect on the bargaining or litigating position of the public body;
 - Discussion regarding the report, development, or course of action for security personnel, plans, or devices;
 - Investigate proceedings regarding allegations of misconduct;
 - Cases of extraordinary emergency, limited to natural disaster, threat of epidemic, civic disturbances, suppression of insurrections the repelling of invasions, or other matters of similar magnitude; and
 - Any other matters that are or that will be provided for by the Legislature.
3. Management agrees to allow a public comment period prior to action on all agenda items upon which a vote is to be taken;
 4. Management will allow the audience to record the meeting;
 5. Management will require the recording of the meeting minutes;
 6. Management agrees to publish the meeting minutes on the Town's website in compliance with R.S. 42:20(B)(2).
 7. Management agrees to prohibit Board members from participating in a "walking quorum" and polling a majority of the members of the public body on matters which may later be considered by the public body as a whole, if such actions are used to circumvent the purpose and intent of the Open Meetings Law by minimizing the debate on the matter. A prohibited action, for example, could include debate on an item in the absence of a quorum, coupled with a vote without debate on the item in an open meeting.

Incentive Pay

1. Management agrees to request an AG opinion regarding the facts and circumstances of the incentive payments to determine whether the Town violated La. Const. Art. VII, §14(A), which prohibits payment of bonuses to employees. If the incentive payments are determined to be improper, the Town should recoup the payments from employees and elected officials.
2. Management will not issue incentive payments in the future.

3. Management has agreed by ordinance to comply with R.S. 33:404.1 which states: “the board of aldermen shall by ordinance fix the compensation of the Mayor, aldermen, clerk, chief of police, and all other municipal officers. The board of aldermen may by ordinance increase or decrease their compensation and the compensation of any nonelected municipal officer and may increase the compensation of other elected officials. However, the board of aldermen shall not reduce the compensation of any elected official during the term for which he is elected.”

Written Policies and Procedures

1. Management is actively incorporating the recommendations made in this report as part of a comprehensive policies and procedures manual. When drafting policies and procedures, management will refer to “best practices” on the LLA website for further guidance.
2. Management agrees that once developed, we will adopt this manual by ordinance. The ordinance will provide that policies and procedures should be periodically reviewed and updated to address changing conditions in the future. In addition, the ordinance will require that the updated policies and procedures be ratified once a year.
3. Management agrees to provide training on the policies and procedures manual and have staff sign an annual form acknowledging that they have received the manual, have read and understand its contents, and agree to comply with its provisions.

Credit Cards

1. Management is maintaining a list of all credit cards (general, store, and fuel cards).
2. Management will update the credit card request form to include information about who checked out the card, which card was checked out, and the date and time the card was checked out and returned. An example credit card issuance log is located on our website for additional ideas for tracking credit card usage.
3. Management currently requires employees who use office credit cards to provide adequate documentation to support all purchases.
4. Management has segregated duties by assigning different employees to maintain/secure credit cards; approve credit card purchases; and review/reconcile credit card statements and purchase documentation.

5. Management agrees to make credit card payments timely to avoid late fees and interest charges.
6. Management has recouped the amounts inadvertently paid to the Concordia Economic & Industrial Development District.
7. Management has established additional policies and procedures to address other critical areas, such as:
 - Monitoring card usage/persons responsible for monitoring;
 - Lost or stolen cards;
 - Return of cards upon employment termination;
 - Prohibiting purchases from being split into multiple transactions to avoid bid law thresholds;
 - Periodically re-assessing the need for cards;
 - Monitoring reimbursement requests for duplicate purchases made on credit cards; and
 - Prescribing disciplinary action for failing to comply with credit card policies and procedures.

Contract, Leases and Business Agreements

1. Management has actively been compiling an inventory of formal and informal agreements with third parties (e.g., law firms, engineering firms) and evaluating whether any agreements should be cancelled and document remaining agreements through formal, signed, contracts. Legal counsel will review all contracts prior to signing, including verification of compliance with the Public Bid Law, as applicable.
2. Management agrees to prepare a listing of contracts, including the vendor's name and contract information; starting date of the contract; ending date of the contract; services to be received; cost of the services; and employee responsible for monitoring each contract.
3. Management is establishing a policy/checklist for new contracts, which should include verifying that contracts clearly state the terms and conditions including: services to be received and costs; timing of service delivery; the period covered by the contract; how vendor performance will be evaluated; and consequences for failure to meet contract requirements. Contracts will be reviewed by legal counsel, signed and dated by all parties, and maintained on file at Town hall.

4. Management is establishing additional policies/checklists for professional service contracts (e.g., legal and IT professionals) to include provisions limiting total billings and requiring notification before reaching contract limits.
5. Management agrees to formalize, through contract, the arrangement between the Town, the Concordia Economic and Industrial Development District, and Natchez, Inc., whereby each entity utilizes the services of the same Economic Development Director. The Town should also work with the Economic Development Director to:
 - Create a formal job description;
 - Clarify reporting relationship (reporting to Mayor or a town official);
 - Establish consistent hours for which she will be available to the Town;
 - Establish a protocol for record keeping, including timesheets and leave requests and documentation of timesheet and leave approval; and
 - Establish performance measures to quantify and document the impact of economic development efforts.
6. Management will monitor the terms and conditions of all contracts on a periodic basis, including:
 - Preparing a checklist containing each contract's terms and conditions, which should be used by the assigned contract monitor to document review and monitoring of the contract;
 - Assigning contract monitors with the authority and skills/training to effectively monitor the contract and related project;
 - Tracking budgets and comparing invoices and charges to contract terms and conditions;
 - Verifying the deliverables are received on time and documenting the acceptance or rejection of deliverables;
 - Withholding payments to vendors until deliverables are received; and
 - Retaining documentation that supports payments to vendors.
7. Management has terminated the contract with Retail Strategies, LLC.

8. Management is developing formal policies and procedures providing detailed guidance on the contracting process, including all of the recommendations discussed above.

Payroll and Personnel

1. Management is segregating payroll system access to prevent the clerk and assistant clerk from being able to add employees to the payroll system, input pay rates for employees, input hours worked into the system, generate pay checks, and distribute pay checks without independent review.
2. Management agrees to ask the payroll system vendor to provide a report that includes changes made to critical payroll fields. This report should be subject to an independent review each pay period.
3. Management is requiring timesheets and leave documentation be completed by each employee and approved in writing by each employee's supervisor.
4. Management is validating leave balances by comparing to timesheet records, leave requests, leave accumulation rates set in the payroll system, and leave payout/usage records by an employee independent of the payroll process. Management is resolving any exceptions and investigating any possible areas of abuse or fraud.
5. Management will investigate implementing annual employee performance appraisals and use the appraisals as the basis for compensation, training, and disciplinary actions. When developed and implemented, the Town will consult with legal counsel and human resources professionals.
6. Management agrees to create job descriptions for all positions, including detailed duties and responsibilities.
7. Management has updated and is maintaining critical documentation in personnel files. Personnel files should be kept in a secure location with limited access and include all documents related to employee hiring, payroll deductions, garnishments, evaluations, terminations, etc.

Accounts Receivable and Collections

1. Management agrees to compile a list of receivables, including working with all departments to identify balances owed. Once identified, receivables will be recorded in the general ledger and reconciled to subsidiary ledgers (utility data system or accounts receivable module).

2. Management is restricting cash handling duties to a limited number of employees and segregating cash collection duties to prevent the same employee from collecting, recording, depositing, and reconciling collections.
3. Management is prohibiting employees from sharing cash drawers and hold employees accountable for the balances in their drawers. Collections will be reconciled daily and any overages or shortages investigated. The Town will implement surprise cash counts of cash drawers.
4. Management is issuing a receipt to each customer, regardless of payment method. In addition, the Town will post signs asking customers to request receipts upon payment in all areas where collections occur. The Town has installed cameras in collection areas.
5. Management has established a clear trail of responsibility and documentation when cash is transferred between employees. All employees that handle cash are bonded/insured.
6. Management requires daily cash deposits, when practicable, in accordance with R.S. 39:1212.
7. Management agrees to lock safes when not in use and require two people to be present when the safe is opened, entered, and locked. We also require a log to be completed anytime a safe is opened. The log should document who opened the safe; who witnessed the safe being opened; the reason for opening the safe; the date and time that the safe was opened; and the date and time the safe was verified as locked by those present.
8. Management agrees to review penalty provisions for late payments in Town agreements, contracts and leases and enforce penalties consistently. If penalty provisions are not included in agreements, contracts, or leases, consider including in future agreements.
9. Management has updated written policies and procedures to specifically address adjustments to utility bills and other receivables, including maintaining documentation of the adjustments, requiring supervisory approval, and independently reviewing adjustments monthly.

Purchasing and Disbursements

1. Management has segregated employee duties to require different employees to initiate requisitions, create purchase orders, and approve purchase orders. These employees are not able to approve invoices for payment, record invoices, receive goods,

maintain inventories, or modify vendor master files. Also, employees that have access to the vendor master files do not have ability to disburse checks to vendors.

2. Management is reviewing the centralizing process for the purchasing/disbursement function and it will require that all departments use the agreed upon system.
3. Management is establishing purchase approval levels based on monetary thresholds.
4. Management is limiting access to update vendor files to employees that do not have the ability to generate payments to vendors. This list will be reviewed by the Mayor or someone independent of the purchasing function to identify improper changes in vendor information.
5. Management has implemented the requirement that the Mayor sign all checks issued by the Town as required by state law (R.S. 33:404) and considered the following points:
 - The Mayor may require an additional signature on all checks drawn on the treasury, provided: (a) the Mayor is still required to sign all checks, (b) the additional signature required by the Mayor must be a purely ministerial act and the additional signatory shall have no discretion regarding the signing of checks, and (c) the Mayor shall have the authority to revoke the requirement of a second signature at will (La AG 05-0003);
 - The Mayor Pro Tempore is authorized to sign checks in the absence of the Mayor.
 - We recommend that all public officials who handle fiscal affairs (including check signing) obtain and records bonds (La AG 77-655).
6. Management agrees to assign a specific employee to be responsible for overseeing the establishment/updating of policies and procedures related to the Public Bid Law and for monitoring compliance with policies and procedures. Policies and procedures should, at a minimum, address the following requirements:

Materials and Supplies

- The Town will obtain no fewer than three telephone or facsimile quotations and obtain written confirmation of the accepted offer for purchases of \$10,000 or more, but less than \$30,000;
- Advertise and let for contract with the lowest responsible bidder for purchases with a value of more than \$30,000; and
- Obtain at least 3 written quotes for purchases less than \$10,000, but greater than \$1,000.

Public Works (includes any contract for the erection, construction, alteration, improvement, or repair of any public facility or immovable property owned, used, or leased by a public entity)

- Advertise and let for contract with the lowest responsible and responsive bidder for all contracts exceeding the current contract threshold of \$152,550 (amount is updated each year by the state's Office of Facility Planning and Control (OFPC) and use the Louisiana Uniform Public Work Bid Form established by the OFPC; and
- Use a Request for Proposal (RFP) process and/or solicitation of at least three bids for public works of less than \$152,550.

Professional Services

- Obtain written quotes or use an RFP process.
7. We will document compliance with the Public Bid Law (R.S. 38:2211, et seq.) by keeping a master listing of purchases that required quotes or bids, as well as the related quote/bid documentation.

Utility Systems

1. Management will conduct a review of prior year utility revenues and expenses, including the cost of maintenance, acquisition of the utilities, and necessary upgrades for each type of utility.
2. Management agrees that based on the review above, we are requesting a utility rate study for each utility to evaluate which rates need to be increased to keep up with the cost of providing the services.
3. Management agrees to develop, approve, and implement an ordinance that:
 - Provides a clear explanation of the Town's authority to set utility rates.
 - Provides specific instructions on how to implement rates, including examples;
 - Educates residents regarding rate setting methodologies, how bills are calculated, and how the Town uses utility revenue;
 - Provide for specific rates to be charged for electricity, gas, water and sewer rates, including which rates are "fixed" and which rates are "variable;"
 - Provides for bill payment due dates, late penalties and reinstatement fees, cut off procedures when payments are not received. We are currently referring bad debts to the LA Municipal Advisory & Technical Services Bureau.
4. Management is obtaining and reviewing the listing of unpaid accounts on a monthly basis and aggressively try to collect on unpaid bills. Management will consider the

use of payment plans to increase likelihood of payment and use the services of LMA's Municipal Advisory & Technical Services Bureau for collection of bad debts.

5. Management agrees that if unable to collect amounts owed for utility services, terminate service in accordance with the ordinance above. The Town will consider reasonable provisions for elderly and handicapped customers in the Town's cut-off procedures.

Travel

1. Management agrees to limit travel to that which is necessary to conduct Town business, and:
 - Approve staff non-routine travel in advance and in writing by the Mayor. The Mayor's non-routine travel should be approved by the Board, and Board travel should be discussed in open meetings and specifically authorized by the entire Board;
 - Update policies and procedures for any changes to travel practices;
 - Include travel expenditures in the annual budget;
 - Advance travel funds only in accordance with policy and state law and upon approval by the Mayor.
 - Maintain travel logs and expense reports with detailed/itemized receipts documenting the business purpose for the expenditures; and
 - Require specific authorization to use Town credit cards for travel, including detailed/itemized receipts documenting the business purpose of the charges.
2. Management agrees to maintain mileage logs for the Town vehicles that include the date range of usage, the driver's name, purpose of usage, and beginning and ending odometer readings. The logs will be periodically reviewed and compared to the Fuelman data to ensure that vehicle usage was appropriate, and any undocumented/abnormal usage will be investigated and resolved. In addition, the logs will periodically be compared to fuel purchases on general credit cards to ensure that fuel purchases are reasonable when compared to the miles driven. Any unreasonable fuel purchases will be investigated and resolved.
3. Management has implemented formal policies and procedures to require regular review of Fuelman reports and the resolution of any exceptions noted.
4. Management agrees to apply municipal decals to all Town vehicles in accordance with R.S. 49:121, excluding those vehicles used in crime prevention and detection and similar investigative work.
5. Management agrees to evaluate the costs and benefits associated with the options available for the Mayor's transportation for Town business.

Hydroelectric Plant Royalties

1. Management has considered whether to pass a new ordinance to clarify future priorities as they relate to future uses of revenue and we feel the current ordinance is sufficient.

Convention Center Losing Money

1. Management agrees to evaluate the financial viability of the convention center, including the economic benefit and costs to Vidalia. This evaluation will include cash flow projections for the current and at least two future years.
2. Management agrees that, based on the evaluation, we will develop strategies to maximize revenue and/or minimize expenses in order to eliminate recurring losses.

FEMA Public Assistance Reimbursements

1. Management agrees to continue working with its designated Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) Disaster Recovery Specialist to determine the necessary steps and submit the required documentation to receive reimbursement on the open Public Assistance projects that FEMA has obligated.

Budgeted Positions

1. Management agrees that a Mayor has authority to supervise and direct the administration and operation of all municipal departments, offices, and agencies, other than a police department with an elected chief of police, in conformity with ordinances adopted by the board of aldermen and with applicable provisions of state law. However, no such ordinance may limit the authority granted to the mayor by this Paragraph. All administrative staff shall be subordinate to the mayor. (R.S. 33:404 (A)(1)).
2. Management agrees that subject to applicable state law, ordinances, and civil service rules and regulations, the Mayor has the power and responsibility to appoint and remove municipal employees, other than the employees of a police department with an elected chief of police. However, appointment or removal of a nonelected chief of police, municipal clerk, municipal attorney, or any department head shall be subject to approval by the board of aldermen, except that in the case of a tie vote, the recommendation of the Mayor, shall prevail (R.S. 33:404 (A)(3)).
3. Management agrees that while the Mayor has the authority to incur liabilities and authorize expenditures, the liabilities and expenditures must be within the bounds of

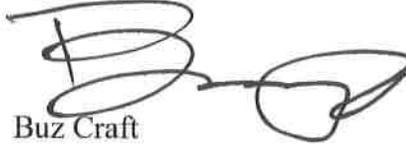
the amount allocated for such in the adopted or amended budget (La AG Op 10-0268).

4. Management agrees that the budget may contain specific line items for the nonelected chief of police, municipal clerk, municipal attorney, and department heads. However, the budget should not contain specific line items for specific municipal employees because, if the Council amends salaries of municipal employees, they could be violating R.S. 33:404, which states, in part, that the Council cannot affect the Mayor's right to hire, fire, and set salaries of municipal employees.

This concludes management's responses to the Louisiana Legislative Auditor's Report issued in March, 2018.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Buz Craft". The signature is stylized with large, overlapping loops and a long horizontal stroke extending to the right.

Buz Craft
Mayor

BC/pm

APPENDIX B

Former Mayor Hiram Copeland's Response



June 12, 2018

SENT VIA EMAIL to MBattle@LLA.La.gov and US MAIL

Daryl Purpera
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Mr. Purpera,

My firm represents former Mayor Hiram Copeland and has assisted him in preparing a response to your Confidential Draft Report issued on April 10th, 2018. Among other topics, the draft report attempts to scrutinize the payment of Mayor Copeland's accrued paid time off (PTO); however, any such scrutiny contains material omissions of fact and dissipates when confronted with clear and applicable law.

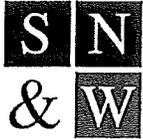
In express accordance with Louisiana law, Mayor Copeland was owed his accrued and unpaid leave balance upon completion of his time as a city employee. Failure to pay him the balance owed along with his final paycheck would not only be a violation of law, but would also expose the city government to penalty wages and attorney's fees for every day held in violation. Fortunately, there is no need to scour through Attorney General Opinions which do not have any force of law. There is a statute on point.

The provisions of law commonly referred to as "The Louisiana Wage Statute" and the following statutes are applicable to this matter. La. R.S. 23:631(A)(1)(b) provides:

Upon the resignation of any laborer or other employee of any kind whatever, it shall be the duty of the person employing such laborer or other employee to pay the amount then due under the terms of employment, whether the employment is by the hour, day, week, or month, on or before the next regular pay day or no later than 15 days following the date of resignation, whichever occurs first.

La. R.S. 23:632 provides:

An employer who fails or refuses to comply with the provisions of R.S. 23:631 shall be liable to the employee for 90 days wages at the employee's daily rate of pay, or else for full wages from the time the employee's demand for payment is made until the employer shall pay or tender the amount of unpaid wages due to such employee, whichever is the lesser amount of penalty wages. Reasonable attorney's fees shall be allowed the laborer or employee by the court which shall be taxed as costs to be paid by the employer, in the event a well-founded suit for any unpaid wages whatsoever be filed by the laborer or employee after three days shall have elapsed from time of making the first demand following discharge or resignation.



Finally, La. R.S. 23:634 provides:

No person, acting either for himself or as agent or otherwise shall require any of his employees to sign contracts by which the employees shall forfeit their wages if discharged before the contract is completed or if the employees resign their employment before the contract is completed; but in all such cases the employee shall be entitled to the wages actually earned up to the time of their discharge or resignation.

These statutes were “designed to assure the prompt payment of wages upon an employee's discharge or resignation.” *Boudreaux v. Hamilton Medical Group, Inc.*, 94-0879 (La.10/17/94), 644 So.2d 619, 622; *Mason v. Norton*, 360 So.2d 178, 180 (La.1978), *Beard v. Summit Institute of Pulmonary Medicine*, 707 So.2d 1233 (La. Sup. Ct. 1998); (LA R.S. 23:631, 23:634, and 23:636).

The Louisiana Supreme Court and every court of appeal has held that accrued paid time off qualifies as “wages” under the Louisiana Wage Statute. *Beard v. Summit Institute of Pulmonary Medicine*, 707 So.2d 1233 (La. Sup. Ct. 1998), *Baudoin v. Vermilion Parish School Bd.*, 96-1604 (La.App. 3rd Cir. 4/2/97), 692 So.2d 1316, writ den., 97-1169 (La.6/20/97), 695 So.2d 1358; *Barrilleaux v. Franklin Foundation Hosp.*, 96-0343 (La.App. 1st Cir. 11/8/96), 683 So.2d 348, 353, writ den., 96-2885 (La.1/24/97), 686 So.2d 864; *Macrellis v. Southwest Louisiana Independence Center*, 94-1155 (La.App. 3rd Cir. 5/3/95), 657 So.2d 135; *Lambert v. Usry & Weeks*, 94-216 (La.App. 5th Cir. 9/14/94), 643 So.2d 1280, 1281; *Potvin v. Wright's Sound Gallery, Inc.*, 568 So.2d 623 (La.App. 2nd Cir.1990); *Garrison v. Burger King Corp.*, 537 So.2d 834, 836 (La.App. 5th Cir.1989); *Blankenship v. Southern Beverage Co., Inc.*, 520 So.2d 440, 441 (La.App. 1st Cir.1988), writ dismiss., 522 So.2d 574 (La.1988); *Pohl v. Domesticom, Inc.*, 503 So.2d 125 (La.App. 5th Cir.1987), writ den., 505 So.2d 1148 (La.1987); *Lee v. Katz and Bestoff, Inc.*, 479 So.2d 459 (La.App. 1st Cir.1985); *Howser v. Carruth Mortg. Corp.*, 476 So.2d 830 (La.App. 5th Cir.1985).

As such, accrued paid time off is an “amount then due under the terms of employment” and constitutes wages under La. R.S. 23:631. *Beard v. Summit Institute of Pulmonary Medicine*, 707 So.2d 1233 (La. Sup. Ct. 1998).

Just as with every city employee, Mayor Copeland's accrued leave balance was documented on his check stubs and in other redundant systems and ledgers. His leave balance was independently calculated and tracked by public accounting staff. Such documents are in possession of the city as the legal custodian of such records and in compliance with Louisiana public records law, R.S. 44:1(A)(3). An example of his check stubs demonstrating his accrued leave balance, his used leave, and his available leave balance is attached for review as Exhibit A.

The law is clear and although unnecessary for the above mentioned reasons, the draft audit report attempts to assert authority to Attorney General opinions. An AG opinion is not a law or a judicial opinion and does not carry the weight of the statutes or jurisprudential case law referenced above; however, even their cited opinion explicitly states that “the Mayor and Police Chief are entitled to payment of accrued leave provided that formal records were maintained to reflect that the leave was accrued and unused.”



June 12, 2018

In this case, formal records for Vidalia were indeed maintained to reflect that the leave was accrued and unused. Accrued unused leave is tracked for EVERY employee, to include Mayor Copeland. A spreadsheet for accrued unused leave for the years 2015 and 2016 are attached for review as Exhibit B and Exhibit C, respectively. This information was obtained with a simple request for such information from the city clerk and was easily identified and obtained with minimal effort. **In fact, the accrued liabilities for the City of Vidalia, to include formal records of accrued and unused leave, is calculated and prepared for audit reports published annually on the Louisiana Legislative Auditor's very own website.**

Any good-faith review of records would discover this documentation. To suggest that an employee, that is, a non-custodian of any records, should independently prove his or her leave balance is equal parts unnecessary and inflammatory as it offends all manner of tradition and public policy in an employment relationship. To place the burden upon an employee to produce evidence of a leave balance years after their employment is absolutely absurd. In fact, the United States Supreme Court has called this "an impossible hurdle" and has acknowledged that federal law states that the employer, and not the employee, has the duty to keep proper records of employment. *Anderson et al. v. Mt. Celms Pottery Co.*, 66 S.Ct 1187.

As to the suggestions of an improper payment of accrued leave, the facts are clear. Just as would any employee, Mayor Copeland was owed all sums received and was paid in accordance with the law.

Furthermore, the city clerk reports that the payroll policies remain unchanged from Mayor Copleand's tenure. If a defect in policy is truly present, it would be more logical and just to direct criticism to the policy currently in place under tenure of the current administration, rather than isolate a single former Mayor for criticism.

For the aforementioned reasons, any such criticism of Mayor Copeland's paid leave balance, which is clearly contrary to well established case law, should be struck from the final audit report.

Because of the fundamental defects and factual errors identified above, I request that you amend your draft report and rescind any provisions wrongfully painting my client in an unfair light. Please update me on the status of this request prior to publication of the report.

Please do not hesitate to contact me should you have additional comments or need further clarification on any matter regarding Mayor Copeland.

Yours,

David LaCerte
Counsel for Former Mayor Hiram Copeland

enefits

Earnings

Description	Rate	Qty	Current	YTD
Personal	39.87	210	8372.88	8372.88
Vac Used	39.87	1864	74319.31	74319.31
Total			82692.19	

Direct Deposit

EXHIBIT A

Taxes

Description	Current	YTD
FED W/H	[REDACTED]	[REDACTED]
LA W/H	[REDACTED]	[REDACTED]
Medicare	[REDACTED]	[REDACTED]
Soc Sec	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

Vacation & Leave

Description	Accrued	Used	Available
Major Illness	3492.00	0.00	3492.00
Personal Leave	216.00	210.00	6.00
Sick	294.00	0.00	294.00
Vacation	1914.00	1864.00	50.00
Workers Compensat	0.00	0.00	0.00

Deductions

Check #: 39333 Date: 6/30/2016
 From: 6/20/2016 To: 6/30/2016

	Reimbursement	Gross Pay	Taxes	Deductions	Net Pay
Total This Pay:	0.00	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total YTD:	0.00	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

City of Vidalia
 200 Vernon Stevens Blvd.
 Vidalia, LA 71373
 (318) 336-5206

PRC - CONCORDIA BANK & TRUST CO
 [REDACTED]
 VIDALIA, LA 71373

39333

** Fifty-Six Thousand Nine Hundred Ten And 72/100 **

6/30/2016

HYRAM B. COPELAND
 [REDACTED] STREET
 VIDALIA, LA 71373

[REDACTED]

TO VIDALIA 2014		ACCRUED WAGES		PBC				
DEPT.	EMPLOYEE	VAC HRS	PAY RATE	EXTENDED	DEPT TOTAL	PREVIOUS YEAR	ADJUST	
ADMINISTRATION								
	[REDACTED]	20.00	16.22	324.40				
	[REDACTED]	1,414.00	35.79	50,607.06				
	[REDACTED]	172.00	20.00	3,440.00				
	[REDACTED]	17.00	10.00	170.00				
	[REDACTED]	240.00	23.56	5,654.40				
	[REDACTED]	120.00	21.63	2,595.60				
	[REDACTED]	184.00	23.08	4,246.72				
	[REDACTED]	235.00	28.72	6,749.20				
	[REDACTED]	119.50	17.30	2,067.35				
	[REDACTED]	140.00	20.19	2,826.60				
	[REDACTED]	1.50	16.48	24.72				
	[REDACTED]	80.00	29.81	2,385.04				
	[REDACTED]	64.00	13.10	838.40				
	[REDACTED]	93.00	9.27	862.11				
	TOTAL ADMIN				82,791.60	58,263.72	24,527.88	AJE 20
AMBULANCE								
	[REDACTED]	1,238.00	11.83	14,645.54				
	[REDACTED]	265.00	9.22	2,443.30				
	[REDACTED]	-96.00	9.27	-889.92				
	[REDACTED]	261.00	9.93	2,591.73				
	[REDACTED]	644.00	10.05	6,472.20				
	[REDACTED]	708.00	11.43	8,092.44				
	[REDACTED]	283.00	11.10	3,141.30				
	[REDACTED]	531.00	11.54	6,127.74				
	TOTAL AMBULANCE				42,624.33	36,301.77	6,322.56	AJE 7

**EXHIBIT
B**

MECHANICS									
L	162.00	15.81	2,561.22						
L	52.50	14.70	771.75						
S	321.00	18.94	6,079.74						
S	17.00	21.60	367.20						
			0.00						
TOTAL MECHANICS				9,779.91	5,237.76	4,542.15	AJE 20		
POLICE DEPT									
B	25.50	13.80	351.90						
B	44.50	17.80	792.10						
B	100.00	13.40	1,340.00						
B	215.00	16.00	3,440.00						
B	2.00	16.00	32.00						
C	26.00	17.00	442.00						
C	506.00	14.00	8,484.00						
D	35.00	12.00	420.00						
G	244.00	15.93	3,886.92						
L	537.00	31.25	16,781.25						
L	192.00	13.40	2,572.80						
M	105.00	14.00	1,470.00						
M	-24.00	13.80	-331.20						
M	246.50	16.00	3,944.00						
M	133.00	13.07	1,738.31						
R	74.00	13.40	991.60						
S	244.00	16.48	4,021.12						
W	292.00	21.00	6,132.00						
W	186.00	15.00	2,790.00						
TOTAL POLICE				59,298.80	50,975.83	8,322.97	AJE 20		

TO VIDALIA 2015		ACCRUED WAGES	PBC		PREVIOUS YEAR	ADJUST	
DEPT.	EMPLOYEE		PAY RATE	EXTENDED	DEPT TOTAL		
ADMINISTRATION							
C		20.00	18.79	375.80			
O		1,714.00	39.86	68,324.32			
D		212.00	26.36	5,588.32			
F		0.00	10.93	0.00			
H		360.00	27.23	9,801.00			
M		80.00	0.00	0.00			
R		232.00	25.50	5,916.58			
R		339.00	0.00	0.00			
R		91.50	20.33	1,860.19			
D		260.00	21.01	5,463.61			
T		3.50	17.48	61.18			
A		120.00	34.26	4,110.78			
W		96.00	0.00	0.00			
W		109.00	10.13	1,104.17			
TOTAL ADMIN					102,605.96	82,791.60	19,814.36
AMBULANCE							
A		1,106.00	12.92	14,289.52			
B		397.00	13.00	5,161.00			
F		213.00	10.98	2,338.74			
H		584.00	10.98	6,412.32			
M		1,104.00	12.49	13,788.96			
T		-22.00	13.00	-286.00			
V		855.00	13.00	11,115.00			
TOTAL AMBULANCE					52,819.54	42,624.33	10,195.21
							AJE 7

EXCEL
EXC

