

Sabine Parish Sales and Use Tax Commission

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2017



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Eugene W. Fremaux II

Certified Public Accountant

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Sabine Parish Sales and
Use Tax Commission
Many, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Sabine Parish Sales and Use Tax Commission, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Sabine Parish Sales and Use Tax Commission as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine Parish Sales and Use Tax Commission's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2018 on our consideration of Sabine Parish Sales and Use Tax Commission's internal control over financial reporting and our tests on its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



EUGENE W. FREMAUX II, CPA
June 22, 2018

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

This section of the Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year ended December 31, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Commission's tax collections in 2017 increased by \$901,760 to \$18,90,523, from collections in 2016.

Total current assets decreased by \$236,126 to \$561,331 during 2017, due primarily to settlement of several suits where taxes were paid under protest.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts:

- Management's discussion and analysis
- Basic financial statements
- Supplementary information

The basic financial statements include all of the funds of the Commission. All of the funds of the Commission can be grouped into one category, fiduciary funds, which are used to account for resources, held for the benefit of outside parties, such as other governments. The Commission used its fund to account for sales and occupancy taxes, which it collects for Sabine Parish governments.

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

CONDENSED STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

	2017	2016
Total current assets	<u>\$ 561,331</u>	<u>\$ 797,457</u>
Accounts payable	13,469	12,479
Taxes due others	189,499	571,930
Due taxing agencies	<u>358,363</u>	<u>213,048</u>
Total liabilities	<u>\$ 561,331</u>	<u>\$ 797,457</u>

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
MANAGEMENT'S DISCUSSION
AND ANALYSIS
DECEMBER 31, 2017

Changes in Due to Taxing Bodies

	2017	2016
Taxes Collected	<u>\$ 18,690,523</u>	<u>\$ 17,788,763</u>
Distributions:		
School Board	\$ 8,493,197	\$ 8,064,167
Police Jury	3,397,172	3,220,652
Town of Many	1,282,903	1,256,503
Town of Zwolle	653,105	755,204
Village of Converse	47,675	46,032
Village of Florien	211,680	198,204
Village of Pleasant Hill	49,054	36,767
Sabine Parish Law District	2,547,879	2,415,570
Sabine Parish Tourist Commission	169,733	158,106
District Attorney	438,422	405,275
Sabine Council on Aging	838,473	792,992
Commission operating expenses	<u>415,915</u>	<u>333,229</u>
Total Distributions and Expenses	<u>18,545,208</u>	<u>17,682,701</u>
Increase (decrease) in due to taxing bodies	<u><u>\$ 145,315</u></u>	<u><u>\$ 106,062</u></u>

The increase in operating expenses in 2017 relates primarily to increased personnel costs and outside auditing fees.

ECONOMIC FACTORS

The Commission has no current knowledge of any economic conditions that could have significant adverse affects on sales tax collections or operating expenses during 2018.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Georgia Jett, Chairman, 670 San Antonio Avenue, Many, LA 71449.

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2017

ASSETS

Cash	\$ 371,288
Cash-restricted	189,354
Prepaid expenses	<u>689</u>
Total assets	<u>\$ 561,331</u>

LIABILITIES

Accounts payable	\$ 13,469
Taxes due others	189,499
Due taxing agencies	<u>358,363</u>
Total liabilities	<u>\$ 561,331</u>

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(1) **Introduction**

The Sabine Parish Sales and Use Tax Commission (Commission), Many, Louisiana, was created on June 30, 1992 by the political subdivisions within Sabine Parish for the joint collection, enforcement, and administration of the sales and use taxes levied by these subdivisions. The Commission is managed by a Board of Commissioners composed of: two members appointed by the Sabine Parish Police Jury, two members appointed by the Sabine Parish School Board, one member appointed by the Town of Many, one member appointed by the Town of Zwolle, one member appointed by the Village of Florien, one member appointed by the Village of Pleasant Hill, and one member selected jointly by the police jury and the school board in accordance with Louisiana Revised Statute 47:337.14C(1).

The costs of establishing and operating the Commission are shared jointly by the taxing bodies on a pro-rata basis based on the ratio that the taxes collected for each bears to the total taxes collected.

(2) **Summary of significant accounting policies**

Reporting entity

For financial reporting purposes, the Commission includes all funds that are within the oversight responsibility of the Commission.

Basis of presentation

Fiduciary Fund Type

Fiduciary Fund - This fund is used to account for assets held by the Commission in a trustee capacity or as an agent for the taxing authorities.

Basis of accounting

The accounting and reporting policies of the Commission conform with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements constitutes GAAP for governmental entities. The accounting and reporting policies of the Commission conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the Louisiana Governmental Audit Guide.

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(2) Litigation and claims

The Commission is involved in litigation at December 31, 2017, involving taxpayer collection efforts, taxpayer refund requests that have been denied, and protested tax payments. At December 31, 2017 there were suits pending involving taxes paid under protest, amounting to \$95,301, which funds have been placed in an escrow account, and an offsetting liability recorded in taxes due others. In addition, the Commission has received refund requests, where lawsuits have been filed or litigation is expected, for taxes remitted without being paid under protest, and distributed to the respective taxing authorities, totaling \$1,364,724. These refund requests have been denied and are presently in dispute.

(3) Compensated absences

All employees earn 5 - 20 days of annual vacation leave per year depending on length of service with the Commission. Such leave is credited on a pro rata basis at the end of each payroll reporting period and accumulates. No more than 10 days can be carried forward to the next year. Annual leave is paid upon termination of employment.

(4) Personnel costs

The Commission's employees are paid by the Sabine Parish Police Jury (Jury) and the Jury is reimbursed by the Commission for the related payroll costs, including fringe benefits.

(5) Compensation of commissioners

The commissioners' compensation or per diem during the year ended December 31, 2017 as follows:

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Bobby Williams	\$ 300
Glenn Arnold	300
Georgia Jett	2,650
Kenneth Ebarb	250
Gloria Ruffin	250
Donald Remedies	250
G. J. Martinez	250
Daron Chandler	200
Gay Corley	1,500

(6) Risk Management

The Commission is exposed to various risk of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the commission maintains commercial insurance policies covering; automobile liability, medical payments, uninsured motorist, and collision, business liability, property coverage; and surety bond coverage. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts

(7) Changes in Agency Fund Deposits due Others

A summary of changes in agency fund deposits due others for 2017 follows:

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Balance, beginning of year						<u>\$ 213,048</u>
	Sales		Collection		Audit	
	Tax Rate	Collections	Fees	Fees	Distributions	
School Board	2.000%	\$ 8,765,795	\$ 173,331	\$ 99,267	\$ 8,493,197	
Police Jury	1.000%	3,506,209	69,330	39,707	3,397,172	
Town of Many	1.000%	1,310,580	26,182	1,495	1,282,903	
Town of Zwolle	2.000%	666,585	13,328	152	653,105	
Village of Converse	1.000%	48,647	972	-	47,675	
Village of Florian	1.000%	221,951	4,319	5,952	211,680	
Village of Pleasant Hill	1.000%	50,056	1,002	-	49,054	
Sabine Parish Law District	0.750%	2,629,657	51,998	29,780	2,547,879	
Sabine Parish Tourist Commission	3.000%	173,197	3,464	-	169,733	
District Attorney	0.125%	452,332	8,946	4,964	438,422	
Sabine Council on Aging	0.250%	865,514	17,114	9,927	838,473	
		<u>\$ 18,690,523</u>	<u>\$ 369,986</u>	<u>\$ 191,244</u>	<u>\$ 18,129,293</u>	561,230
Commission operating expenses						<u>(415,915)</u>
Balance, end of year						<u>\$ 358,363</u>

(8) Cash

Louisiana Revised Statutes authorize the Commission to invest in United States bonds, treasury notes or certificates, time certificates of deposit, or any other federally insured investment.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Cash consists of both non-interest and interest bearing bank accounts with area financial institutions. At year end, non-interest bearing demand deposit accounts at the bank were insured in full by the Federal Deposit Insurance Corporation (FDIC). Interest bearing accounts, amounting to \$299,340, were insured by the FDIC up to \$250,000 per institution. Banks are required by R.S. 49:321 to pledge security for deposits in excess of FDIC coverage. There was \$1,490,000 of pledged securities available to cover the deposit amount in excess of the FDIC insurance amount at December 31, 2017. Louisiana revised statutes requires the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Commission that the pledging bank has failed to pay deposited funds upon demand. At December 31, 2017, the Commission was not exposed to custodial credit risk.

Cash at year end in the amount of \$189,354 is restricted for taxes paid under protest and certain amounts awaiting review and processing.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners
Sabine Parish Sales and
Use Tax Commission
Many, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Sabine Parish Sales and Use Tax Commission Sabine Parish Sales and Use Tax Commission, Many, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of



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my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Eugene W. Fremaux II". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE W. FREMAUX II, CPA
June 22, 2018

**SABINE PARISH SALES AND USE TAX COMMISSION
SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

Current year

2017-01 Bank Reconciliation Procedures

Criteria: The Commission's bank accounts should be reconciled and reviewed on a monthly basis.

Condition: A review of the 2017 bank account reconciliations disclosed no reconciliations in 2017 for the protest bank account. Because of not reconciling the protest bank account, there were three deposits, amounting to \$2,004, that were not recorded in the general ledger.

Cause: The bank reconciliations were not prepared by the Deputy Administrator.

Recommendation: Bank reconciliations should be prepared, and properly reviewed, for all bank accounts monthly.

Management's Response: The Administrator, as part of his review process of bank reconciliations, will make sure all bank accounts are reconciled monthly.

Prior year

None

EXHIBIT A

SABINE PARISH SALES AND USE TAX COMMISSION
MANY, LOUISIANA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD
YEAR ENDED DECEMBER 31, 2017

Agency Head: Georgia Jett

<u>Purpose</u>	<u>Amount</u>
Per diem	\$2,650

Sabine Parish Sales and Use Tax Commission

AGREED-UPON PROCEDURE REPORT

DECEMBER 31, 2017



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners
Sabine Parish Sales and
Use Tax Commission
Many, Louisiana

We have performed the procedures enumerated below, which were agreed to by Sabine Parish Sales and Use Tax Commission (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. **Procedure:** Obtain the Entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving.
- d) **Receipts**, including receiving, recording, and preparing deposits.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The Entity does not have formal written policies and procedures for Receipts, Contracting, Credit Cards, Ethics or Debt Service. The written policies and procedures for purchasing do not address how vendors are added to the approved vendor list. The Commission has no debt.

Management's Response: Although the Commission does not have written policies and procedures with respect to Ethics, the Commission complies with laws and regulations related to Ethics.

Although there are no written policies and procedures regarding how vendors are added, all significant expenditures are discussed and approved as necessary in Board meetings. In addition, all payments to vendors are reviewed and checks are signed by two individuals, with one being either the Board Chairman or Administrator, depending on the amount.

Board (or Finance Committee, if applicable)

2. **Procedure:** Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Entity's prior audit (GAAP-basis).
 - 1. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: No exceptions noted.

Bank Reconciliations

3. **Procedure:** Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Result: No exceptions noted.

4. **Procedure:** Using the listing provided by management, select all of the entity's bank accounts (if five (5) accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five (5) accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period.

Results:

- a) No bank reconciliations were prepared for the protest account for 2017.
- b) No exceptions noted for the prepared reconciliations.
- c) The Commission did not have documentation indicating that old outstanding items (more than 6 months) had been researched. There were three items on the operating account and two items on the receipts account that were outstanding more than six months.

Management's Response: The Administrator, as part of his review process of bank reconciliations, will make sure all bank accounts are reconciled monthly, and that appropriate research documentation is attached for any old outstanding item.

Collections

- 5. **Procedure:** Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Results: No exceptions noted.

- 6. **Procedure:** Using the listing provided by management, select all of the Entity's cash collection locations (if five (5) locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five (5) locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether

the Entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - 1. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - 2. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results:

- a) The Entity does not have written documentation supporting the policy or procedure stating that the employee responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account. The Commission does not accept cash, only checks, money orders, and online payments to their bank account. All commission employees are bonded.
- b) The Entity does not have written documentation and procedures for reconciling cash collections to the general ledger; however, the person responsible for cash collections may also be responsible for reconciling to the general ledger.
- c) 1. The following items were not deposited within one (1) day of receipt:

Collections of occupancy taxes for the Sabine Tourist Commission have not been deposited within one day due to the low volume of transactions, but generally were deposited and processed weekly.
- 2. No exceptions noted.

Management's Response: Due to the limited staff size, the Entity's policy and procedures for collections does not preclude employees who collect cash from depositing, recording, and reconciling bank accounts. However, the Commission's procedures do include review functions by another employee, the Administrator,

and the Chairman and Board to help mitigate the lack of segregation that would be ideal if the Commission had larger staff.

In the future, the Commission's policy will be to make deposits daily, regardless of the volume of transactions.

7. **Procedure:** Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Results: The Entity does not have formal written policies and procedures for determining the completeness of all collections for each revenue source by a person who is not responsible for those collections.

Management's Response: Although the Commission does not have formal written policies and procedures for determining completeness of all collections for each revenue source by a person not responsible for collections, there are procedures in place for daily cash reports that are prepared and reviewed by the employees and Administrator. The small staff size precludes ideal segregation of duties but where practical, review functions are implemented to mitigate risks.

Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. **Procedure:** Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Results: No exceptions noted.

9. **Procedure:** Using the disbursement population from #8 above, randomly select twenty-five (25) disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than twenty-five (25) transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: The Commission does not use a requisition or purchase order system. All transactions tested were paid from an invoice approved by the Administrator.

10. **Procedure:** Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Results: The commission does not have formal written policies and procedures regarding who is responsible for adding vendors to the purchasing/disbursement system.

Management's Response: Although there are no written policies and procedures regarding how vendors are added, all significant expenditures are discussed and approved as necessary in Board meetings. In addition, all payments to vendors are reviewed and checks are signed by two individuals, with one being either the Board Chairman or Administrator, depending on the amount.

11. **Procedure:** Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: The Entity does not have formal written policies and procedures stating that persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating purchases.

Management's Response: Due to the small staff size, it is impractical to prohibit persons with signatory authority or who make final authorization for disbursements to have no responsibility for initiating purchases. However, all checks require two signatures and supporting documentation for expenditures is presented for review and approval at the time checks are presented for signing. We believe this secondary review and approval helps mitigate the risk of

improper disbursements by persons who may have signatory authority and other authorization and initiation responsibilities.

12. **Procedure:** Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: Check stock is maintained in a locked location but is accessible by some authorized check signers.

Management's Response: Due to the limited staff size, it is impractical to prohibit all persons with signatory authority from access to check stock. However, all checks require two signatures and at least one of the signers must be the Chairman or Administrator, neither of whom have access to check stock.

13. **Procedure:** If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions noted.

15. **Procedure:** Using the listing prepared by management, randomly select ten (10) cards (or at least one-third of the cards if the entity has less than ten (10) cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results:

- a) There was no evidence that the monthly statements were reviewed or approved by someone other than the authorized card holder.
- b) No exceptions noted.

16. **Procedure:** Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the ten (10) cards selected (i.e. each of the ten (10) cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - 1. An original itemized receipt (i.e., identifies precisely what was purchased).
 - 2. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - 3. Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the

requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: No exceptions noted.

Travel and Expense Reimbursement

17. **Procedure:** Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Results: No exceptions noted.

18. **Procedure:** Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Results: No exceptions noted.

19. **Procedure:** Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three (3) travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

b) Report whether each expense is supported by:

1. An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
2. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

3. **Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).**
- c) **Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.**
- d) **Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.**

Results: No exceptions noted.

Contracts

20. **Procedure:** Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Results: No exceptions noted.

21. **Procedure:** Using the listing above, select the five (5) contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) **Report whether there is a formal/written contract that supports the services arrangement and the amount paid.**
 - b) **Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:**
 1. **If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).**
 2. **If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.**

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Results: No exceptions noted.

Payroll and Personnel

- 22. **Procedure:** Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five (5) employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: No exceptions noted.

- 23. **Procedure:** Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select twenty-five (25) employees/officials (or randomly select one-third of employees/officials if the entity had less than twenty-five (25) employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: No exceptions noted.

24. **Procedure:** Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Results: No exceptions noted.

25. **Procedure:** Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: Payroll taxes and retirement contributions are handled by the Sabine Parish Police Jury, who processing payroll for the Commission.

Ethics

26. **Procedure:** Using the five (5) randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity-maintained documentation to demonstrate that required ethics training was completed.

Results: No exceptions noted.

27. **Procedure:** Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: No exceptions noted.

Debt Service (excluding nonprofits)

28. **Procedure:** If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results: No debt was issued during the fiscal period.

29. **Procedure:** If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: The Commission has not debt outstanding.

30. **Procedure:** If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: Not applicable.

Other

31. **Procedure:** Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions noted.

32. **Procedure:** Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions noted.

33. **Procedure:** If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Results: No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in black ink, appearing to read 'Eugene W. Fremaux II', with a long horizontal flourish extending to the right.

Eugene W. Fremaux II, CPA
June 22, 2018