

TOWN OF JONESVILLE



INVESTIGATIVE AUDIT
JANUARY 20, 2016

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 20, 2016

**THE HONORABLE HIRAM EVANS, MAYOR
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF JONESVILLE**
Jonesville, Louisiana

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

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

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 7th Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

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EXECUTIVE SUMMARY

Utility Payments Not Deposited

Town of Jonesville (Town) records indicate that utility payment transactions totaling \$93,841 were received and/or recorded in the utility system but not deposited in the Town's bank accounts from December 30, 2014 through September 4, 2015. Former Utility Clerks Leigh Ann Ingram and Veronica Barber were responsible for handling utility collections during this period and denied taking any of the missing funds. However, Town records indicate that Ms. Ingram and Ms. Barber collected utility payments, failed to issue a receipt for all payments collected, and failed to deposit the collections daily into the Town's bank account. Additionally, Ms. Ingram recorded payments to customer accounts without supporting documentation or management approval. By failing to issue a receipt for all payments collected and failing to deposit all funds collected on a daily basis, Ms. Ingram and Ms. Barber may have violated state law.

Inadequate Financial Management of the Utility System

The Town lacks an adequate system of financial management over its utility system. Without an effective system of financial management, the mayor and board cannot effectively exercise their fiduciary responsibilities of managing the Town's utility system and may be exposing its customers to higher than necessary charges. The problems we identified during our audit included the following:

- all kilowatt hours (kWh) purchased are not billed to customers;
- uncollected utility receivables;
- failure to disconnect services; and
- unreconciled customer meter deposits.

BACKGROUND AND METHODOLOGY

The Town of Jonesville (Town) is located in Catahoula Parish and has a population of 2,265 (2010 Census). The Town was incorporated under the provisions of the Lawrason Act and has a mayor-board of aldermen form of government. The Town provides utility, public safety (police), streets, sanitation, and general administrative services.

The District Attorney for the 7th Judicial District (District Attorney) received complaints concerning various aspects of the Town's operations, including its management of the utility system. On May 7, 2015, the District Attorney forwarded these complaints to the Louisiana Legislative Auditor. This audit was initiated to determine the validity of those complaints. The procedures performed during this audit included:

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

FINDINGS AND RECOMMENDATIONS

Utility Payments Not Deposited

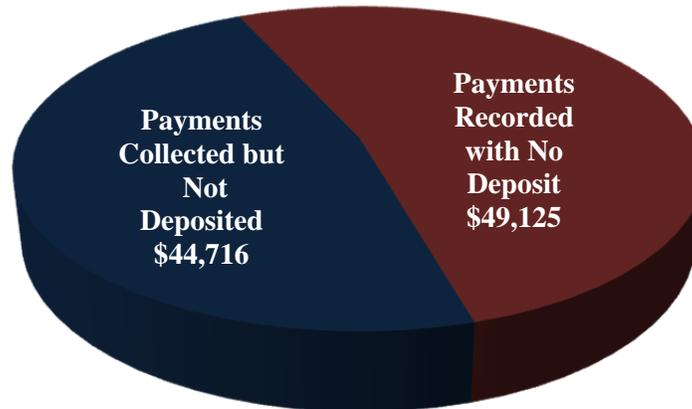
Town of Jonesville (Town) records indicate that utility payment transactions totaling \$93,841 were received and/or recorded in the utility system but not deposited in the Town's bank accounts from December 30, 2014 through September 4, 2015. Former Utility Clerks Leigh Ann Ingram and Veronica Barber were responsible for handling utility collections during this period and denied taking any of the missing funds. However, Town records indicate that Ms. Ingram and Ms. Barber collected utility payments, failed to issue a receipt for all payments collected, and failed to deposit the collections daily into the Town's bank account. Additionally, Ms. Ingram recorded payments to customer accounts without supporting documentation or management approval. By failing to issue a receipt for all payments collected and failing to deposit all funds collected on a daily basis, Ms. Ingram and Ms. Barber may have violated state law.^{1,2,3,4,5,6}

The Town did not have written policies and procedures relating to utility collections. During the period covered by our audit, former Utility Clerks Leigh Ann Ingram and Veronica Barber were responsible for collecting utility payments, issuing receipts, and recording payments into the Town's computerized utility system (utility system). Payments received by the two clerks were kept in separate cash drawers that were stored overnight in a locked closet. Each clerk was responsible for counting the funds, reconciling the amounts collected to the payments recorded in the utility system, and preparing the funds for deposit. The deposits were then remitted to Town Clerk Cindy Sanders, who would deposit the funds into the Town's bank account. Ms. Sanders acknowledged that she did not perform any reconciliation procedures to ensure that all amounts collected were recorded to the utility system and that those amounts agreed to the bank deposits.

Utility Payments Not Deposited

Utility payment transactions totaling \$93,841 were received and/or recorded to customer accounts but not deposited into Town bank accounts. Town utility system records indicate that from December 30, 2014 through September 4, 2015, payment transactions were recorded to customer accounts totaling \$2,202,777; however, for the same period, the Town's bank records reflect that only \$2,108,936 was deposited, leaving a shortage of \$93,841. This amount includes \$44,716 in payment transactions for which a receipt was issued by Town employees but the funds were not deposited and additional payment transactions recorded to customer accounts totaling \$49,125 for which there were no corresponding deposits and no documentation to support the payment transactions. The following chart illustrates the payment transactions totaling \$93,841 that were recorded to customer accounts but not deposited.

Utility Payments Not Deposited



Payments Collected but Not Deposited

We examined receipt books and payment transaction reports generated from the Town's utility system and compared the amounts recorded to customer accounts to the amounts deposited into the Town's bank account. Payment transaction reports indicate amounts recorded to customers' accounts to reflect payments and other adjustments that reduced the amount owed by each customer. These records indicate that from December 30, 2014 to September 4, 2015, the Town collected funds totaling at least \$44,716, for which a receipt was issued to the customer, the amount was recorded to the customer's account, but the payment was not deposited. According to the receipt books, a majority (95%) of the funds collected, but not deposited, were collected by former Utility Clerks Leigh Ann Ingram and Veronica Barber. These records indicate that Ms. Ingram collected at least \$35,233 of the funds not deposited and Ms. Barber collected at least \$7,151 of the funds not deposited.

During our audit, we noted several instances in which receipts were issued to customers; however, the payments were not immediately recorded to the customers' accounts in the utility system, and the funds were not deposited in the Town's bank account. For example, on March 26, 2015, Ms. Ingram issued a receipt to a customer for a \$252 cash payment. Ms. Ingram's payment transaction report indicating payments recorded on that day agreed to the funds that she remitted to Ms. Sanders for deposit but did not include the \$252 cash payment that she collected. As such, it appears that Ms. Ingram received the payment, failed to properly record the payment in the utility system, and failed to deposit the cash payment. Although customer history records indicate that Ms. Ingram recorded the \$252 payment to the customer's account on April 23, 2015 (28 days later), there was no corresponding bank deposit or other documentation to support the payment transaction.

In addition, Town records indicate that utility payments made by check were substituted for cash payments that were recorded in the utility system but not deposited. For example, Ms. Barber issued a receipt to a customer who wrote a check in the amount of \$217 on June 1, 2015. The check was deposited on June 2, 2015. Ms. Barber's payment transaction report for

that day agreed to the amount of funds that were deposited; however, the \$217 payment, which was included in the deposit, was not included on Ms. Barber's payment transaction report. This suggests that Ms. Barber received the payment, failed to immediately record the payment in the utility system, and substituted the check in place of cash payments that were recorded in the utility system but not deposited. Although customer history records indicate that Ms. Ingram recorded the \$217 payment to the customer's account on June 23, 2015 (22 days later), there was no corresponding bank deposit or other documentation to support the payment transaction.

Payments Recorded with No Deposit

In addition to the payments collected but not deposited, we found that Ms. Ingram recorded additional payment transactions to customer accounts totaling \$49,125 for which there was no receipt or other documentation to support the payment transactions. This suggests that customers had payments recorded to their accounts without actually making a payment or the Town received payments for which the collecting clerk recorded the payment, failed to issue a receipt, and failed to deposit the payment into the Town's bank account. Recording the payment transaction to the customer's account would prevent a customer who had paid, but not had their payment deposited, from having his/her utility services cut off.

Ms. Ingram stated that transactions were sometimes recorded to customers' accounts to correct billing errors and that she maintained a folder with the supporting documentation for those transactions. Ms. Ingram further stated that when the disconnect report was printed each month, she noticed customers on the report that she knew had paid their bills so she recorded payment transactions to those accounts. We examined the supporting documentation maintained by Ms. Ingram and determined that she did not have management approval or any supporting documentation for payment transactions totaling \$49,125. We noted that most of these payment transactions were recorded a few days before the Town would disconnect customers' utilities for lack of payment.

Both Ms. Ingram and Ms. Barber denied taking any of the missing funds and stated that they recorded payments to the utility system as soon as the payments were received. However, both acknowledged that they did not issue a receipt for every payment that they collected. According to Ms. Ingram, neither she nor Ms. Barber counted their cash drawers every day. Ms. Ingram stated that she and Ms. Barber were "lazy" and would only count enough money to satisfy the payment transaction reports generated from the utility system. Ms. Ingram further stated that any cash overages left in the cash drawers were not deposited. Ms. Barber, however, indicated that there were instances when she had too much money in her cash drawer, but she deposited those overages. It should be noted that we only found one instance in which the amount deposited exceeded the amounts listed on the corresponding payment transaction reports.

Conclusion

Utility payment transactions totaling \$93,841 were received and/or recorded to customer accounts but not deposited in the Town's bank accounts from December 30, 2014 through September 4, 2015. This amount included \$44,716 in payment transactions for which a receipt

was issued by Town employees and additional payment transactions recorded to customer accounts totaling \$49,125 for which a receipt was not issued, and there was no other documentation to support the payment transactions. Although both clerks responsible for collecting utility payments denied taking any of the missing funds, it appears that Ms. Ingram and Ms. Barber collected utility payments, failed to issue receipts for all payments collected, and failed to deposit all payments that they collected on a daily basis. By failing to issue a receipt for all payments collected and failing to deposit all funds collected on a daily basis, Ms. Ingram and Ms. Barber may have violated state law.^{1,2,3,4,5,6}

Recommendations

We recommend that the Town consult with legal counsel to determine the appropriate legal actions to be taken, including recovery of the missing funds and/or restitution. In addition, the Town should develop and implement policies and procedures to ensure that all payments collected by the Town are accounted for and deposited daily. Town management should:

- (1) require that all funds collected be adequately documented, accurately recorded, and deposited daily in accordance with state law;
- (2) review and compare the daily total deposits to the total receipts on a regular basis and immediately investigate any differences;
- (3) ensure that employees are properly trained on cash handling policies and procedures;
- (4) require monthly reconciliation of customer accounts receivable balances. Each month, the total of customer accounts balances in the utility system (subsidiary ledger) should be reconciled with the corresponding accounts receivable balance in the general ledger. Any differences should be immediately investigated and resolved. The monthly reconciliation of these two independent records is essential for a proper system of controls over customer accounts;
- (5) require that each clerk establish and use a separate user account in the utility system; and
- (6) require management to approve, in writing, all adjustments to customer accounts.

Inadequate Financial Management of the Utility System

The Town lacks an adequate system of financial management over its utility system. Without an effective system of financial management, the mayor and board cannot effectively exercise their fiduciary responsibilities of managing the Town's utility system and may be exposing its customers to higher than necessary charges. The problems we identified during our audit included the following:

- **all kilowatt hours (kWh) purchased are not billed to customers;**
- **uncollected utility receivables;**
- **failure to disconnect services; and**
- **unreconciled customer meter deposits.**

All Kilowatt Hours Purchased Are Not Billed to Customers

The majority of the Town's energy is provided by the Louisiana Energy and Power Authority (LEPA). LEPA offers a "full requirements" membership to its members. For its full-requirements members, LEPA provides load balancing services and is able to obtain energy from the open market for its customers during periods in which the LEPA plant shuts down for routine maintenance. Since the Town is not a full-requirements member, the Town must contract with other energy providers to provide the load balancing services, obtain additional energy when the LEPA plant shuts down, and pay on demand charges whether the Town receives energy from these providers or not.

As part of the Town's written agreement with LEPA, the Town agreed to charge a rate "sufficient to provide revenues adequate to meet its obligations." As such, the Town structured its utility rate as follows:

- (1) The Town's utility revenue rate passed by Ordinance No. 15.67 on November 13, 2012, allowed the Town to charge its customers a flat fee of \$9.00 per month. The ordinance also set the Town's utility revenue rates, which are a residential base rate of \$0.03174 per kilowatt hour (kWh) and a commercial base rate of \$0.03576 per kWh;
- (2) The fuel adjustment, which is the total that the Town pays to the energy providers for the energy and other costs incurred by the providers, is allocated to each customer based on the customer's usage; and
- (3) The debt service adjustment, which is based on a loan that the Town took out to pay past due balances to its energy providers. The monthly loan payment is allocated to the customers based on usage.

During our audit, we noticed that the Town is unable to bill customers for every kWh that the Town purchases from its providers. Town records indicate that from August 2014 through

May 2015, the Town received 22,215,571 kWh from its energy providers; however, the Town only billed customers for 17,936,074 kWh for the same period, leaving an electrical system energy loss of 4,279,497 kWh, or 19%. The United States Energy Information Administration (EIA) defines electrical system energy loss as the amount of energy lost during generation, transmission, and distribution of electricity including plant and unaccounted for use. The EIA estimates that these losses average about 6% annually in the United States.

Because the Town's electrical system energy loss is greater than three times the national average, we attempted to identify potential reasons for the loss. We tested utility rates charged to both residential and commercial customers to determine if the Town was charging customers the appropriate amounts. Based on our test, rates were being appropriately charged to customers. In addition to testing utility rates, we attempted to determine whether or not customers were billed on a regular and recurring basis. However, the Town has inadequate controls in place to ensure that every kWh consumed by a customer is billed to a customer or that all customers are billed; therefore, we were unable to determine if the loss was due to customers not being billed for all kWh that they consumed. We were able to review the Town's billing statements for August 2014 through May 2015 and determined that the number of customers billed each month appeared to be stable. We spoke with Mayor Evans and the Town's energy consultant and were informed that the Town's utility system is dated and in need of repairs. They added that the current condition of the Town's utility system could be the cause for the higher than normal electrical system energy loss.

Uncollected Utility Receivables

The Town does not have adequate written policies and procedures regarding unpaid utility accounts. While Town Ordinance No. 15.59 requires that Town officials do all things necessary to collect and enforce the prompt payment of all charges made for water, sewer, and electric services rendered by the system, the Town is owed a significant amount of money from its utility customers. As of September 23, 2015, active utility customer balances greater than sixty days totaled \$21,126, and inactive utility customer balances greater than sixty days totaled \$591,249.

During our audit, we found that the Town is making little effort to collect past due balances, and the only measure the Town takes against customers with past due balances is to disconnect utilities. For example, a customer had an active account from September 26, 2012 to January 6, 2014. At the time the customer closed his account, he owed a balance of \$567. Ms. Ingram acknowledged that this same customer was allowed to open a new account in November 2014 under his middle name without paying his past due balance. According to Town Clerk Cindy Sanders and Mayor Evans, the Town has not remitted any past due collections to a collection agency or taken any other collection efforts.

Failure to Disconnect Services

The Town does not have adequate written policies and procedures for disconnecting utility services on past due accounts. On or around the 26th of each month, the Town prints a disconnect report from the utility system indicating customers who are delinquent on their

monthly bills. However, Town employees would alter the reports by scratching off certain names from the list to prevent those customers from having their utilities cut off. Town employees then used the altered report to compile a handwritten list of the remaining accounts to be disconnected. For example, we found that four accounts were regularly scratched off of the disconnect report and omitted from the handwritten list of accounts to be disconnected. As of September 23, 2015, those four accounts had balances totaling \$9,669. Mayor Evans recalled one instance five or six years ago when he decided not to cut off a customer's utilities due to extenuating circumstances. However, Mayor Evans stated that he was unaware that the four accounts previously mentioned were not being disconnected for lack of payment.

Included in the four accounts mentioned above, we found that Town Electrician Kennel O'Steen's residence was regularly scratched off of the disconnect report. As of September 23, 2015, Mr. O'Steen's account had a balance of \$1,088. His account had regularly appeared on disconnect reports printed from January 2015 to August 2015; however, his residence was scratched off of the report and omitted from the list that was given to the Town employees who disconnect utilities. As a result, Mr. O'Steen continued to receive utility services although his account was past due. Ms. Ingram indicated that Mr. O'Steen asked to be removed from the disconnect report each month, and since he was a co-worker, she would scratch off his name. Mr. O'Steen stated that he did not request that Town employees remove his name from the disconnect list. Mr. O'Steen also stated that he was unaware that his account was past due as the account was in his wife's name, and that she usually paid the bill. By allowing customers to receive utility services without paying, Mayor Evans and Town employees may have violated the Louisiana Constitution⁷ and state law.⁶

Unreconciled Customer Meter Deposits

The Town does not have written policies and procedures for reconciling customer meter deposits to the utility system. Before a customer can receive utility services, he/she must pay a customer meter deposit with the Town. The receiving clerk issues a receipt for the meter deposit and enters the deposit into the Town's utility billing system. The deposit is also documented by the receiving clerk onto a deposit card that is maintained at Town hall. According to Ms. Ingram, Town employees have not yet entered all customer meter deposits into the utility system. All meter deposits are remitted to Town Clerk Cindy Sanders for deposit. Ms. Sanders reconciles the meter deposit bank account on a monthly basis. However, Town employees have not reconciled customer meter deposits per the bank records to customer meter deposits on record in the utility system.

According to the Town's bank records, as of August 31, 2015, the Town had \$199,001 reserved for customer meter deposits; however, the Town's utility system shows customer meter deposits totaling \$179,272, leaving an overage of \$19,729. We noted instances where the Town is not applying customer meter deposits to past due balances. For example, as of September 23, 2015, customers classified as inactive in the utility system had meter deposits recorded in the utility system totaling \$93,343. These should have been applied to any past due accounts and transferred to the Town's utility account. We also noted that some active customers did not have a meter deposit recorded in the utility system. For example, the Town allowed a customer who had an outstanding balance to close his account and open a new account without applying the

deposit to the outstanding balance. Town employees also failed to transfer the deposit in the utility system.

The Town could not provide documentation indicating which customer meter deposits the Town actually has in its meter deposit bank accounts. By not keeping an accurate and complete record of all meter deposits, there is no way for the Town to reconcile its meter deposit bank accounts to the customer meter deposits on record. According to Town employees, there are no reconciliation procedures being performed on customer meter deposits. Since there is not a complete and accurate record of meter deposits, there is no way to determine if the Town has collected sufficient meter deposits from its customers or applied enough customer meter deposits to past due accounts.

Conclusion

The Town lacks an adequate system of financial management over its utility system. Without an effective system of financial management, the mayor and board cannot effectively exercise their fiduciary responsibilities of managing the Town's utility system, and may be exposing its customers to higher than necessary utility charges. As a result of the problems we identified during our audit, the Town's utility system may not be generating enough revenue to meet its obligations. At June 30, 2015, the Town owed past due balances totaling \$887,629^A to two of its energy providers. According to Mayor Evans and Ms. Sanders, the Town was using revenues derived from the utility fund to subsidize general fund operations and became past due on paying its energy providers.

Recommendations

We recommend that management develop and implement policies and procedures to establish an effective financial management system over the Town's utility system.

Management should:

- (1) determine if all customers receiving utility services are being billed for those services;
- (2) investigate possible causes of electrical system energy loss;
- (3) consider ways to make the general fund less reliant on transfers from the utility fund, including decreasing general fund expenditures and/or exploring ways to increase general fund revenues from other sources;
- (4) comply with the payment provisions of its written agreements with its energy providers;

^A After the completion of our field work, the Town provided documentation indicating that it had paid \$567,629 of the past due balances owed to its energy providers. As a result, the remaining balance owed as of December 21, 2015, was \$320,000.

- (5) consider ways to collect on delinquent utility accounts, including remitting past due accounts to a collection agency;
- (6) implement policies and procedures to require that customers pay all delinquent amounts before they are allowed to open a new account;
- (7) ensure that utility services are disconnected in accordance with the Town's written policies and procedures; and,
- (8) reconcile customer meter deposits recorded in the utility system to the funds reserved for customer meter deposits.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:67 (A)** provides that “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

² **La. R.S. 14:73.5 (A)** provides that “Computer fraud is the accessing or causing to be accessed of any computer, computer system, computer network, or any part thereof with the intent to: (1) Defraud; or (2) Obtain money, property, or services by means of false or fraudulent conduct, practices, or representations, or through the fraudulent alteration, deletion, or insertion of programs or data.”

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

⁴ **La. R.S. 14:134 (A)** provides that “Malfeasance in office is committed when any public officer or public employee shall: (1) Intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; or (2) Intentionally perform any such duty in an unlawful manner; or (3) Knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him, or to perform any such duty in an unlawful manner.”

⁵ **La. R.S. 39:1212** states, in part, that “After the expiration of existing contracts, all funds of local depositing authorities shall be deposited daily whenever practicable, in the fiscal agency provided for, upon the terms and conditions, and in the manner set forth in this chapter.”

⁶ **La. R.S. 42:1461 (A)** provides that “Officials, whether elected or appointed and whether compensated or not, and employees of any ‘public entity,’ which, for purposes of this Section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

⁷ **Article VII, Section 14 of the Louisiana Constitution** provides, in part, “that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.”

APPENDIX A

Management's Response



Mayor:
Hiram Evans

Municipal Clerk:
Cindy Sanders

TOWN OF JONESVILLE

Village - December 16, 1903 - Town - October 18, 1916

104 Lilly Street - P O Box 428 - Jonesville, LA 71343
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IN GOD WE TRUST!

Council Members:

Benny Vault, Sr.
Stephen R. Mophett
Josie Bullitts
Loria Hollins
Tommy Branch

January 6, 2016

Amy Dees, CPA
Senior Investigative Auditor
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, La 70804-9397

Dear Ms. Dees:

RE: Town of Jonesville response to legislative advisory team audit

We would like to begin by thanking the Legislative Audit team for their efforts. The Town welcomed the opportunity to examine our utilities process. The audit was initially aimed at investigating allegations that some of the Town's electric utility customers were being charged inappropriate rates. We were confident that these allegations of improper rate charges would not be substantiated. That confidence was borne out by the findings of the audit team who concluded that the rates were charged appropriately (see p. 6 of the Louisiana Legislative Auditor Exit Report). Of course, once in place, the auditors went beyond those initial issues and thoroughly examined the entire utilities process for us. Their hard work, diligence and expertise have proven invaluable as we work together to deal with some of the financial issues facing our town. While the process revealed some potential misconduct on the part of two town employees, it also showed us that the major issues are correctable. The solutions we are implementing with the help of the audit team's recommendations will improve our service to the Town of Jonesville immensely.

The audit team found many opportunities for us to improve our service in two general areas: utility payments not deposited, and inadequate financial management of the utility system. They offered several recommendations to correct these issues, which the Town is fully embracing with the following changes to town policy.

I. Utility Payments Not Deposited

Town records indicated that almost \$94,000 of payments were received and/or recorded in our utility system without corresponding deposits made in the Town's bank accounts during the audit period. These amounts were essentially attributable to two town employees. While we cannot comment on the

particulars of those employees or their actions during the course of the investigation, we can take steps to avoid situations like these in the future. The Town has embraced all of the recommendations of the audit team with the following measures:

- (1) The Town will require that all funds collected be adequately documented, accurately recorded, and deposited daily in accordance with state law;
- (2) The Town Clerk will review and compare the daily total deposits to the total receipts on a regular basis and immediately investigate any differences;
- (3) The Town Clerk will ensure that employees are properly trained on cash handling policies and procedures;
- (4) The Town will require monthly reconciliation of customer accounts receivable balances. Each month, the total of customer accounts balances in the utility system (subsidiary ledger) shall be reconciled with the corresponding accounts receivable balance in the general ledger. Any differences shall be immediately investigated and resolved;
- (5) The Town will require that each clerk establish and use a separate user account in the utility system; and
- (6) The Town will require management to approve, in writing, all adjustments to customer accounts.

Some actions are already being taken to make these changes. For example, we have consulted with our software vendor, Computer Systems Development Corporation (CSDC), who has begun customizing our utility system program to provide better management controls on posting payments to customer accounts. These changes to the Town's utilities system and policies will help ensure that all payments in the future are properly deposited and properly accounted for, as well as ensure that all accounts are credited properly with the payments received. Enhanced supervision will make certain that any discrepancies are noted immediately, and prevent issues like this going unnoticed in the future.

II. Inadequate Financial Management of the Utility System

We learned from this process that our Utility System has some major problems. The four major areas of concern identified by the audit team were: all kilowatt hours (kWh) purchased are not billed to customers, some utility receivables are not collected, some services are not disconnected properly, and customer meter deposits are not properly reconciled with the appropriate accounts.

All kWh purchased are not Billed to Customers

The audit team reviewed our utility records and found a significant difference between the amount of electricity the Town purchases from its suppliers (like LEPA and Concordia Electric) and the amount of electricity that is billed to customers. The current electrical system energy loss appears to be approximately 19%, which is far above the national average. This is an issue that the Town has been addressing since before the audit. We have been working in cooperation with our electrical consultant to improve our electric utility infrastructure and its maintenance, including clearing debris from the power lines. However, the audit team also discovered that there were gaps in our bookkeeping processes that make it difficult to determine whether all of our customers are properly billed for all of the electricity they consume.

It should be noted that, in the course of their examination of the energy consumption and billing, the audit team investigated the rates being charged to residential and commercial customers. Based on their test, the rates charged were appropriate.

Some Utility Receivables are not Collected

The review of the utility records uncovered a surprising shortcoming: over \$600,000 in past due utility account receivables. That is amounts owed by customers of the Town's electric utility that have not been paid. This includes over \$590,000 past due from inactive utility customers. Clearly, this is a major shortfall that the Town cannot afford when it is already facing significant financial struggles. The leniency and forbearance shown in the past has gotten entirely out of hand. This must be shored up with a firm commitment to collecting payments as they are due and taking all actions necessary to collect on past due amounts. The Town has already passed an Ordinance under new legislation allowing collection actions to be turned over to a collection agency. We are entering into an agreement with LaMATS, an agency of the Louisiana Municipal Association, for them to provide collection services for delinquent utility accounts as well as unpaid municipal fines.

Some Services are not Disconnected Properly

The auditors found that our system of documenting disconnections has been handled too informally in the past. This has allowed utility employees too much discretion in granting leniency or forbearance on those facing disconnection. This process must be better documented, and total accountability must be in place for the disconnect process. This includes requiring a correct disconnect list be generated and verified of all customers delinquent as of the cutoff date, as well as requiring that the disconnect team sign off on the date and time of each disconnection on the list. These steps will help ensure that every customer account that

falls behind the cutoff criteria is promptly disconnected from service. We believe that these changes will help with the issue of receivables discussed above.

Customer Meter Deposits are not Properly Reconciled with the Appropriate Accounts

The audit team's review of our customer deposit records and the Town's bank accounts found that they were not properly reconciled. The Town had nearly \$200,000 reserved for customer meter deposits, but our records showed less than \$180,000 of deposits. Unfortunately, the lack of adequate documentation means we cannot know if this difference is a true windfall or simply an accounting error. Customer meter deposits have to be properly documented, and the funds have to be properly handled. This is especially true when there is a past due balance (to which the deposit funds should be applied), and when a customer transfers service to a new account (where the deposit should be transferred) or closes a service account and opens a new service account (where a new deposit should be paid). Enhanced documentation of the customer meter deposits will enable full accountability for both the customers and the utility system.

The Town is embracing the recommendations made by the audit team in these areas by taking the following steps:

- (1) The Town will determine if all customers receiving utility services are being billed for those services;
- (2) The Town will continue to investigate possible causes of electrical system energy loss, including continuing efforts to improve the infrastructure of our electric utility system;
- (3) The Town will continue to find ways to make the general fund less reliant on transfers from the utility fund, including decreasing general fund expenditures and/or exploring ways to increase general fund revenues from other sources;
- (4) The Town will comply with the payment provisions of its written agreements with its energy providers;
- (5) The Town will consider ways to collect on delinquent utility accounts, including remitting past due accounts to a collection agency and/or utilizing newly available municipal resources for collecting on past due accounts;
- (6) The Town will implement policies and procedures to require that customers pay all delinquent amounts before they are allowed to open a new account;
- (7) The Town will ensure that utility services are disconnected in accordance with the Town's written policies and procedures; and,

(8) The Town Clerk will reconcile customer meter deposits recorded in the utility system to the funds reserved for customer meter deposits on a monthly basis and address any discrepancies immediately.

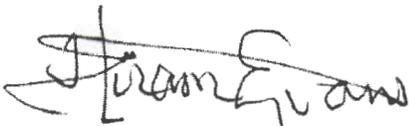
These measures will provide the tools for proper financial management of our utility system. As noted, several of these happened well before this audit began and will continue. The new steps that can be taken administratively have already begun to happen. Those which require Council action will be addressed in future Town Council meetings.

The audit team also raised concerns that the Town's utility system may not generate enough revenue to meet its obligations, noting that at one time we faced a debt of nearly \$900,000 to our energy providers. We are proud to report that, as of December 21, 2015, that balance has been reduced to \$320,000. The audit team also noted that the utility system finances may be strained by the Town's reliance upon the utility fund to supplement the general fund expenditures. The Town has reduced general fund expenditures significantly over the past several months, including measures such as the reduction in the Police Department and employee benefits. These positive steps have already been taken in the direction of fiscal responsibility, and further steps will continue to be taken. The Town is also working to further reduce the costs of our electricity supply by negotiating new supply contracts with our electrical providers. These efforts, combined with our efforts to tighten the Town's budget and improve its electrical system infrastructure, will help make the future of our electric utility system one of financial stability and prosperity.

This administration would like to thank once again the Legislative Auditors, and especially the audit team on site, for their diligence and hard work. Their assistance has been invaluable to our efforts to improve our services to our community.

Sincerely yours,

TOWN OF JONESVILLE



Hiram Evans, Mayor

HE

APPENDIX B

Other Response

LAW OFFICES OF
J. MICHAEL SMALL

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ALEXANDRIA, LOUISIANA 71309
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January 7, 2016

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

VIA FACSIMILE
& U.S. MAIL

RE: Ms. Leigh Ann Ingram

Dear Mr. Purpera:

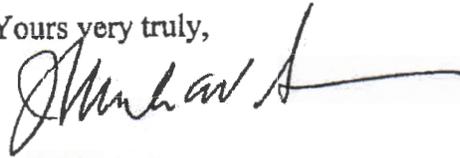
I have been retained to advise and represent Ms. Leigh Ann Ingram with reference to a certified letter of December 17, 2015 from Mr. Roger W. Harris requesting information from my client regarding the draft of an investigative audit report on the Town of Jonesville conducted by the office of the Louisiana Legislative Auditor.

I only reviewed a copy of the draft of the confidential investigative report on Wednesday, January 6, 2016, the day I was retained by Ms. Ingram. Obviously, I have not had time to thoroughly investigate all of the various allegations appearing in that draft document but would note that Ms. Ingram voluntarily submitted to questions by audit investigators from your office on a number of occasions and consistently denied any involvement or complicity in the alleged misappropriation of utility funds owing to the Town of Jonesville. Based on the information available to me at this time I am comfortable in maintaining that position and categorically denying that Ms. Ingram took or received any of the allegedly missing utility funds.

In view of the above circumstance regarding my having only recently been retained I would appreciate your including this response as part of your final investigative audit report notwithstanding that it is being submitted one day beyond the January 6th deadline. I will appreciate your directing all future correspondence concerning this matter to me as Ms. Ingram's attorney.

Mr. Daryl G. Purpera, CPA, CFE
January 7, 2016
Page 2

Yours very truly,

A handwritten signature in black ink, appearing to read "J. Michael Small", with a long horizontal flourish extending to the right.

J. MICHAEL SMALL

JMS/jd

cc: Ms. Amy Dees