

TOWN OF ABITA SPRINGS



ADVISORY SERVICES
PROCEDURAL REPORT
ISSUED JULY 3, 2019

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE**

**FIRST ASSISTANT LEGISLATIVE AUDITOR/
LOCAL GOVERNMENT AUDIT SERVICES
THOMAS H. COLE, CPA**

**DIRECTOR OF LOCAL GOVERNMENT SERVICES
BRADLEY D. CRYER, CPA**

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Town of Abita Springs

July 2019

Audit Control # 70180074

Introduction

The Louisiana Legislative Auditor performed certain procedures at the Town of Abita Springs (Town) to address the requirements of Act 774 of the 2014 Regular Legislative Session, as amended. The primary purpose of our procedures at the Town was to assist the Town in evaluating certain controls the Town uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. Our procedures were more limited than an audit; therefore, we are not issuing an opinion on the Town's financial statements nor the effectiveness of the Town's internal control over financial reporting and compliance.

Results of Our Procedures

Follow-up on Prior-year Exceptions

We assessed the status of all exceptions reported in the prior-year agreed-upon procedures report dated June 15, 2018. The prior-year exceptions relating to credit card transactions and statement review have been resolved by management and are not included in this report.

Current-year Results

1. Written Policies and Procedures

We obtained the Town's written policies and procedures and assessed whether they addressed budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, credit/debit/fuel cards, travel and expense reimbursement, ethics, debt service, and disaster recovery/business continuity.

Results: The Town's written policies and procedures addressed most, but not all, business and financial functions.

Recommendation: Management should update and refine existing written policies and procedures to address the following:

- (a) **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 to be maintained for all bids and price quotes.
- (b) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) a system to monitor possible ethics violations, and (3) a requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- (c) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- (d) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

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

2. **Board or Finance Committee**

We obtained and reviewed the board and committee minutes for the fiscal year and assessed whether Town officials discussed budget-to-actual comparisons at monthly meetings.

Results: The minutes indicated that budget-to-actual comparisons were presented at only two of the 12 monthly meetings.

Recommendation: Management should present budget-to-actual comparisons (on all major funds) to the board each month, and the related discussion of the financial information should be documented in the minutes.

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

3. **Bank Reconciliations**

We selected two bank accounts, obtained the bank statements and related reconciliations for one month, and assessed whether the bank reconciliations were prepared and reviewed timely by Town officials. We also assessed whether documentation was available reflecting that reconciling items outstanding for more than 12 months had been researched.

Results: The bank reconciliations did not include the signature/initial and date of the preparer and independent reviewer (i.e., someone who does not handle cash, post ledgers, or issue checks) for us to determine whether the reconciliations were reviewed timely. Also, management did not have documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Recommendations: Management should require all bank reconciliations to include the signature/initial and date of the preparer and independent reviewer. Also, checks outstanding for more than 12 months should be researched to determine if they meet the criteria of the unclaimed property law (Louisiana Revised Statute 9:151 *et seq.*) Documentation related to such research, as well as reporting and transferring unclaimed funds to the Louisiana State Treasurer, should be maintained on file.

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

4. Collections

We interviewed Town employees and observed daily operations to assess whether employee job duties are properly segregated. We also reviewed supporting documentation for two bank deposits to assess whether the deposits were made timely and reconciled to collections and the general ledger.

Results: Employee job duties were substantially segregated, and we discussed additional ways to further improve controls over collections. Also, the two deposits tested were not made within one business day of receipt at the collection location; however, they were reconciled to collections and the general ledger.

Recommendation: Collections should be deposited daily whenever practicable in accordance with Louisiana Revised Statute 39:1212.

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

5. Non-payroll Disbursements

We interviewed Town employees, observed daily operations, and reviewed documentation supporting five general disbursements. We assessed whether disbursement job duties are properly segregated and disbursements matched the related original invoice/billing statement.

Results: We noted that certain job duties were not properly segregated between the office employees at town hall. Also, although all five disbursements matched the related invoice/billing statement, supporting documentation for three disbursements did not always include evidence of segregation of duties or approval.

Recommendation: Management should strengthen controls over purchasing and payment functions by: (1) conducting an independent review of the vendor files to verify that the files are accurate and include only authorized vendors; (2) segregating check preparation

from check mailing duties; and (3) documenting evidence of segregation of duties, such as initialing and dating related forms.

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

6. Credit Cards

We selected three Town credit cards and reviewed one monthly statement for each card. We selected 10 transactions and reviewed the supporting documentation for each transaction to determine if the transactions were supported by receipts and if the Town documented the business/public purpose for each transaction.

Results: One monthly statement and supporting documentation for one transaction were not approved in writing by someone other than the card user.

Recommendation: An official, other than the authorized card holder/user, should review monthly statements and supporting receipts and document his or her review by initialing and dating the statement.

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

7. Travel and Expense Reimbursement

We obtained a listing of all travel and travel-related expense reimbursements during the fiscal year. We selected two reimbursements and reviewed supporting documentation for compliance with authorized reimbursement rates, original itemized receipts, documentation of the business/public purpose of each transaction, and evidence of supervisory review and approval.

Results: We did not identify any exceptions.

8. Contracts

We obtained a listing of contracts that were initiated or renewed during the fiscal year and selected two contracts. We obtained copies of the contracts and reviewed invoices and other supporting documentation for evidence of board approval and compliance with contract provisions and the Louisiana Public Bid Law.

Results: We did not identify any exceptions.

9. Payroll and Personnel

We obtained a listing of personnel employed during the fiscal year and selected two employees. We then obtained and reviewed the related pay rates, personnel files, and attendance documentation for one pay period to verify that employee pay and leave were based on approved time sheets and in accordance with approved rates. We also obtained a listing of employees that terminated during the fiscal year and obtained and reviewed supporting documentation related to termination payment calculations for two employees.

Results: We did not identify any exceptions.

10. Ethics

We obtained ethics documentation for two employees and observed whether the documentation provided evidence that each individual completed one hour of ethics training and acknowledged that he/she has read the Town's ethics policy during the fiscal year.

Results: Although the Town maintained documentation that employees received the required ethics training, the Town did not require employees or elected officials to annually attest to having read the Town's ethics policy.

Recommendation: As a best practice, the Town should require all employees and elected officials to sign annual certification forms attesting that they will abide by the Town's ethics policy.

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

11. Debt Service

We obtained supporting documentation for one certificate of indebtedness that was outstanding at the end of the fiscal year to confirm that the Town made the required debt service payments.

Results: We did not identify any exceptions.

12. Other

We inquired of management about any misappropriations of public funds or assets and observed whether the Legislative Auditor hotline was posted on the Town premises and website.

Results: We did not identify any exceptions.

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

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

THC/ch

ABITA 2019

APPENDIX A: MANAGEMENT'S RESPONSE

Town of Abita Springs



**MAYOR
DANIEL J. CURTIS**

Daryl G. Purpera
Louisiana Legislative Auditor
1600 North St.
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The following is a response to the Town of Abita Springs Louisiana Legislative Audit Advisory Services Procedural Report issued June 20, 2019. This administration took office in January 2019 and has made numerous changes to policies and procedures that address issues contained in this report. Going forward we intend to continue to implement policies in compliance with established best practices.

Sincerely,

Daniel J. Curtis, Mayor