

ST. TAMMANY PARISH
MOSQUITO ABATEMENT DISTRICT



ADVISORY SERVICES
PROCEDURAL REPORT
ISSUED JULY 3, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



St. Tammany Parish Mosquito Abatement District

July 2019

Audit Control # 70180076

Introduction

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

Results of Our Procedures

Follow-up on Prior-year Exceptions

We assessed the status of all exceptions reported in the prior-year Procedural Report dated August 29, 2018. The prior-year exceptions related to the District's unassigned fund balance, travel, payroll and personnel, and accounting system have been resolved by management and are not included in this report.

For the year ended December 31, 2018, District management assigned \$7 million of the District's unassigned fund balance to cover planned costs of a building expansion and for disaster relief contingencies. We noted that the District's assigned/unassigned fund balance at December 31, 2018 totaled approximately \$19.9 million, a \$2.9 million reduction from the prior year. The assigned/unassigned fund balance represents the equivalent of 2.4 years of current expenditures, which is in compliance with the District's current policy. Also, District management now utilizes a 5-year financial projection that is presented annually to the Board for review and approval. In 2018, the Board made no adjustment to the current 4.05 millage rate; however, in 2019, we noted that the Board approved lowering the millage rate to 3.9.

Prior-year exceptions relating to the District's credit cards and fleet fuel cards have not been fully resolved and are being reported again as current-year exceptions.

Current-year Results

1. Credit Cards and Fleet Fuel Cards

We reviewed the director's credit card statement for December 2018 for evidence of a board member's review and approval on the statement. We also reviewed the District's policies for evidence that the District had established a reasonable miles-per-gallon (MPG) variance threshold for each vehicle. In addition, we reviewed the District's October 2018 fleet fuel card billing statement for evidence that management researched all District employees' variances in excess of the threshold, and documented the resolution of all variances.

Results: Although the January 2019 minutes indicate that a Board member reviewed all of the director's credit card purchases for December 2018, we did not see such review documented on the director's credit card statement.

In 2018, the District established a MPG variance threshold of 40% for its vehicles and provided the process for monitoring the exceptions in its *Personnel Policy Handbook*. The policy states, in part, "When the transactional fuel efficiency differs from the year-to-date average by 40% or more, the facilities and inventory manager must note the reason for the variance..." We saw evidence on the District's fleet fuel card billing statement that the District is monitoring most of its employees' fuel charges and documenting the reasons for variances; however, we identified six charges totaling \$110.93 that varied by 40% or more but did not have the reasons documented.

Recommendations: We advise District management to:

- Require a board member to review and approve, in writing, all monthly credit card purchases made by the director; and
- Research all District employees' variances in excess of the MPG threshold appearing on the District's fleet fuel card statement and document the resolution of the variances.

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

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/aa

STP MOSQUITO 2019

APPENDIX A: MANAGEMENT'S RESPONSE

MOSQUITO ABATEMENT

ST. TAMMANY PARISH

BOARD OF COMMISSIONERS

David C. Stuart, *Chairman*

Dr. Peter J. Gerone, *Secretary-Treasurer*

Anthony Alfred, *Commissioner*

Dr. Andrew J. Englande, *Commissioner*

Dr. Vicki Traina-Dorge, *Commissioner*

28 June 2019

Louisiana Legislative Auditor
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DIRECTOR

Dr. Kevin A. Caillouet

RE: Management's response to 2018 Draft Report of the Louisiana Legislative Auditor

Dear Mr. Purpera:

We looked forward to your report on the procedures pursuant to Act 774 of the 2014 Regular Legislative Session for 2018. During the four year period in which the LLA began reviewing the District's controls to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds, we have made significant changes in workflows and controls to ensure the best practices for the use of public funds. These changes have included the adoption of numerous District policies including: credit card usage and review, bank account reconciliation, purchase requisitions, fund balances, assignment of funds, personnel, travel, take-home vehicles and fuel consumption monitoring. Several institutional systems have been installed at considerable costs to allow better accuracy and transparency for time management, payroll, accounting, and inventory systems. We also added an additional salaried position to ensure the proper controls were maintained throughout the transition from manual to digital processes. Though we have come a long way, we will continue to take the steps necessary to ensure our adherence to the best practices in the management of public funds.

With specific regard to the note of the District's fund balance in the 2018 report, we would like to issue the following response:

Though this note is not listed as a "Current Year Exception", we feel it is important to clarify the \$19.9 million fund balance represents the total **unassigned and assigned accrual-based funds** as of December 31, 2018 (see table below). Accrual accounting tracks both funds on-hand and the value of tax funds not yet received. Of the \$19.9 million, \$8.3 million was listed as a 2019 receivable for the agency's 2019 operating expenses. These funds are received throughout 2019.

| | |
|------------------------------------|--|
| \$ 8.3 | 2019 Operating funds listed as receivable (Receive between January-December 2019) |
| \$ 7.0 | Assigned funds |
| \$ 4.6 | Unassigned funds |
| \$ 19.9 | Total accrual-based fund balance (12/31/18) |
| <i>*Amounts listed in millions</i> | |

Regarding the two exceptions noted in your “Current-year Results” section of the 2018 report, we would like to issue the following response:

1. Credit Cards

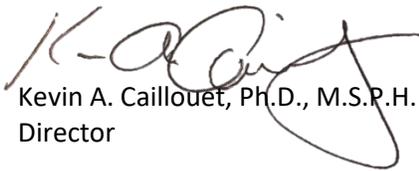
By practice all monthly credit card purchases (not just purchases made by the director) are reviewed each month by a designated Commissioner. This Commissioner signs and dates the top page of each credit card statement and recommends approval or disapproval to the full Board of Commissioners. This review was conducted for each monthly statement in 2018. Since there is no meeting of the Board in December, both the November and December credit card statements are reviewed in January. Though the review of both month’s purchases was conducted, the Commissioner only signed the November statement, by oversight. Management will create a form for the reviewing Commissioner to attest to their review of all credit card purchases with their signature for each month reviewed.

2. Fleet Fuel Cards

Management is working to create a digital workflow to check each MPG variance. A digital process to flag potential excessive variances together with the fleet tracking software purchased in 2018 will allow the district to investigate excessive fuel variances.

We look forward to addressing both exceptions and to your 2019 report documenting no exceptions.

Sincerely,



Kevin A. Caillouet, Ph.D., M.S.P.H.
Director