

TOWN OF PEARL RIVER



ADVISORY SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 7, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Town of Pearl River

August 2019

Audit Control # 70180077

Introduction

The Louisiana Legislative Auditor performed certain procedures at the Town of Pearl River (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 July 25, 2018. Although improvements have been made, prior-year exceptions relating to written policies and procedures, bank reconciliations, non-payroll disbursements, credit cards, contracts, and ethics have not been fully resolved and are being reported again as current year exceptions.

Current-year Results

1. Written Policies and Procedures

We obtained the Town's written policies and procedures and assessed whether they addressed receipts/collections, payroll/personnel, contracting, ethics, debt service, traffic tickets, 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) **Receipts/Collections**, including management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.
- (b) **Ethics**, including (1) actions to be taken if an ethics violation takes place, (2) system to monitor possible ethics violations, and (3) 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) **Traffic Tickets**, including (1) remittance of fine payments to state treasury, per Louisiana Revised Statute (R.S.) 32:266, and (2) reporting moving violations to the Louisiana Department of Public Safety within 30 days of final disposition, per R.S. 32:393 C (1)(b).
- (e) **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 plan of corrective action (see Appendix A).

2. Board Oversight

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

Results: We did not identify any exceptions.

3. Bank Reconciliations

We selected five bank accounts, obtained the bank statements and related reconciliations for two months, and assessed whether the bank reconciliations included the signature/initial and date of the independent reviewer (i.e., someone who does not handle cash, post ledgers, or issue checks).

Results: We noted that the bank reconciliations were performed by a contracted accountant; however, the bank reconciliations examined did not include evidence of Town management review by an independent reviewer.

Recommendations: Management should review all bank reconciliations and include the signature/initial and date of the independent reviewer.

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

4. Collections

We interviewed Town employees, reviewed policies and procedures, and observed daily operations to assess whether employee job duties were properly segregated.

Results: We did not identify any exceptions.

5. Non-payroll Disbursements

We interviewed Town employees, reviewed policies and procedures, observed daily operations, and reviewed documentation supporting 20 general disbursements. We assessed whether disbursement job duties were properly segregated and disbursements matched the related original invoice/billing statement and complied with Town policy.

Results: We noted that certain job duties were not properly segregated between the office employees at Town hall. Also, although all 20 disbursements matched the related invoice/billing statements, supporting documentation for three disbursements did not include evidence of original invoice approval, and three disbursements did not include a receiving report as required by Town policy.

Recommendations: Management should strengthen controls over purchasing and payment functions by: (1) prohibiting the employee(s) responsible for processing payments from adding/modifying vendor files (unless an independent employee reviews changes to vendor files); (2) documenting evidence of segregation of duties, such as initialing and dating all invoices to signify approval; and (3) complying with all Town policies, such as completing receiving reports.

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

6. Credit Cards and Fuel Cards

We selected four Town credit cards and reviewed two monthly statements for each card. We selected 16 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: We did not identify any exceptions while reviewing for receipts and business/public purpose. However, during our work, we noted that the Town did not competitively bid its annual fuel purchases. According to documentation provided by the Town, fuel purchases in 2018 totaled approximately \$57,000. The Public Bid Law requires bids to be obtained for the purchase of materials and supplies exceeding \$30,000, including fuel. *Attorney General Opinion 02-0122* notes that recurring purchases that exceed the bid limit in the aggregate must be advertised and let for public bid.

Recommendations: Management should comply with the Public Bid Law (R.S. 38:2212.1) for purchases of materials and supplies greater than \$30,000 or they should adopt the State Procurement Code to utilize the state's fleet card program.

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

7. Travel and Expense Reimbursement

We obtained a listing of travel and travel-related expense reimbursements during the fiscal year for certain officials and employees. We selected nine 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. In addition, we assessed whether the Mayor reimbursed the Town for mileage that was improperly paid to him during the prior year.

Results: We did not observe any exceptions in our test of reimbursements. We also determined that the Mayor reimbursed the Town \$414.72 for an improper mileage reimbursement identified in the prior year.

8. Contracts

We interviewed Town employees and reviewed supporting documentation, such as contracts and invoices, to assess whether the Town adopted procedures suggested by the Attorney General related to the retainer fee arrangements of the Town Attorney and Assistant Attorney.

Results: The Town did not implement the prior-year recommendations during the fiscal period; however, subsequent to the fiscal period, the Town hired the attorney as a regular employee and required supporting hourly invoice documentation to substantiate the reasonableness of payments made to the assistant Town attorney.

9. Payroll and Personnel

We obtained and reviewed attendance documentation for one pay period to verify that daily attendance and leave was documented, approved by supervisors, and reflected in the Town's cumulative leave records.

Results: We did not identify any exceptions.

10. Ethics

We obtained ethics documentation for 54 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: The Town maintained documentation to show that only 41 of 54 employees received the required ethics training. In addition, the Town did not require employees to acknowledge in writing that they have read the Town's ethics policy during the fiscal year.

Recommendations: Management should contact the Board of Ethics to discuss available options for those employees who did not complete the annual ethics training in 2018. 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 plan of corrective action (see Appendix A).

11. 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

TOWNOFPEARLRIVER

APPENDIX A: MANAGEMENT'S RESPONSE



TOWN OF PEARL RIVER

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Mayor

DAVID McGREGOR

Mayor Pro Tempore

CHERYL SCHULTHEIS

Town Clerk

TIMOTHY MATHISON

Town Attorney

MATHIEU E. DAIGLE

Town Magistrate
Assistant Town Attorney

BRENDA WICHTERICH

Deputy Clerk/Court Clerk

July 24, 2019

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

Via email and Certified Mail #7015166000065430778

Dear Mr. Purpera,

The Town of Pearl River hereby submits its responses to the audit responses to the audit recently performed by your office.

1. The Town will update and refine existing written policies and procedures to address the following:
 - (a) **Receipts/Collections**, including our actions to determine the completeness of all collections of each type of revenue or agency fund additions.
 - (b) **Ethics**, including (1) actions to be taken if an ethics violation occurs, (2) implement a system to monitor possible ethics violation. (3) there is no legal requirement that all employees and elected officials annually attest through signature verification that they have read the Town's ethics policy. However, the Town this year will implement a program of in-house ethics training thereby ensuring that all employees and elected officials undergo annual training.
 - (c) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - (d) **Traffic Tickets**, including (1) remittance of fine payments to state treasury pursuant to R.S. 32:266, and (2) reporting moving violations to the Louisiana Department of Public Safety within thirty (30) days of final disposition pursuant to R.S. 32:393(C)(1)(b).

AN EQUAL OPPORTUNITY EMPLOYER

(e) **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 and verification that backups can be restored, (4) use of anti-virus software on all systems, (5) timely application of all available system and software patches and updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

2. Bank Reconciliations.

The Town will review all bank reconciliations and include the signature or initials of the independent reviewer and date of review.

3. Non-payroll Disbursements.

The Town will strengthen controls over purchasing and payment functions by: (1) prohibiting the employee(s) responsible for processing payments from adding/modifying vendor files unless and independent employee reviews changes to such files, (2) documenting evidence of segregation of duties, such as initializing and dating all invoices to signify approval or compliance with the Town's budgetary process, and (3) complying with all Town policies, such as completing receiving reports.

4. Credit Cards and Fuel Cards.

The Town will comply with the Public Bid Law for purchases of materials and supplies greater than \$30,000. The Town has already drafted and advertised a bid package for the purchase of fuel. We are awaiting bids.

5. Ethics.

refer to response 1(b).

Please

Additionally, the

Town this year will implement a program of in-house ethics training thereby ensuring that all employees and elected officials undergo annual training.

The Town will contact the Board of Ethics to discuss available options for those employees who did not complete the annual ethics training in 2018.

Sincerely,



David McQueen, Mayor

CDM/cks