

ST. TAMMANY PARISH
MOSQUITO ABATEMENT DISTRICT



ADVISORY SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 29, 2018

**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



St. Tammany Parish Mosquito Abatement District

August 2018

Audit Control # 70170068

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 that 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 July 5, 2017. The prior-year exception related to the District's cooperative endeavor agreement has been resolved by management and is not included in this report.

Prior-year exceptions relating to the District's unassigned fund balance, credit cards and fleet fuel cards, payroll and personnel, and accounting system have not been fully resolved and are being reported again as current-year exceptions.

Current-year Exceptions

1. Significant Fund Balance Surplus

Our prior-year report revealed that the District had a significant unassigned fund balance surplus of \$23.5 million as of December 31, 2016, which had grown from \$21.3 million as of December 31, 2014. From 2009 to 2016, the District had been receiving more in ad valorem tax revenues than the cost of its operations, which had resulted in the fund balance increasing each year.

In the prior year, District management provided us a 10-year projection that indicated the fund balance surplus will be eliminated by 2026, the same year that the millage is up for renewal. We advised the Board to adopt this 10-year projection at its next meeting, require District management to update the projection annually, and adjust the millage as necessary. During our follow-up procedures, we reviewed the Board minutes and did not see evidence that the Board adopted the 10-year projection during 2017.

The District's unassigned fund balance (unaudited) was \$22.8 million at December 31, 2017, which is a decrease of \$700,000 from the prior year (the 10-year projection prepared in the prior year indicated that unassigned fund balance was expected to decrease by \$1.4 million in 2017). The \$22.8 million fund balance represents approximately 2.5 years of expenditures based on the current-year expenditures of \$9.2 million. Management has not yet determined its 2018 millage rate.

Recommendations: Management should re-analyze its projected and actual changes in unassigned fund balance and annually provide its analysis to the Board. The Board should review and adopt management's most recent projection, including documenting the adoption in the meeting minutes, and consider whether adjustments to the current millage are necessary.

2. Credit Cards and Fleet Fuel Cards

We reviewed the District's credit card policy and noted that the policy had been updated to require a Board member's review and approval of the director's credit card purchases. However, based on our review of two of the director's credit card statements, we did not see evidence of a Board member's review and approval on either statement.

We reviewed travel documentation relating to the District's attendance at the February 2017 American Mosquito Control Association's five-day annual meeting in San Diego, California and noted the following:

- The District incurred \$24,437 in expenses related to the trip, including payments for four employees, four Board members, the District's contracted legal counsel, an unpaid Board advisor, and five travel companions. The breakdown of costs for the trip is as follows:
 - District employees - \$8,331
 - Board members - \$8,208, of which \$992 was reimbursed timely by a Board member who was unable to attend
 - Contracted legal counsel - \$2,386
 - Unpaid Board advisor - \$2,303
 - Five travel companions - \$3,209, which was reimbursed timely

The District did not have a legal obligation to pay the expenses for its contracted legal counsel, unpaid Board advisor, and five travel companions, who were neither public employees nor public officials. Consequently, the District may have violated Louisiana Constitution Article 7, Section 14, which prohibits the loan, pledge, or donation of public funds.

- We noted that the District did not follow established policies for formal travel approval or completion of travel expense forms.

We also reviewed the August 2017 fuel card billing statement and noted that the miles-per-gallon (MPG) calculation for 18 charges, totaling \$372.53, varied more than 40% from the year-to-date average MPG for the respective vehicles. We did not see evidence that management researched and documented the resolution of these variances for 10 of the 18 charges, totaling \$207.89. We also reviewed the District's policies and noted that the District has not established a reasonable MPG variance for each vehicle.

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;
- Immediately cease the practice of paying the expenses of persons who are neither public employees nor public officials and to consider recouping those funds that were paid to the contracted legal advisor and unpaid Board advisor;
- Comply with existing policies for formal travel approval and completion of travel expense forms; and
- Establish a reasonable MPG variance threshold for each vehicle, research all variances in excess of the threshold, and document the resolution of the variances.

3. Payroll and Personnel

We reviewed the District's policies and related documentation over payroll and personnel and concluded that the District has addressed or partially addressed the following prior-year exceptions:

- Requiring the director to approve in writing the leave hours recorded at the beginning of each year in each employee's leave records.
- Updating District policy to require all contracts to be signed by the director and be approved by the Board and legal counsel before execution.
- Implementing computer software that will track and account for employees' leave balances. Although the District had begun the process of converting the manual leave records of employees to a computerized system, this process was not complete as of December 31, 2017.

The District has not addressed the remaining prior-year deficiencies relating to the director's time and attendance records. The Louisiana Attorney General (AG) has noted that time sheets or a similar form of documentation are required to document and substantiate the accrual of leave (*AG Opinions 15-186, 99-397, and 94-284*). Further, the AG has noted that payment for work that is not performed is a prohibited donation of public funds under Article VII, Section 14 of the Louisiana Constitution and may constitute public payroll fraud under Louisiana Revised Statute 14:138 (*AG Opinion 86-652*). Therefore, there should be some form of documentation and adequate supervision to ensure that the salaried employee is working the scheduled hours upon which their salary is based. Accordingly, we have repeated our recommendations below.

Recommendations: We advise District management to:

- Require the director to document daily time/attendance at work and designate a Board member to approve in writing each pay period.
- Designate a Board member to approve in writing the director's leave, as applicable.
- Complete the process of converting the manual leave records of employees to a computerized system.

4. Accounting System

We followed-up with management regarding the automation of the District's accounting system. Although the District continued to use a manual system during the fiscal period, management began installing and implementing a computerized accounting system after December 31, 2017.

Recommendation: We recommend that the director monitor the implementation of the computerized accounting system and consider whether any changes must be made to the District's business operations to maintain existing safeguards. We also recommend that the District's staff test the completeness of data conversion and accuracy of reporting before fully relying upon the new system.

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

APPENDIX A: MANAGEMENT'S RESPONSE



MOSQUITO ABATEMENT DISTRICT

ST. TAMMANY PARISH

BOARD OF COMMISSIONERS

62512 Airport Road, Bldg. 23
Slidell, LA 70460
(985) 643-5050
(985) 649-7325 FAX
stpmad.org

David C. Stuart	Chairman
Dr. Peter J. Gerone	Secretary - Treasurer
Anthony Alfred	Commissioner
Dr. Andrew J. Englande Jr.	Commissioner
Dr. Vicki Traina-Dorge	Commissioner

DIRECTOR

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

20 August 2018

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please find our responses to the recommendations outlined in your report below each of the recommendations:

1. Significant Fund Balance Surplus

Recommendations: Management should re-analyze its projected and actual changes in unassigned fund balance and annually provide its analysis to the Board. The Board should review and adopt management's most recent projection, including documenting the adoption in the meeting minutes, and consider whether adjustments to the current millage are necessary.

Management's response:

The 10-year projection was presented to the Board of Commissioners but not formally adopted. Though it was not the subject of a formal vote, the Board did consider this projection in setting its millage for 2018. Future financial projections, including the 2018 projection for the adoption of the 2019 millage, will be formally adopted by the Board.

2. Credit Cards and Fleet Fuel Cards

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;

Management's response:

Starting in June 2018, a Board member reviews, approves, and recommends for full board approval of all credit card purchases.

- Immediately cease the practice of paying the expenses of persons who are neither public employees nor public officials and to consider recouping those funds that were paid to the contracted legal advisor, unpaid board advisor, and board member who was unable to attend the conference; and

Management's response:

Advisors to the Board of Commissioners serve a valuable function to the Board and to the management of the District. As a matter of custom, advisors have attended industry conferences at the expense of the District for the educational purposes of staying current on mosquito control research and practices. Board advisors are active or retired professionals who have unique perspectives on mosquito-transmitted diseases and/or the practice of mosquito abatement. As volunteers who regularly attend Board meetings, Board advisors have served St. Tammany Parish at some expense to themselves.

Our Board advisors are:

Retired Medical Entomologist – Tulane University

This advisor is a recipient of the highest honor of the Louisiana Mosquito Control Association for his contribution to medical entomology and mosquito-transmitted diseases. He holds a Master of Public Health degree from Yale University and a Doctor of Science from Johns Hopkins University.

Retired Veterinarian

A longstanding member of the Slidell community where he founded Slidell Veterinary Hospital in 1962. He holds a bachelor's degree in animal science from Louisiana State University and a Doctor of Veterinary Medicine from Texas A&M College of Veterinary Medicine.

Associate Professor & Medical Entomologist – Tulane University

This advisor is a medical and molecular entomologist in Tulane University's Department of Tropical Medicine. She has authored over seventy peer-reviewed scientific publications. She holds a Master of Science degree from the University of Illinois and a Doctor of Philosophy from the University of Notre Dame.

St. Tammany Parish Mosquito Abatement Legal Counsel; Assistant District Attorney – Parish of St. Tammany, Office of the District Attorney

This advisor serves as the District's contracted legal counsel. He holds degrees in Banking and Finance and a Juris Doctorate from the University of Mississippi.

The Board of Commissioners voted on August 15, 2018 to cease the practice of paying the business-related expenses of board advisors. In its public meeting on August 15th, the Board did consider recouping the funds paid for these expenses. However, the Commissioners voted not to seek repayment of these funds. The Commissioner who unexpectedly could not attend the 2017 conference did reimburse the full cost of the trip to the District.

Companion travel was purchased by the District as a matter of convenience and reimbursed prior to or immediately after the trip in 2017. District policy now states that no travel expenses will be paid, reimbursed or otherwise, for any travel companion.

- Comply with existing policies for formal travel approval and completion of travel expense forms.

Management's response:

A new travel expense itemization form was created in 2018, to ensure that all travel expenses are properly documented.

- Establish a reasonable MPG variance threshold for each vehicle, research all variances in excess of the threshold, and document the resolution of the variances;

Management's response:

We are currently reviewing best practices for fuel controls by researching how other local entities manage fuel control systems. We will implement a fuel control system that uses a reasonable MPG variance threshold for each vehicle, to ensure that fraudulent fuel consumption does not occur.

3. Payroll and Personnel

Recommendations: We advise District management to:

- Require the director to document daily time/attendance at work and designate a board member to approve in writing each pay period.

Management's response:

The Director will document daily time/attendance and the Board will review and record their approval of these records.

- Designate a board member to approve in writing the director's leave, as applicable.

Management's response:

The Board will review and approve the Director's leave.

- Complete the process of converting the manual leave records of employees to a computerized system.

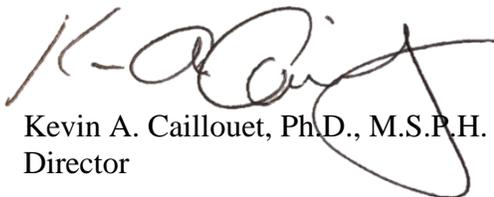
4. Accounting System

- Recommendation: We recommend that the director monitor the implementation of the computerized accounting system and consider whether any changes must be made to the District's business operations to maintain existing safeguards. We also recommend that the District's staff test the completeness of data conversion and accuracy of reporting before fully relying upon the new system.

Management's response:

STPMAD management is monitoring the implementation of the computerized accounting system.

Sincerely,



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