

ST. TAMMANY PARISH DRAINAGE DISTRICT NO. 4



ADVISORY SERVICES
PROCEDURAL REPORT
ISSUED OCTOBER 21, 2020

**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

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.la.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.25. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9008 or Report ID No. 70190080 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



St. Tammany Parish Drainage District No. 4

October 2020

Audit Control #70190080

Introduction

The Louisiana Legislative Auditor performed certain procedures at the St. Tammany Parish Drainage District No. 4 (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 letter dated July 18, 2019. Prior-year exceptions relating to written policies and procedures, bank reconciliations, credit cards, and payroll and personnel have not been fully resolved. The results of our follow up are documented for each category below except for sexual harassment, which is a new category tested this year.

Current-year Results

1. Written Policies and Procedures

We obtained the District's written policies and procedures and assessed whether they addressed purchasing, contracting, travel and expense reimbursement, ethics, information technology disaster recovery/business continuity, capital assets, and sexual harassment.

Results: The District's written policies and procedures did not address all best practices or compliance requirements relating to the business and financial functions identified above.

Recommendation: Management should develop/update, adopt, and implement written policies and procedures to address the following:

- (a) ***Purchasing***, including (1) how vendors are added to the vendor list, (2) the preparation and approval process of purchase requisitions and purchase orders, (3) controls to ensure compliance with the public bid law, and (4) documentation required to be maintained for all bids and price quotes.
- (b) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- (c) ***Travel and Expense Reimbursement***, including documentation requirements for allowable business expenses.
- (d) ***Ethics***, including actions to be taken if an ethics violation takes place.
- (e) ***Information Technology Disaster Recovery/Business Continuity***, including use of antivirus software on all systems.
- (f) ***Capital Assets***, including initialing and dating the completion of the annual physical inventory.
- (g) ***Sexual Harassment***, including (1) a general description of the possible disciplinary actions that may occur after the conclusion of the investigation; and (2) a statement apprising public servants of applicable federal and state law on sexual harassment, including the right of the complainant to pursue a claim under state or federal law, regardless of the outcome of the investigation.

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

2. **Bank Reconciliations**

For the District's sole bank account, we inspected one monthly bank statement and the related reconciliation to observe whether the bank reconciliation was prepared and reviewed timely by District officials. We also assessed whether documentation was available reflecting that reconciling items outstanding for more than 12 months had been researched.

Result: The bank reconciliation was prepared timely; however, it did not include the signature/initial and date of the independent reviewer (i.e., someone who does not handle cash, post ledgers, or issue checks) for us to determine whether the reconciliation was reviewed timely. Also, there were no reconciling items outstanding for more than 12 months.

Recommendation: Management should require all bank reconciliations to include the signature/initial and date of the independent reviewer.

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

3. Credit Cards

For the District's sole credit card account, we inspected one monthly statement to observe whether finance charges, late fees, and annual fees were assessed, cash advances are allowed, and someone other than the authorized card holder reviewed the statement before payment. We then selected all four transactions on the statement and reviewed the supporting documentation for each transaction to determine if the transactions were supported by receipts and if the District documented the business/public purpose for each transaction.

Result: Transactions were adequately supported, finance charges and late fees were not assessed, and someone other than the card user reviewed the statement before payment. However, the credit card account has a cash advance feature and an annual fee.

Recommendation: Management should replace the existing credit card account with one that explicitly prohibits cash advances and does not require annual fees.

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

4. Payroll and Personnel

We obtained a listing of personnel employed during the fiscal year and selected five employees. We then obtained and reviewed attendance documentation for one pay period to verify that such documentation was prepared and approved by an appropriate supervisor.

We also followed up on the status of a prior-year recommendation that the District seek an Attorney General's opinion regarding commissioners' compensation. We previously noted that the commissioners' compensation is based on a 2012 board resolution that cited both R.S. 38:308 and R.S. 38:1611, which include different compensation amounts.

Results: Attendance documentation was prepared and approved. Also, the District Attorney for the 22nd Judicial District requested an Attorney General's opinion on behalf of the District, and the District is currently awaiting its receipt.

5. Sexual Harassment

We selected five employees to verify that each employee completed at least one hour of sexual harassment training during the fiscal year. Also, we requested a copy of the District's annual report on sexual harassment to observe whether it met statutory requirements.

Results: The District did not provide its employees with sexual harassment training during the fiscal year and did not compile its annual sexual harassment report required by R.S. 42:344.

Recommendation: Management should require that all District officials and employees receive the mandatory annual sexual harassment training. Also, management should immediately compile its sexual harassment report for last year and establish policies requiring future compilations be completed by February 1 of each year, as required by law.

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

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

DD4_2019

APPENDIX A: MANAGEMENT'S RESPONSE

Drainage District No. 4

St. Tammany Parish

October 8, 2020

Louisiana Legislative Auditor
Daryl G. Purpera, CPA, CFE
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please see the responses to the recommendations listed in the District's recent Legislative Audit. The responses below will be part of our updated Policies and Procedures. Should you have any questions, please feel free to contact Mr. Espot at 504-400-0228.

1. Written Policies and Procedures

a. Purchasing

- i. Vendors are added to the vendor list based upon their expertise and knowledge with the aging pumps and our automated system. Other vendors are added to the list for emergency situations such as hurricanes, where the vendors are listed in the District's Hurricane Plan. We also have vendors such as office furniture, purchasing tractors, etc. that are on the State Approved vendors list. We use local vendors that provide services needed in the office such as office supplies and outside printing.
- ii. Purchase Requisitions and Purchase Orders – Under \$2,000 there is no requirement. Over \$2,000, the Board of Commissioners vote and pass a resolution to make a purchase. In cases of emergency, a phone vote of the Commissioners will be done and ratify the vote at the following monthly meeting.
- iii. Bid Law –
For purchase over \$2,000, the District will request three quotes. The Board of Commissioners will review the purchase request and approve through a resolution authorizing the President to enter into an agreement with the vendor to complete the work or purchase.

Based upon the Louisiana Public Bid Laws for the purchase of materials and supplies set at \$30,000 and for public works \$161,550 will require a bid. The District's Engineer will prepare the bid package that outline the technical guidelines required to meet the requirements of the equipment or levee requirements. The bid will be announced in the Parish Official

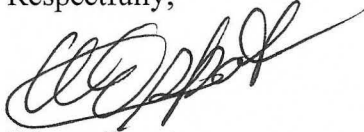
A.1

newspaper. Bids will be reviewed by a panel comprised of the Board of Commissioners and District's Engineer to ensure the winning bid proposal meets all of the requirements set forth. The entire bid process will meet the State's Public Bid Laws. The bids and price quotes will be maintained for a minimum of five years.

- iv. Written Contracts would consist of repairs on the levee or pumps over the amount of \$10,000. The District's attorney would review the contract and the Board of Commissioner's would pass a resolution approving the work to be completed. The District President would assign an individual to monitor the project and provide the Board of Commissioners a monthly report at their meeting.
 - v. Travel and Expense Reimbursement – An expense report must be submitted with the purpose of the trip and backup receipts for lodging, transportation and meals. Meals will be limited to \$30 per meal. Traveling by vehicle will be at the State Mileage Rate, while airfare will be coach. Reports should be submitted no later than 30 days from date of travel.
 - vi. Ethics – Any ethics violation will be immediately reported to the Louisiana Board of Ethics.
 - vii. Information Technology Disaster Recovery/Business Continuity – all District computers will have updated antivirus software installed.
 - viii. Capital Assets – Once the Annual Inventory is completed, the document will be initialed and dated by the Office Manager.
 - ix. Sexual Harassment –
Based on the evidence, disciplinary action may be taken, ranging from reprimand to termination.
Employees have the right to pursue a claim based on federal and state law on sexual harassment regardless of the outcome of the investigation. The employee can file a complaint with the Equal Employment Opportunity Commission (EEOC), the Louisiana Human Rights Commission, or pursue other legal action in addition to their rights. The EEOC provides employees three hundred days to file an official complaint.
2. Bank Reconciliations – Bank reconciliations will be initialed and dated by a member of the Board of Commissioners.
 3. Credit Cards - We have contacted numerous banks (Iberia Bank, Capital One, Gulf Coast Bank, Hancock Whitney Bank, Chase, etc.) regarding a credit card that does not require annual fees. As of this date, we have yet to find a bank that offers a card without an annual fee. We will continue to try to find a bank that will provide the District with a card at no charge. Our current business credit card does not have a pin number assigned and prohibits cash advances. Since having a business credit card, we have never had a cash advance.
 4. Sexual Harassment – Management was made aware of the new requirement to provide annual sexual harassment training in our recent audit by your office. Training will be

completed by the end of October for all staff and Commissioners. A report will be submitted by February 1 of the following year. We strongly believe the District should have been notified by the State or Parish Government when this new law was passed. When we were audited last year by your office, we were not made aware of this new requirement. Had we been made aware; we would have complied.

Respectfully,

A handwritten signature in black ink, appearing to read 'Wayne Espat', with a long horizontal flourish extending to the right.

Wayne Espat
President