

AGREED-UPON PROCEDURES REPORT
City of Covington, Louisiana
Independent Accountant's Report
on Applying Agreed-Upon Procedures
For the Period of January 1, 2015 - September 30, 2015

To the Honorable Mike Cooper
and the Members of the City Council
City of Covington, Louisiana

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the City of Covington, Louisiana (the City), is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the City and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the City's compliance with certain laws and regulations during the period of January 1, 2015 through September 30, 2015, in accordance with Act 774 of 2014 Regular Legislative Session.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

Credit Cards

1. Obtain from management a listing of all active credit cards for each department (and bank debit cards if applicable) for the period of January 1, 2015 through September 30, 2015, including the card numbers and the names of the persons who maintained possession of the cards. [Note: There are three types of credit cards: (1) general (e.g., VISA, MasterCard, etc.), (2) store (e.g., Wal Mart, Office Depot, Sam's Club, etc.); and (3) gasoline (e.g., Fuelman, Exxon, etc.).]

Findings: Obtained listing of active credit cards. During the period under review, the City held cards with Visa, Chase, Home Depot, Lowe's, Office Depot, Best Buy, WEX, and Blossman.

2. Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:
 - A. How cards are to be controlled
 1. Procedures for lost cards
 2. Procedures for removal of signatory authorization upon employment termination
 - B. Allowable business uses
 - C. Documentation requirements
 1. Procedures for lost receipts
 - D. Required approvers
 - E. Monitoring card usage
 - F. What approval required to open a credit card account

Findings: The written policies and procedures do not address procedures for removal of signatory authorization upon employment termination and what approval is required to open a credit card account.

Management's Response: We agree with this finding. The City of Covington prioritizes implementation of strong policies and procedures over credit card purchases in order to protect resources dedicated to the services we provide. We will amend our written policies and procedures for credit cards to include all items in the above list.

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period of January 1, 2015 through September 30, 2015 by each department and select for detailed review, the two largest (dollar amount) statements for each non-fuel card and the two largest (dollar amount) statements for each fuel card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges):
 - A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements:
 1. Determine if each purchase is supported by:
 - a. An original itemized receipt (i.e., identifies precisely what was purchased)
 - b. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - c. Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)
 2. Determine if each purchase is:
 - a. In accordance with thresholds or guidelines established in the policies and procedures.
 - b. For an appropriate and necessary business purpose relative to the entity.
 3. For fuel card purchases determine:
 - a. Does the fuel type purchased match the vehicle type (diesel vs. unleaded)?
 - b. Is the amount of fuel purchases less than or equal to the vehicle tank capacity?
 - c. Was the same vehicle fueled more than once in the same day?
 4. Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement.

5. Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).

Findings: No exceptions were found as a result of these procedures.

Noted from Procedure 1: Of the 398 total transactions tested, there were six instances of missing receipts. However, missing receipt forms were filled out and approved in accordance with the City's written procedures. These were not deemed to be exceptions.

Noted from Procedure 3: Of the 327 fuel transactions tested, there were eleven instances of the same vehicle being fueled more than once in the same day. All transactions had appropriate supporting documentation, were not at the same time, and had reasonable odometer readings. These appeared to be in the normal course of business and were not deemed an exception.

- B. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality.)]

Findings: No exceptions were found as a result of this procedure.

- C. Determine if credit card statement was approved prior to payment of the bill, with any discrepancies being investigated.

Findings: No exceptions were found as a result of this procedure.

- D. Determine if finance charges and/or late fees were assessed on the monthly statements.

Findings: No exceptions were found as a result of this procedure.

Controls over Traffic Tickets

1. Obtain and review the entity's written policies and procedures for traffic tickets and determine if the following is addressed:
 - A. Ticket books maintained in secure location.
 - B. Procedures for collecting/recording fine payments.
 - C. Procedures for remittance of fine payments to the state treasury as indicated by R.S. 32:266.
 - D. Procedures for reporting moving violations to the Louisiana Department of Public Service within 30 days of final disposition as indicated by R.S. 32:393 (C)(1)(b).
 - E. Procedures for reducing or dismissing fines.
 - F. Timely deposit of fine payments requirements.
 - G. Location and timing of payment acceptance.

- I. Use of separate cash drawers.
- J. Requirement of surprise Audits of cash receipts.

Findings: Reviewed written policies and procedures noting all items above were addressed except for use of separate cash drawers and requirement of surprise Audits of cash receipts.

Management's Response: We agree with this finding. However, we do not believe these two items to be necessary in our written policies and procedures due to the limited traffic ticket cash receipt activity. Cash payments received are exact payment which eliminates the need of cash drawers. The City believes the current controls in place and proper segregation of duties mitigate the risk of fraud and, therefore, the requirement of surprise audits of cash receipts is unnecessary.

- 2. Determine if pre-numbered ticket books are used and maintained in a secure location by someone other than an employee whom can issue the tickets. Is a log maintained to indicate which ticket books are signed out to which employees?

Findings: No exceptions were found as a result of this procedure.

- 3. Select one ticket book for testing:
 - A. Are all tickets in the selected book numerically sequenced and each number within the book accounted for?
 - B. Has each citation issued been accounted for and final disposition of said violation been recorded accordingly?
 - C. Were any citations reduced or dismissed outside of traffic court proceedings?

Findings: No exceptions noted during procedures A and B. There were four citations from the ticket book tested that were dismissed/reduced outside of traffic court proceedings. All of these were dismissed/reduced by the direction of either the City Court Judge or the City Court Prosecutor. This is an acceptable method of reducing or dismissing citations and is not considered an exception.

- 4. Verify pre-numbered cash receipt books or a computerized equivalent is used for receipt of citation payments.

Findings: No exceptions were found as a result of this procedure.

- 5. Judgmentally select one receipt book for testing?
 - A. Determine if cash receipt books are maintained in a secure location.
 - B. Determine if all number sequences are accounted for.
 - C. Determine if all three receipt copies are with any voided payments.

Findings: No exceptions were found as a result of these procedures.

We were not engaged to perform, and did not perform an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the City and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
December 23, 2015