

GREATER BATON ROUGE PORT COMMISSION
AGREED UPON PROCEDURES
FEBRUARY 7, 2007

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Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonneau, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephca M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Laura E. Monroe, CPA*
R. David Wascom, CPA*

2322 Tremont Drive
Baton Rouge, LA 70809
Phone: (225) 928-4770
Fax: (225) 926-0945

*Members American Institute of
Certified Public Accountants*

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726

www.htbcpa.com

**A Professional Accounting Corporation*

February 7, 2007

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Commissioners
Greater Baton Rouge Port Commission
Port Allen, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Greater Baton Rouge Port Commission, solely to assist you with respect to the internal controls of the Commission. The Greater Baton Rouge Port Commission's management is responsible for the internal controls. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in 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.

Hannis T. Bourgeois, LLP was on site at Greater Baton Rouge Port Commission and conducted the following procedures:

1. Provided the Commission's personnel with internal control procedure checklist to complete for each of the following cycles:
 - a. Cash, Cash Equivalents, and Petty Cash
 - b. Investments
 - c. Accounts Receivables, Related Revenue, and Cash Receipts
 - d. Capital Assets (including Agency Transfers)
 - e. Accounts Payable, Construction Contracts Payable, Cash Disbursements, and Purchasing
 - f. Payroll and Related Liabilities
2. Reviewed these completed checklists and further inquired from the Commission's personnel about the procedures performed for each of the key cycles listed above.
3. Using the procedure checklists and the information obtained through inquiry, prepared internal control memos for each cycle documenting the procedures and monitoring processes.

4. From the interviews and memos, identified any weaknesses or opportunities to strength internal controls cycles. The weaknesses and opportunities to strength internal controls cycles were then included in the internal control memos.
5. Prepared a report identifying any weaknesses or opportunities to strength internal controls cycles noted while performing the above mentioned procedures as well as our corresponding recommendations.

The results of our procedures are presented below:

General Recommendations:

Segregation of Duties:

Although the small size of the Commission's office staff limits the extent of segregation of duties and management has implemented various procedures to segregate certain duties, we believe certain additional steps could be taken to further segregate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

The findings and recommendations for each cycle in regards to segregation of duties are presented below under the title heading for that particular cycle as applicable.

Official Comprehensive Accounting Manual:

It was noted that although employees have documented the majority of the procedures, checklists, flowcharts and policies for their respective duties electronically and/or in printed manuals for their respective positions, there is currently not one comprehensive manual in printed form which contains all "officially approved" policies and procedures. Written policies and procedures are essential to a strong internal control system and accounting department. The benefits of written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised comprehensive accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. Such a manual would also aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs.

It will take some time and effort for management to develop such a comprehensive manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective. The time to develop the

comprehensive policies and procedures manual will be greatly reduced by the use of existing checklists, flowcharts and written procedures currently being maintained by port staff, as well as the various memos prepared during this agreed upon procedures engagement.

Cash, Cash Equivalents, and Petty Cash Cycle:

Finding:

One of the most critical areas of segregation of duties in any business environment is in the area of cash and cash receipts. We noted that the same employee picks up the mail at the post office each day, prepares the deposit slip, posts receipts to customer accounts, and reconciles the monthly bank statement. We also noted that there are four other employees, including the Director of Finance and the Accounting supervisor, who perform various review and control actions, between each of the four aforementioned steps being performed by the one employee. However, the possibility of the occurrence of errors, whether intentional or unintentional could still exist and not be detected.

Recommendation:

We recommend that an employee who does not handle or record deposits, accounts receivable or the reconciliation processes be assigned some of the steps such as picking up the mail at the post office or physically taking the deposit to the bank each day. In addition, it would be beneficial to have another employee present to oversee the preparation of the deposit slip. Once the deposit is entered into the computer ledger system a different employee could review and perform the posting process. These simple steps would not require the addition of any new employees or add significant time to another employee's duties.

Another recommendation would be for management to consider using a lockbox system for processing receipts. Under such a system, customers are requested, via notations on invoices or monthly statements or the use of preaddressed envelopes, to send their payments to a post office box which is accessible only to the Commission's bank. Each day, the bank collects receipts from the box, credits the receipts to the Commission's account, and sends copies of all check stubs, remittance advices, and other communications to the Commission for processing. Since employees have no direct contact with remittances from customers, the risk of mishandling or misappropriation is virtually eliminated. Also, cash flow is improved because credit is received for receipts as soon as they are received. Another benefit would be the time the Commission's accounting personnel would save by not having to prepare a deposit and go to the bank.

Finding:

Although the computer program records the electronic signature of the employee performing the bank reconciliation on the computer system, we noted that neither the preparer nor the reviewer physically signs off on the physical bank statements or related documentation.

Recommendation:

We recommend all formal reconciliations including the bank reconciliation form be signed off on by the preparer and the reviewer so that the approval process is documented.

Investments Cycle:

Finding:

It was noted that the Board receives a monthly report reflecting the cost or par value of the securities held by various institutions in General Fund Investments. It was also noted that the investment accounts are currently adjusted to market values only at year end for the audited financial statements published for the port.

Recommendation:

In order to present a more accurate picture of the financial position of the Commission during the course of the fiscal year, we recommend that the investment balances be shown at market value on a monthly basis or at least quarterly.

Accounts Receivables, Related Revenue, and Cash Receipts Cycles:

Finding:

In the accounts receivable area, we noted that same person who prepares the billing invoices also post the invoices into the Navision system and reviews the invoices for accuracy.

Recommendation:

While the invoices are prepared in Navision and are posted once the process is generated, we recommend that an appropriate manager review the invoice and supporting information for accuracy before the invoices are posted into the system and document their approval.

Accounts Payable, Construction Contracts Payable, Cash Disbursements, and Purchasing Cycle:

Finding:

In the cash disbursements and payables area, we noted that the employee who acts as the purchasing agent is also involved in the invoice processing, printing checks, and posting to the general ledger. Although there are various approval and review processes done during this cycle, there is still the danger that intentional or unintentional errors could be made and not detected since the same employee is involved in all aspects of the cycle.

Recommendation:

We recommend these duties be segregated to the extent possible. By doing so, internal controls in this area could be greatly strengthened.

Finding:

We noted that receiving reports are not prepared during the purchasing process. When items are received, these items are compared to the purchase order, which includes the quantity of items to be received.

Recommendation:

We recommend that a receiving report or a formal verification document be prepared for each purchase order, which does not include the quantity of items to be received. Eliminating the quantity of items to be received requires the employee who receives the items to count and indicate the quantity received. By counting the items received and comparing to the purchase order, the purchasing agent will be able to determine if there is any items on the order that should be disputed or if items are on backorder and she/he should expect another shipment.

Finding:

We noted that supporting invoices and documents are not provided to the check signers for review prior to checks being signed.

Recommendation:

Although various other controls are in place throughout the disbursement cycle, we recommend management consider that all supporting documentation be provided to at least one of the check signers for review. This will allow the signer to determine if there are any mathematical errors or inconsistencies between vendor and payee. We also recommend that periodically someone outside the disbursements area review the vendor listing for unknown/fictitious vendors and document this review. This procedure could possibly detect a fraudulent disbursement.

Finding:

It was noted that once checks have been signed by the authorized check signers, they are returned for mailing to the same employee who prepared the checks. This practice could lead to a properly signed check being altered after the review process.

Recommendation:

We recommend that signed checks be returned to a different employee outside of the purchasing and check preparation function. This employee would then be responsible for placing the checks in the envelopes and mailing the checks.

Payroll and Related Liabilities Cycle:

Finding:

In the payroll area, we noted that the same employee is responsible for entering and posting payroll to general ledger. That employee is also in charge of printing and distributing payroll checks and the check copies (for those employees that have direct deposit) to the appropriate supervisor once they are signed. Furthermore, any undistributed payroll checks and/or check copies are being maintained by the same person.

Recommendation:

We suggest, at a minimum, that the payroll checks be distributed to employees and supervisors by someone other than the employee in charge of preparing the checks. In addition, we suggest the person designated to distribute the payroll checks be held responsible for maintaining the undistributed payroll checks.

Finding:

We noted that the Accountant Technician and backup personnel have access to change all employees pay information (i.e. bank accounts, pay rates, etc.). In reviewing the payroll transmissions for those employees who receive direct deposit, it was noted that this information is reviewed only when a change is indicated to the reviewer.

Recommendation:

We recommend the reviewer periodically complete a random check of the payroll information per the direct deposit transmissions and verify the account information for each employee.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Commission's internal controls, financial statements or specified elements, accounts, or items thereof. 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 the specified users listed above and the Louisiana Legislative Auditor's Office and should not be used by those who have not agreed to the procedures

Greater Baton Rouge Port Commission

January 7, 2007

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and taken responsibility for the sufficiency of the procedures for their purposes. However, under the provisions of Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document and its distribution is not limited.

We acknowledge with appreciation the cooperation and assistance accorded us by the employees of Greater Baton Rouge Port Commission during our engagement. If you have any questions about this report, or if we can be of any further service to you, we shall be pleased to meet with you at your convenience.

Respectfully submitted,

Hammis T. Bourgeois, LLP



PORT OF GREATER

Post Office Box 380 Port Allen, Louisiana 70767-0380 Phone (225) 342-1660 Fax (225) 342-1666 www.portgbr.com

March 15, 2007

Mr. Steve Theriot, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

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RE: Agreed Upon Procedures Report of Hannis T. Bourgeois, LLP

Dear Mr. Theriot,

The Board of Commissioners of the Greater Baton Rouge Port Commission requested that staff conduct an audit of its internal controls as related to financial matters at their board meeting in August of 2006. On September 28, 2006 they approved the performance of such an audit by the CPA firm, Hannis T. Bourgeois.

Upon completion of the audit, a report was prepared and presented to the Board in February of 2007. We now respond to the report findings and recommendations as presented below:

General Recommendations:

Segregation of Duties:

Although the small size of the Commission's office staff limits the extent of segregation of duties and management has implemented various procedures to segregate certain duties, we believe certain additional steps could be taken to further segregate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Segregation of Duties - Response

Staff is in total agreement with the premise that duties should be segregated to the fullest extent possible and have accordingly made adjustments to further limit dual access of physical assets and related accounting records and transaction processing.

Official Comprehensive Accounting Manual:

It was noted that although employees have documented the majority of the procedures, checklists, flowcharts and policies for their respective duties electronically and /or in printed manuals for their respective positions, there is currently not one comprehensive manual in printed form which contains all "officially approved" policies and procedures, etc.

Official Comprehensive Accounting Manual - Response

Accounting staff will compile one physical manual of all of the officially approved accounting policies, procedures and processes. All currently existing electronic documents will be printed to integrate with other resources and will be in addition to the Hannis T. Bourgeois recommendations.

Cash, Cash Equivalents, and Petty Cash Cycles:

Finding #1:

One of the most critical areas of segregation of duties in any business environment is in the area of cash and cash receipts. We noted that the same employee picks up the mail at the post office each day, prepares the deposit slip, posts receipts to customer accounts, and reconciles the monthly bank statement. We also noted that there are four other employees, including the Director of Finance and the Accounting Supervisor, who perform various review and control actions, between each of the four aforementioned steps being performed by the one employee. However, the possibility of the occurrence of errors, whether intentional or unintentional could still exist and not be detected.

Finding #1 – Response

The separation of duties for collection of checks received, to preparation and recording of the deposit, to delivering the deposit to the bank, has been instituted. Three separate staff members are now completing different phases of the cash receipt collection and deposit process, as opposed to previously only one.

Finding #2:

Although the computer program records the electronic signature of the employee performing the bank reconciliation on the computer system, we noted that neither the preparer nor the reviewer physically signs off on the physical bank statements or related documentation.

Finding #2 – Response

The accounting supervisor is now signing off on the reconciliations before they are posted. The posting clerk also signs off on them after she has completed the reconciliation process.

Investments Cycle:

Finding:

It was noted that the Board receives a monthly report reflecting the cost or par value of the securities held by various institutions in General Fund Investments. It was also noted that the investment accounts are currently adjusted to market values only at year end for the audited financial statements published for the port.

Finding – Response

The report preparer is now computing the investment valuation each month and reports the variance between cost and fair market value on the reports given to the Board of Commissioners. The change in valuation is then being recorded in the general ledger system.

Accounts Receivables, Related Revenue, and Cash Receipts Cycles:

Finding:

In the accounts receivable area, we noted that the same person who prepares the billing invoices also posts the invoices into the Navision system and reviews the invoices for accuracy.

Finding – Response

All billings and sales invoices are currently being signed by the accounting supervisor at the time of review and before their posting.

Accounts Payable, Construction Contracts Payable, Cash Disbursements, and Purchasing Cycle:

Finding #1:

In the cash disbursements and payables area, we noted that the employee who acts as the purchasing agent is also involved in the invoice processing, printing checks, and posting to the general ledger. Although there are various approval and review processes done during this cycle, there is still the danger that intentional or unintentional errors could be made and not detected since the same employee is involved in all aspects of the cycle.

Finding #1 – Response

We have not divided the duties of the purchasing agent to any greater extent at this time, but have taken additional review measures for the approval of different steps in the purchasing process.

Finding #2:

We noted that receiving reports are not prepared during the purchasing process. When items are received, these items are compared to the purchase order, which includes the quantity of items to be received.

Finding #2 – Response

A copy of the purchase order, without item quantities being listed, is being prepared for receiving department staff to use when receiving items. Item counts are being hand written on this document when the items are received. The quantities are then verified against the purchase order prior to payment being made to the vendor.

Finding #3:

We noted that supporting invoices and documents are not provided to the check signers for review prior to the checks being signed.

Finding #3 – Response

Support documents and invoices are now being presented to the check signers at the same time that checks are forwarded for signatures.

Finding #4

It was noted that once checks have been signed by the authorized signers, they are returned for mailing to the same employee who prepared the checks. This practice could lead to a properly signed check being altered after the review process.

Finding #4 – Response

A person other than the person issuing the checks has been assigned the responsibility of receiving the signed checks and for placing the checks in envelopes for mailing.

Payroll and Related Liabilities Cycle:

Finding #1:

In the payroll area, we noted that the same employee is responsible for entering and posting payroll to the general ledger. That employee is also in charge of printing and distributing payroll checks and the check copies (for those employees that have direct deposit) to the appropriate supervisor once they are signed. Furthermore, any undistributed payroll checks and/or check copies are being maintained by the same person.

Finding #1 – Response

Once payroll checks are cut and signed, they are given to the accounting supervisor to hold and to distribute to the employees.

Finding #2:

We noted that the Accountant Technician and backup personnel have access to change all employees pay information (ie. bank accounts, pay rates, etc.). In reviewing the payroll transmissions for those employees who receive direct deposit, it was noted that this information is reviewed only when a change is indicated to the reviewer.

Finding #2 – Response

The accounting supervisor will conduct unscheduled audits of the employee backup files relating to payroll information during the course of the year. Close attention will be placed on the direct deposit transmission pay authorization documents.

If you have any questions or concerns related to the above, please contact me.

Sincerely,



Jay Hardman
Executive Director

xc: Al Starns