

EAST BATON ROUGE PARISH
CLERK OF COURT



ADVISORY SERVICES REPORT
ISSUED MARCH 8, 2017

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 8, 2017

THE HONORABLE DOUGLAS WELBORN, CLERK OF COURT
EAST BATON ROUGE PARISH CLERK OF COURT
Baton Rouge, Louisiana

Dear Mr. Welborn:

My Advisory Services staff visited the East Baton Rouge Parish Clerk of Court's Office (Clerk or Clerk's office) to perform an assessment of the Clerk's internal controls over credit cards, service and lease contracts, payroll and human resources, collections, and equipment. In addition, during the assessment, my staff reviewed additional matters that came to their attention. This report contains the results of our assessment and includes related recommendations to help the Clerk's office strengthen internal controls over programmatic and fiscal operations. Management's response to the report is presented in Appendix A.

We did not perform an audit of the Clerk's financial statements, and accordingly, we do not express an opinion on those financial statements. In addition, our assessment was limited in scope and not designed to identify all deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk's internal control.

We would like to thank you and your staff for your cooperation and assistance during our assessment. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

EBR COC 2017

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EXECUTIVE SUMMARY

The following presents a summary of the Louisiana Legislative Auditor's (LLA) assessment of internal controls over programmatic and fiscal operations. Additional details of our assessment, as well as related recommendations to strengthen internal controls, are included on the pages that follow this summary.

- **Written Policies and Procedures:** The Clerk's office did not have a comprehensive policies and procedures manual addressing all critical functions of the office.
- **Credit Cards:** While we did not note any exceptions relating to credit card purchases, we identified areas where internal controls should be strengthened, including credit card user documentation, segregation of duties, and related administrative functions.
- **Service and Lease Contracts:** The Clerk's office had multiple agreements for leases and services but did not always have controls to ensure that contracting was based on a formally established need, that services were procured at competitive prices, and that contract provisions were clearly stated and monitored to ensure the receipt of contract deliverables.
- **Payroll and Human Resources:** The Clerk's office did not have an adequate segregation of duties relating to payroll. We also noted issues related to the tracking of payroll changes made in the payroll system, approval of overtime, and completion of performance appraisals. In addition, we found that the Clerk has been accruing leave, although he does not complete timesheets. This could present a problem if he receives compensation for unused leave upon separation from the office/position, possibly exceeding his statutory compensation.
- **Collections:** The Clerk's office did not have an adequate segregation of duties over cash collections. We also identified issues relating to physical control of collections and general accountability for collections. For example, we observed cash collections that were left unsecured during the work day and were informed that staff has been sharing cash drawers used for the collection of payments to the Clerk's office.
- **Equipment:** The Clerk's office did not properly tag, track, or inventory office equipment and other movable assets. We also noted that equipment record-keeping duties were not properly segregated.
- **Local Government Budget Act:** The Clerk's office did not meet certain requirements of the Local Government Budget Act, as provided for in state law.

- **Paying for Services Not Used/Received:** The Clerk’s office paid a monthly fee of \$125 and an annual fee of \$400 to an auction house for procurement services, but the Clerk’s staff represented to us that the office had not used or received services from the auction house during fiscal year 2016. This may be a violation of the state Constitution, prohibiting the donation of public funds.
- **Monthly Financial Statements with Budget-to-Actual Variances:** The Clerk’s office did not prepare monthly financial budget-to-actual comparisons. Without such information, the Clerk may find it difficult to effectively manage the financial operations of his office.
- **Services Provided by Baker City Court:** From July 2015 to March 2016, the Clerk’s office received \$3,100 in fees from marriage licenses issued by Baker City Court employees while paying approximately \$5,600 for these services. Fiscally sound business practices generally provide that operations should be self-supporting.
- **Remitting Unclaimed Property to the State Treasurer’s Office:** The Clerk did not forward outstanding vendor checks to the State Treasury as unclaimed property as required by state law.
- **Purchasing Promotional Items:** The Clerk’s office purchased drink “koozies” with the Clerk’s name and seal on them that were given to employees and visitors, possibly in violation of state law.
- **Notice to Report Fraud and Abuse to LLA:** The Clerk’s office did not post a required notice on its premises concerning the reporting of misappropriation, fraud, waste, or abuse of public funds, as provided for in state law.

RESULTS AND RECOMMENDATIONS

Written Policies and Procedures

The Clerk's office did not have a comprehensive policies and procedures manual addressing all critical functions of his office. Written policies and procedures are necessary to provide a clear understanding of what should be done, how it should be done, when it should be done, and who should do it. In addition, written policies and procedures aid in the continuity of operations and for cross-training staff or training new staff.

We recommend that the Clerk:

1. Incorporate the recommendations made in this report as part of a comprehensive policies and procedures manual that should be periodically reviewed and updated to address changing conditions in the future.
2. Upon completing the appropriate level of training, all staff should be required to sign a form acknowledging that they have received the manual, have read and understand its contents, and agree to comply with its provisions.
3. When drafting policies and procedures, refer to "best practices" on the LLA website for further guidance.

The Clerk concurred with the recommendations and provided a corrective action plan (see Appendix A, page 2).

Credit Cards

Since the Clerk's fiscal year 2015 audit, the Clerk reduced the number of credit cards from seven to four (two general credit cards and two store cards). During our review of controls over the credit cards and statements for those cards (January through February 2016 for general cards; June 2015 through March 2016 for store cards), we noted no meal expenses, and the Clerk's staff was able to provide receipts to support all charges for these periods. However, we identified areas where internal controls should be strengthened, including credit card user documentation, segregation of duties, and related administrative functions (e.g., restrictions on type of purchases allowed).

We recommend that the Clerk:

1. Maintain a list of all credit cards (both general and store cards). The list should be updated as necessary and should include the following information:
 - Card number

- Issuer name and phone number
 - Person responsible for securing the card
 - Credit limit
 - Status of the Card (whether the card is active/inactive)
 - Cancellation date/documentation
2. Update the credit card request form to include information about who checked out the card, which card was checked out, and the date and time the card was checked out and returned. An example credit card issuance log is located on our website for additional ideas for tracking credit card usage.
 3. Require employees who use office credit cards to provide adequate documentation to support all purchases.
 4. Assign the following duties to different employees to ensure an effective segregation of duties: maintaining/securing credit cards; approving credit card purchases; and reviewing/reconciling credit card statements and purchase documentation. Having one employee perform these functions increases the risk that the employee could make and conceal personal purchases on the card without detection.
 5. Implement purchase prohibitions on the general credit cards by using merchant category code restrictions through the Clerk's credit card vendor. Such prohibitions/restrictions will help to reduce the risk that the Clerk's credit cards will be used for prohibited personal purposes.
 6. Make credit card payments timely to avoid late fees and expedited shipping costs. We noted in one instance that the Clerk sent a payment by priority mail to avoid a late fee.
 7. Additional policies and procedures should be established to address other areas relating to credit cards such as:
 - How credit card usage is to be monitored and who is responsible for monitoring;
 - What to do when credit cards go missing;
 - Ensuring that credit cards are returned upon employment termination;
 - Prohibiting purchases from being split into multiple transactions to avoid bid law thresholds;
 - Periodically assessing and reassessing the need for the credit cards;

- Ensuring that employee requests for reimbursement are not for purchases that were made on the credit cards; and
- Disciplinary action for failing to comply with the policies and procedures.

The Clerk concurred with the recommendations and provided a corrective action plan (see Appendix A, page 2).

Service and Lease Contracts

The Clerk's Office has contracts/agreements for leases and services, including vehicle and warehouse space leases; employee health plan administrator services; procurement services from an auction house; and several agreements with attorneys for legal services. We identified the following areas where controls need to be strengthened to ensure that contracting is based on formally established need; services are procured at competitive prices; and contract provisions are clearly stated and monitored to ensure receipt of contract deliverables:

- No formal process to ensure that contracting for services is absolutely necessary;
- No formal process to ensure that the Clerk obtains services for the most competitive price and regularly reconsiders available/alternative prices;
- Not all contracts were written. We noted that the Clerk paid \$63,661 to a contract accountant from July 2015 to April 2016 without a written contract specifying the services to be provided and terms of the agreement;
- Written contracts' terms and deliverables were not always clear and specific. For example, the lease for warehouse space did not specify who was responsible for lawn maintenance at the warehouse, and numerous amendments could make it difficult to fully understand the most current terms and requirements;
- No documentation to determine if all written contracts underwent a legal review prior to signing; and
- Contract review/monitoring did not include formally comparing contract deliverables to services actually received.

We recommend that the Clerk:

1. Implement a formal needs assessment process that requires staff to:
 - Identify agency goals and objectives;
 - Explore possible alternatives to contracting for services to meet goals and objectives (e.g., work with Secretary of State's office to reduce necessary record storage space thereby reducing amount of rental space needed); and

- Compare costs and benefits associated with alternatives to contracting against the costs and benefits of contracting for services.
2. Use a competitive bidding process when selecting vendors for service and lease contracts. Once a vendor is chosen, the Clerk should document the reason for this decision. The use of such a competitive bidding process and documenting the reason for selecting vendors will help ensure competitive prices and transparency of operations.
 3. Identify service agreements with vendors that are not supported by a current written contract and require such agreements to be either documented in a formal, written, signed contract or eliminated if unnecessary. Without formal contracts, it will be difficult for the Clerk's office to ensure it is receiving quality services in a timely manner.
 4. Clearly state contract terms and conditions, including contract renewals. In addition, the Clerk should require contracts to be signed and dated by all parties and maintained on file at the Clerk's office after a comprehensive review by the Clerk's legal counsel. The terms and conditions should include:
 - Services to be received and costs;
 - Timing of service delivery;
 - Period covered by the contract;
 - Clearly defined performance standards and measurable outcomes;
 - How vendor performance will be evaluated/monitored; and
 - Consequences for failure to meet contract requirements.
 5. Periodically review and update a centralized list of all contracts that includes:
 - Vendor's name and contact information;
 - Starting date of the contract;
 - Ending date of the contract;
 - Type of services to be received;
 - Cost of the services; and
 - Employee responsible for monitoring the contract.
 6. Work with the warehouse owner to clarify the terms of the warehouse contract as it relates to lawn maintenance and responsibility for paying utilities on the warehouses if the Clerk decides to keep the warehouse contract. In addition, the

Clerk should work with the warehouse owner to consolidate lease amendments into a new contract in order to clarify the terms of the contract.

7. Include a provision limiting total billings in the legal service contracts. This provision should require the attorney to notify the Clerk immediately if they anticipate exhausting the remaining balance available for payments within a specified period. Such limits will help to ensure that billings for legal services stay in a range specified by the Clerk.
8. Require formal review of all contracts to ensure that services received comply with the terms and conditions of the contracts. These reviews should be conducted on a periodic basis throughout the life of the contract. As part of this process, the Clerk should consider developing a checklist for each contract containing the terms and conditions for the contract. Staff could then use this checklist to review the contracts and document their review. Once the review is completed, the checklist should be maintained with the contract. The Clerk should:
 - Assign a contract manager with the authority and skills/training to monitor the contract and related project;
 - Track budgets and compare invoices and charges to contract terms and conditions;
 - Ensure that deliverables are received on time and document the acceptance or rejection of deliverables;
 - Withhold payments to vendors until deliverables are received; and
 - Retain documentation supporting payments to vendor(s).
9. Seek guidance from the state archivist and legal counsel regarding options to reduce the quantity of physical records and minimize the need for storage space. Eliminating unnecessary records may reduce the Clerk's need for additional leased space, which could reduce the Clerk's annual expenditures of \$96,000 per year.

The Clerk concurred with the recommendations and provided a corrective action plan (see Appendix A, page 2).

Payroll and Human Resources

The Clerk's office did not have adequate segregation of duties relating to payroll. For example, one employee in the Administrative Accounting Department could add employees to the payroll system, input pay rates for employees, input hours worked into the system, generate paychecks, and distribute paychecks. Although some review processes were in place and we found no

indications of fraud or abuse, proper segregation of payroll duties is critical to minimize the potential for fraud or abuse.

We also noted that the Clerk's office was not using their payroll system to track changes made to payroll data (e.g., pay rates), and approval of overtime was handled inconsistently (i.e., verbal approval required for some and formal written approval required for others). In addition, performance appraisals were not being conducted for all staff.

Furthermore, we noted that the Clerk has been accruing leave without completing a timesheet. This could present a problem if the Clerk receives compensation for unused leave upon separation from office (potential noncompliance with annual compensation maximum as provided in La. R.S. 13:782).

We recommend that the Clerk:

1. Review the duties performed by employees in the Administrative Accounting Department to ensure duties are properly segregated. This should include examining the access employees have to the payroll system and consider limiting access to ensure that no one employee can create employees, change employee pay information, and input hours worked.
2. Work with the payroll software vendor to develop and implement a log to track specific changes made in the payroll system, such as employees added to the system, pay rates changed, etc. Without such a log, the Clerk may find it difficult to monitor unauthorized changes made in the payroll system. Periodically, an employee outside the payroll process should review this log to ensure that changes made in the payroll system were proper, including comparing the changes made per the log with proper documentation such as approved pay rates. Any undocumented or improper changes should be investigated and resolved.
3. Require adequate records to be maintained to support the request and approval of overtime.
4. Implement a consistent system for conducting annual employee performance appraisals. When developing and implementing this process, the Clerk should consult with legal counsel and human resources staff.
5. The Clerk should start using timesheets and leave slips to formally document leave earned and taken.
6. Consider conducting a salary survey to ensure that employee salaries are reasonable, as the last study was done more than 10 years ago.

The Clerk concurred with the recommendations and provided a corrective action plan (see Appendix A, page 3).

Collections

The Clerk collects money in 17 departments. Our review of the Clerk's collection processes was limited to the following three departments/offices: Suit Accounting; Baker City Court; and the Coursey Branch office. In addition, we also performed a more limited assessment of money collected in the Clerk's Administrative Accounting Department. During our review, we found no indications of missing funds; however, we noted several issues related to segregation of duties, physical control of collections, and general accountability for collections. Such problems increase the risk that money will not be collected for services provided or payments will not be properly deposited in the Clerk's bank accounts. Some of the issues we noted are:

- Current accounting practices allowed the same employee to collect, record, and deposit payments and reconcile bank statements;
- Cash was left unsecured in two departments during the work day;
- Numerous employees were using the same cash drawer when collecting payments; and
- Numerous employees also had access to a safe that was used to secure cash collections.

We recommend that the Clerk:

1. Review the duties performed by employees in the departments/offices that collect, record, deposit, and reconcile money to ensure duties are properly segregated (e.g., the same employee should not collect, record, deposit, and reconcile collections).
2. Improve physical controls over the collection and safeguarding of money by doing the following:
 - Restricting collections to as few people as necessary, including restricting the number of staff with access to secured money;
 - Securing money while it is not being handled;
 - Locking safes when not in use;
 - Requiring two people to be present when a safe is opened, entered, and locked;
 - Requiring a log to be completed any time a safe is opened. This log should document who opened the safe, who witnessed the safe being opened, the reason for opening the safe, the date and time that the safe was opened, and the date and time the safe was verified as locked by those present;

- Providing a separate secured cash drawer for each employee who is responsible for collecting money. These employees should be required to keep their cash drawers secured at all times, and the Clerk should prohibit employees from working out of each other's drawers. In addition, employees should be held accountable for money that should be in their cash drawers;
 - Issuing a receipt to each customer, regardless of payment method. In addition, the Clerk should post signs asking customers to request receipts upon payment in all areas where collections occur. Also, the Clerk should require that the numerical sequence of receipts in the receipt books, including the Baker City Court, be accounted for and any discrepancies be resolved timely;
 - Requiring collections for each employee to be reconciled daily to related receipts. Any overages and shortages noted during this reconciliation should be investigated and resolved, and the results of the investigation should be documented;
 - Requiring staff to deposit money collected on a daily basis. Once deposited, the deposit receipts along with the related collection documentation should be sent to the Administrative Accounting Department for review and reconciliation. State law (R.S. 39:1212) requires that all funds of local depositing authorities be deposited daily whenever practicable; and
 - Consider installing cameras in all areas where money is handled.
3. Develop and implement a formal method for tracking marriage license copies provided to customers. Record necessary information in receipt books to identify the individual services provided. Recorded information should include:
- Names of people receiving the marriage license or copy
 - License number
 - Collection date
 - Fee charged
 - Payment type (check, cash, etc.)
4. Require Baker City Court staff to submit receipts to the Clerk's Administrative Accounting Department weekly.
5. Reconcile reports of services rendered (e.g., marriage licenses issued from the marriage license system) to collection documentation (e.g., receipts, cash register

reports) on a regular basis to ensure that the money collected agrees with money that should have been collected based on the services rendered.

6. Maintain a clear trail of accountability for money collected from the point of collection to deposit. Such a trail requires that the amount of money transferred between employees be verified by both individuals and documented.
7. Reconcile all bank accounts timely (monthly) and investigate and resolve all discrepancies.
8. Conduct surprise cash counts by someone independent of the cash collection process at all departments/offices that collect and deposit money. The Clerk should inform staff that such surprise/unannounced counts will be conducted as a normal business practice.

The Clerk concurred with the recommendations and provided a corrective action plan (see Appendix A, page 3).

Equipment

The Clerk's office did not properly tag, track, or inventory the Clerk's equipment and other movable assets. We also noted that equipment record-keeping duties were not properly segregated (i.e., property manager maintained the fixed asset listing while having custody of items to be sold at surplus). By more effectively controlling equipment, the Clerk's office will be less susceptible to loss, theft, or abuse.

We recommend that the Clerk:

1. Tag all assets on the formal asset listing.
2. Identify assets that are not included on the formal asset listing but are highly susceptible to theft/misuse (e.g., power tools, phones, and electronic tablets) and track these items internally.
3. Include the following information in the asset tracking system:
 - Unique identification number (e.g., tag number)
 - Description of the asset, including make, model, serial number
 - Date of acquisition
 - Method of acquisition (purchase, donation, etc.)
 - Funding source (identifying restricted money used for the purchase)
 - Cost/estimated cost of the asset

- Salvage value of the asset, if known
 - Estimated useful life of the asset
 - Functions that use the asset
 - Location/department of the asset
 - Person responsible for the asset
4. Assign equipment to employees rather than to departments, including departmental assets (file cabinets, printers, etc.). Failure to assign equipment to employees may make it difficult to locate equipment and hold individuals accountable for missing equipment. When employees receive and return equipment, the Clerk should require staff to complete a form documenting this transaction. The completed forms should be kept on file with the IT/property manager and the asset listings should be updated for these assignments/returns. This form should document:
- Name, title, department, and signature of the employee receiving the equipment
 - Name, title, department, and signature of the supervisor and IT/property manager approving the assignment
 - Equipment tag number and description
 - Date the equipment was assigned/returned
5. Clearly document the disposal of assets. Such documentation should include:
- Name, title, department, date, and signature of the employee requesting the disposal
 - Name, title, department, date, and signature of the employee approving the disposal
 - Name, title, department, and signature of the employee handling the disposal
 - Asset tag number, serial number, description (which matches the asset listing)
 - Method of disposal, date, and amount for which the asset was sold, if applicable
6. Conduct an annual inventory. As part of the inventory process, staff should update the asset listing for current-year activity. This can be done by reviewing asset purchase and disposal records, reviewing asset assignment forms, and

obtaining information from employees (e.g., requesting employees to submit a listing of assets that they received or returned during the year). In addition, staff should account for all assets appearing on the asset listings and investigate assets that cannot be located. The Clerk should maintain documentation related to the annual inventory.

7. Segregate the duties of staff involved with equipment and movable property. For example, an employee who can change the asset listings should not be involved with the disposing of assets or the reconciliation of the asset listing.
8. Require an independent, periodic comparison of current asset listings to previously maintained asset listings. Any items that appear on the previous listing but not on the current listing should be reviewed. This independent examination should include reviewing required documentation related to the disposal of the asset (completed disposal request/approval forms, correspondence with Louisiana Property Assistance Agency, records related to sale proceeds, etc.) to ensure that the disposal was appropriate and properly documented. Any inappropriate or improperly documented disposals should be investigated and resolved.
9. Investigate and resolve the issue related to a missing mainframe computer purchased for \$126,000 in 1988 (Wang 7010). This computer is included on the capital asset listing, but the Clerk's office could not locate the computer or provide documentation of its disposal.
10. Maintain a mileage log to record office vehicle usage. The log should:
 - Include the date of usage, the driver's name, purpose of usage, and beginning and ending odometer readings;
 - Periodically be reviewed to ensure that vehicle usage was appropriate and that any undocumented or irregular usage is investigated and resolved; and
 - Periodically be compared to fuel purchases to ensure that fuel purchases are reasonable when compared to the miles driven. Any unreasonable fuel purchases should be investigated and resolved.

The Clerk concurred with the recommendations and provided a corrective action plan (see Appendix A, page 4).

Additional Issues and Recommendations

- **Local Government Budget Act (LGBA):** R.S. 39:1305.C requires, in part, that the Clerk's budget contain estimated expenditures itemized by agency, department, and function and that revenue and expenditure estimates for the remainder of the current fiscal year be presented. Based on our review of the Clerk's fiscal year 2016 budget, these requirements were not met.

We recommend that the Clerk:

- Include all LGBA requirements in his annual budget (see LLA website).

The Clerk concurred with the recommendation and provided a corrective action plan (see Appendix A, page 4).

- **Paying for Services Not Used/Received:** The Clerk's office paid a monthly fee of \$125 and an annual fee of \$400 to an auction house for procurement services (e.g., assistance with bidding process), but the Clerk's staff represented to us that the office had not used or received services from the auction house during fiscal year 2016. The total amount paid to the auction house between June 28, 2011, and May 5, 2016, was \$11,400. Attorney General (AG) opinions indicate that in order for the expenditure of public funds to be allowed under Article VII, Section 14(A) of the Louisiana Constitution of 1974, the expenditures must meet the criteria of the "three-prong test." The components of this test are:
 - There must be a public purpose for the expenditure or transfer that comports with the governmental purpose for which the public entity has legal authority to pursue.
 - The expenditure or transfer, taken as a whole, does not appear to be gratuitous.
 - The public entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of funds.

Based on the information above, the payments to the auction house for services not rendered may not comply with the three-prong test. Furthermore, *AG Opinion 06-0155* indicates that the Clerk can only pay for services rendered and cannot pre-pay for future services.

We recommend that the Clerk:

- Consult with legal counsel regarding the legality of the Clerk's arrangement with the auction house, including any remedies necessary if payments to the auction house were improper. In the future, the Clerk should consider Article VII, Section 14(A) of the Louisiana Constitution of 1974 and AG Opinion 06-0155 prior to entering into an agreement for services.

The Clerk has since cancelled this contract and will receive a refund from the vendor (see Appendix A, page 5).

- **Monthly Financial Statements with Budget-to-Actual Variances:** The Clerk's office did not prepare monthly financial budget-to-actual comparisons. Without such information, the Clerk may find it difficult to effectively manage the financial operations of his office.

We recommend that the Clerk:

- Work with his office's financial and software consultants to ensure that monthly financial statements containing budget-to-actual variances are produced. These statements should be reviewed monthly, and the cause of any significant budget variances should be determined and resolved. In addition, the Clerk should use these financial statements when considering whether the Clerk's budget should be amended and as support for other fiscal and operational decisions.

The Clerk concurred with the recommendation and provided a corrective action plan (see Appendix A, page 5).

- **Services Provided by Baker City Court:** The Clerk pays Baker City Court employees to provide services related to marriage licenses in the City of Baker. Our review of deposit and expense records related to these services indicates that from July 2015 to March 2016 these employees collected approximately \$3,100 but were paid approximately \$5,600 by the Clerk. Fiscally sound business practices generally provide that operations should be self-supporting.

We recommend that the Clerk:

- Review collection and payment records to determine if costs have historically exceeded collections. If so, the Clerk should consider modifying the arrangement with Baker City Court so that the cost of services provided at the Court does not exceed the revenue generated from them. As part of this modification, the Clerk should consider paying based on the services rendered by the Court employees.

The Clerk concurred with the recommendation and provided a corrective action plan (see Appendix A, page 5).

- **Remitting Unclaimed Property to the State Treasurer's Office:** The Clerk did not forward outstanding vendor checks to the State Treasury as unclaimed property, in accordance with state law (R.S. 9:151 *et seq.*). State law provides that such checks/refunds are considered abandoned property one year after a check is written and should be transferred to the State Treasurer's office.

We recommend that the Clerk:

- Investigate outstanding checks and either reissue the checks or remit the funds to the State Treasury as unclaimed property. The Clerk should remove outstanding checks remitted to the State Treasury (or reissued) from the Clerk's accounting system.

The Clerk concurred with the recommendation and provided a corrective action plan (see Appendix A, page 6).

- **Purchasing Promotional Items:** The Clerk’s office purchased drink “koozies” with the Clerk’s name and seal on them that were given to employees and visitors. State law (R.S. 43:111.1) provides, in part, that no public funds shall be used in whole or in part for the payment of the cost of any advertisement containing therein the name of any public official, whether elected or appointed. In addition, *AG Opinion 98-201* provides, in part, that placing the name of a public official on stationery and business cards for informational purposes is not prohibited, but including a public official’s name on lapel pins intended for promotional purposes is improper. As “koozies” are generally not used for informational purposes, the inclusion of the Clerk’s name on them may be considered promotional in nature and may violate R.S. 43:111.1.

We recommend that the Clerk:

- Discuss purchases of drink “koozies” with legal counsel and consider requesting an Attorney General’s opinion regarding the legality of such purchases.

The Clerk has consulted with legal counsel regarding this issue (see Appendix A, page 6).

- **Notice to Report Fraud and Abuse to LLA:** The Clerk’s office did not post a required notice on its premises concerning the reporting of misappropriation, fraud, waste, or abuse of public funds to the LLA, as required by R.S. 24:523.1.

We recommend that the Clerk:

- Post LLA’s “Fight Fraud, Waste & Abuse!” sign on its premises in conspicuous places, as required by state law. In addition, we recommend that the notice on the Clerk’s website be placed in a more visible area, such as the website’s main page.

The Clerk concurred with the recommendation and provided a corrective action plan (see Appendix A, page 6).

APPENDIX A

Management's Response



DOUG WELBORN
CLERK OF COURT

19TH JUDICIAL DISTRICT
PARISH OF EAST BATON ROUGE

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February 21, 2017

Mr. Daryl G. Purpera, CPA, CFE
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Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The information following this correspondence represents management's response to the recommendations contained in the report of your Advisory Services staff. Let me first say how much I appreciate the opportunity that our office had to benefit from this process.

When Mr. Mike Battle offered the availability to the services during our post-audit meeting last January, I was eager to have our office participate. The team that visited us during the assessment was very diligent and we enjoyed working with them every step of the way to ensure a complete and thorough review of all areas that they felt necessary. Please extend our gratitude to Ms. Sarah Futch, Ms. Jamie Mergist, Ms. Glenda LeBlanc and Mr. Steven Kraemer for all of their hard work as well as Mr. Battle for his continued guidance.

We are pleased to say that we closed our 2016 fiscal year on solid footing and we appreciate the advice given to us during last year's meeting of methods to ensure and maintain fiscal stability. Along with the recommendations provided by the Advisory Services staff, we look forward to many years of progress.

In closing, please accept the following as our official response to the recommendations of the staff. Thank you again for the opportunity to work with you and your staff and for the quality of assistance that they provided to our office.

Sincerely,

Doug Welborn

Written Policies and Procedures: The Clerk's office did not have a comprehensive policies and procedures manual addressing all critical functions of the office.

The Clerk of Court's Office has a comprehensive handbook of policies in place for all employees. Each employee has received and signed an acknowledgement of this handbook. Although older manuals have existed detailing departmental functions and procedures, several of these are in need of updating. The delay with which we are currently faced is, with the impending installation of a new case management system, we cannot expend resources on creating manuals that will soon become obsolete with the new system. Work has progressed significantly and some areas have been completed in which the new case management system will have little or no effect on their processes. Upon completion of installation, the remaining departmental manuals will be recreated to illustrate their procedures.

Credit Cards: While we did not note any exceptions relating to credit card purchases, we identified areas where internal controls should be strengthened, including credit card user documentation, segregation of duties, and related administrative functions.

Credit cards have been reduced to only one general MasterCard and two store cards in circulation, which are maintained and provided to the purchaser by the Administrative Accounting Manager. It is provided only after approval has been granted for the purchases in advance by the administration. Detailed receipts are kept along with a distributed/returned log for the card. As recommended, multiple members of the administration will be responsible for approval, reconciliation, tracking, etc. The administration and the Administrative Accounting department have itemized the remaining store credit cards according to the recommended categories.

Service and Lease Contracts: The Clerk's office had multiple agreements for leases and services but did not always have controls to ensure that contracting was based on a formally established need, that services were procured at competitive prices, and that contract provisions were clearly stated and monitored to ensure the receipt of contract deliverables.

The administration has added structure and consistency to its policies already in place with regard to leases and services. When necessary, a small internal committee formed by the administration will draft provisions and

evaluate delivery and performance satisfaction standards as they relate specifically to the services needed, with legal assistance sought as needed. The committee will consist of members of the administration and staff from areas related to the services needed. All service agreements are in the process of being updated to include a current written contract. A competitive bid process will be used as needed in the vendor/service selection process; this process will consider the quality of service in addition to the lowest bid. The need for physical space for storage of records will continue to be evaluated. Requests to State Archives in recent years have not yielded space for any other than a very small amount of the most historical records. The city-parish has responded to requests that additional storage space is not available. All contracts will be documented in written form and signed by all applicable parties.

Payroll and Human Resources: The Clerk's office did not have an adequate segregation of duties relating to payroll. We also noted issues related to the tracking of payroll changes made in the payroll system, approval of overtime, and completion of performance appraisals. In addition, we found that the Clerk has been accruing leave, although he does not complete timesheets. This could present a problem if he receives compensation for unused leave upon separation from the office/position, possibly exceeding his statutory compensation.

The Administrative Accounting staff, under the direction of the manager and administration, will perform functions regarding to payroll with increased segregation as needed and recommended. The system has been updated to track payroll changes and overtime requests. An effective new system for staff performance appraisals has been established by an office committee and reviews are set to begin in the near future. The Clerk of Court has elected to have any accrued time eradicated from his record with none to be accrued in the future.

Collections: The Clerk's office did not have an adequate segregation of duties over cash collections. We also identified issues relating to physical control of collections and general accountability for collections. For example, we observed cash collections that were left unsecured during the work day and were informed that staff has been sharing cash drawers used for the collection of payments to the Clerk's office.

The administration has conducted meetings with all applicable supervisors and staff to reiterate the importance and urgency of responsible collection

practices. Physical controls as recommended have been strengthened with procedures in place as recommended. The administration is exploring methods to improve the timeframe in which deposits are made. As recommended, a surprise cash count process has been implemented. Though this office has no direct control over the implementation of your recommended procedures at Baker City Court regarding unsecured collections, we have communicated your recommendations to its administrator. Management also intends to meet in the near future with that Court's supervisory staff to ensure the utmost efficiency and integrity of its collection procedures and to gauge the progress of implementation of your recommended procedures. If your recommendations can not be substantially followed, then management will consider terminating the service provided at Baker City Court.

Equipment: The Clerk's office did not properly tag, track, or inventory office equipment and other movable assets. We also noted that equipment recordkeeping duties were not properly segregated.

Working with the Purchasing and Property Control staff, the administration has improved its segregation of duties in the areas of inputting, removal, surplus and disposal of items from the inventory. Semi-annual inventories will be conducted to ensure that all holdings are properly tagged and in their proper areas. An additional, updated data file will be utilized to tag, document and track all significant equipment, even those items under the legally required \$1000 price index. Safeguards will ensure that personal use of equipment does not occur. The office has investigated the issue of the missing mainframe computer that formerly operated the Wang system. The Wang system has been out of operation since 2008 and the mainframe in question is operationally obsolete on the current market and has no practical value. Due to its temporary storage under a stairwell near our computer department, we believe that the item may have been inadvertently disposed of by a city-parish crew but have not been able to verify this with them despite a diligent effort to do so. The administration is currently installing a more detailed system of documentation with regard to the office vehicle.

Local Government Budget Act: The Clerk's office did not meet certain requirements of the Local Government Budget Act, as provided for in state law.

While the Clerk believes that the budget information produced for the public hearings substantially complied with the LGBA, the Clerk of Court will

ensure that all future budgets presented and published strictly adhere to the LGBA standards and will consult the LLA's website for guidance.

Paying for Services Not Used/Received: The Clerk's office paid a monthly fee of \$125 and an annual fee of \$400 to an auction house for procurement services, but the Clerk's staff represented to us that the office had not used or received services from the auction house during fiscal year 2016. This may be a violation of the state Constitution, prohibiting the donation of public funds.

The contract for the procurement service has been terminated effective July 1, 2016. Communication has occurred between the vendor and the administration with regard to potential reimbursement. Upon review of the account, the realization was determined by the vendor that the account should have been billed in a Pay per Use fashion and a refund is forthcoming in the amount of \$6075.

Monthly Financial Statements with Budget-to-Actual Variances: The Clerk's office did not prepare monthly financial budget-to-actual comparisons. Without such information, the Clerk may find it difficult to effectively manage the financial operations of his office.

The administration is committed to producing monthly financial statements with budget-to-actual results and has begun the effort to bring those financial statements current and keep them up to date.

Services Provided by Baker City Court: From July 2015 to March 2016, the Clerk's office received \$3,100 in fees from marriage licenses issued by Baker City Court employees while paying approximately \$5,600 for these services. Fiscally sound business practices generally provide that operations should be self supporting.

The Clerk of Court has appreciated the opportunity to offer an outlet to obtain marriage licenses in the northern portion of the parish. As the expenditure has sometimes slightly exceeded the intake in this area, the administration is in the process of evaluating its options to gain more stability, including the renegotiation of the amount of staff being supplemented in Baker or possibly the complete cessation of providing the service there.

Remitting Unclaimed Property to the State Treasurer's Office: The Clerk did not forward outstanding checks to the State Treasury as unclaimed property as required by state law.

The Administrative Accounting Manager is currently updating the process and the administration will continue to work with the State Treasurer's office to ensure that all outstanding checks are distributed to unclaimed property as required.

Purchasing Promotional Items: The Clerk's office purchased drink "koozies" with the Clerk's name and seal on them that were given to employees and visitors, possibly in violation of state law.

The administration has consulted with legal counsel in an attempt to identify any areas of concern pertaining to the usage of the seal and the inclusion of the name of the Clerk. The administration continues to monitor any other items that include the name and/or seal.

Notice to Report Fraud and Abuse to LLA: The Clerk's office did not post a required notice on its premises concerning the reporting of misappropriation, fraud, waste, or abuse of public funds, as provided for in state law.

The Clerk of Court has placed the LLA icon and link on his website; it will be relocated to the home page and the office will post printed material on the premises in various locations upon receipt.