

TOWN OF CHURCH POINT



SPECIFIED PROCEDURES EXAMINATION

ISSUED APRIL 6, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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STEVE J. THERIOT, CPA

DIVISION OF ADVISORY SERVICES

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March 15, 2005

**HONORABLE ROGER BOUDREAUX, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
TOWN OF CHURCH POINT**
Church Point, Louisiana

We visited the Town of Church Point (town) on February 21-22, 2005, to determine the propriety of allegations received by my office. Also during our visit to the town, we applied our *Checklist of Best Practices in Government* in reviewing certain procedures and practices of the Town of Church Point.

Attachment I provides our findings and recommendations resulting from our limited review for the town's consideration. The response from management of the town is presented in Appendix A.

A limited review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

ESS:SBR:dl

CP05

Findings and Recommendations

The following are findings and recommendations relating to our limited review dated March 15, 2005. Management's response is included in Appendix A.

Written Policies and Procedures

The town does not have written policies and procedures. Formal/written policies and procedures are necessary as a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed meets management's expectations. Also, written procedures aid in the continuity of operation and for cross-training of staff.

Recommendation: We suggest that written policies and procedures be developed and implemented for the following areas:

1. Code of Ethics, including annual certification letters from board members and employees attesting to their compliance
2. Preparing, adopting, monitoring, and amending the town's budget
3. Nature, extent, and frequency of financial reporting information provided to board members
4. Investing excess cash, including procedures for ensuring that bank balances and investments are adequately secured
5. Processing and accounting for receipts/collections
6. Leasing/renting of town property
7. Collecting delinquent utility accounts, including a "cut-off" policy
8. Procurement/purchasing process, including how purchases are initiated and approved and checks and balances to ensure compliance with the bid law
9. Processing, reviewing, and approving disbursements/expenditures
10. Travel, including rates for mileage, meals, and lodging, and the filing of expense reimbursement reports
11. Accounting for the business and personal use of cellular phones
12. Recording, tagging, and safeguarding of capital assets
13. Processing, reviewing, and approving attendance records and payroll, including overtime and leave
14. Controlling and monitoring inventories of materials and supplies

15. Information systems (computer) contingency and recovery plan in the event of a disaster, including procedures to test the plan periodically
16. Storing, issuing, and accounting for traffic tickets/citations
17. Recording, maintaining, and disposing of confiscated weapons and drugs
18. Retention of public records, including email communications

Budgeting Process

Budget Procedures Needed

The town does not have written procedures for preparing, adopting, monitoring, and amending its budget.

Recommendation: We suggest that detailed written procedures be developed to include all steps required for each phase of the budget process, including monitoring and amending the budget during the fiscal year. In addition, a time schedule for preparing the budget and the person responsible for each phase of the budget should be incorporated in the detailed steps.

Noncompliance With Local Government Budget Act

The town's FY2004-2005 budget (1) was not adopted prior to the beginning of the fiscal year; (2) message was not signed by the budget preparer; (3) was not adopted by ordinance; and (4) was not amended by ordinance, all of which are required by the Local Government Budget Act.

Louisiana Revised Statute (R.S.) 39:1309A requires the adoption of the town's budget before the start of the fiscal year. R.S. 39:1305C.1 requires the budget message to be signed by the budget preparer and R.S. 39:1305D requires the town's budget to be adopted by an appropriation ordinance. In addition, Louisiana Attorney General (AG) Opinion No. 00-462 provides that an "appropriation ordinance" is the instrument used to adopt budgets of Lawrason Act municipalities, and that an ordinance cannot be amended by resolution or motion, but must be amended by another ordinance.

Recommendation: The town should strictly comply with all requirements of the Local Government Budget Act. We suggest that an overall financial status of the town be included in the budget message that includes the current financial status, the short-term outlook, and the long-term trends. The emphasis on this analysis should be understandability of the financial status and issues, not necessarily on exact numbers and detail. Also, this analysis should be provided in written form, early in the budget process, so a broad financial framework is available to management of the town.

Incorporate Performance Measures

Performance measures are not incorporated into the budgeting process.

Recommendation: Although not required by law, the mayor should consider incorporating performance measures into the budgeting process. Meaningful performance measurements assist management of the town by (a) identifying financial and program results; (b) evaluating past resource decisions; (c) facilitating qualitative improvements in future decisions regarding resource allocation; and (d) communicating service and program results to the taxpaying public. Performance measures should be used to report on the outputs of each program and should be related to the objectives of each department.

Financial Management

Need Timely, Accurate, and Complete Financial Statements

Financial statements reporting the operations (Statements of Revenues and Expenditures) of the town for the months of September 2004 and October 2004, were not provided timely to the board for review. Also, budget amounts reflected in the monthly financial statements, used for comparison to actual results, do not reflect budget amendments/changes made during the year. In addition, monthly financial statements reporting the assets, liabilities, and fund balances (Balance Sheets) of the town are not provided to the board.

Without timely, accurate, and complete financial statements, the mayor and board cannot effectively exercise their fiduciary responsibilities of managing the town's fiscal operations.

Recommendation: Each month, the mayor and board should be provided with timely, accurate and complete financial statements and budget comparisons for all funds, including warnings of any corrective action needed. Also, we suggest that the board's review of the town's financial statements and budget be reflected as an item on the monthly meeting agenda and that the discussions are documented in the board minutes.

Donating Use of Property

During 2004, the mayor donated the use of the town's large pavilion to entities/organizations which is generally prohibited by Louisiana's constitution.¹ The Louisiana Attorney General has also opined (No. 02-0069) that a municipality cannot grant the use of public property even though the events sponsored by organizations may bring notoriety to the town.

However, Article VII, Section 14(C) of the Louisiana Constitution of 1974 does provide that for a public purpose, the town may engage in cooperative endeavors with any public or private

¹ Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, corporation, public or private.

association, corporation or individual. To have a valid cooperative endeavor agreement, all three of the following elements must be met:

- (1) the expenditure or transfer of public funds or property must be based on a legal obligation or duty;
- (2) the expenditure must be for a public purpose; and
- (3) the expenditure must create a public benefit proportionate to its cost.

Recommendation: The mayor should not donate the use of town property unless a valid cooperative endeavor agreement exists that meets all three required elements.

Deposits Not Made Daily

Fine collections are not always deposited on the same day received. Good business practices require that monies collected be accounted for and deposited intact on a daily basis.

Recommendation: We suggest that monies be deposited daily when receipts/collections exceed \$200.

Purchasing and Disbursements

Controls Over Purchasing and Disbursements Need Improvement

Our general observations and inquiries revealed the following:

1. During 2004, town funds totaling \$1,165 were spent for the following, all of which are generally prohibited by Louisiana's constitution (Article VII, Section 14A).

Nature	Purpose	Cost
Food	Employee Christmas meal	\$173
Food	Cook-off - Our Lady of Sacred Heart Fundraiser	162
Food	Cook-off - Crowley Chamber of Commerce	193
Food	Cook-off - City of Eunice Crawfish Etouffee Festival	132
Food	Retiree party	170
Watch	Gift for retiree	75
Candy	Christmas parades	102
Flowers	Church Point Pageant	85
Flowers	Buggy Festival Pageant	73
Total		\$1,165

Recommendation: The town should immediately cease making payments that do not serve a public purpose.

2. In the absence of the mayor, the town clerk and court clerk can sign town checks. However, R.S. 33:404 provides, in part, that it is the mayor's responsibility to sign all warrants (checks) withdrawing money from the town treasury.

Recommendation: The mayor should sign all town checks.

3. We suggest that the following "good" business practices/controls be implemented:
 - Centralize purchasing to promote operational efficiency and to help ensure that the most competitive price is obtained when obtaining services, materials, and supplies.
 - The town clerk should maintain the supply of blank/unused checks under lock and restrict its access to only authorized personnel.
 - The town clerk should review all monthly bank reconciliations for propriety and document her approval.
 - The mayor and town clerk should document their review and approval to pay on all vendor invoices.
 - Require that all disbursements/payments of the town be made by check. Cash payments should be strictly prohibited.
 - Standardized expense reimbursement forms should be developed for use by all employees and town officials. Also, the business nature of reimbursements should be clearly documented before payment is made.

Payroll

Our general observations and inquiries revealed the following:

1. The town does not have standardized time/attendance reports or absentee (leave) forms for employees to complete each pay period.

Recommendation: The town should develop a standardized time/attendance report and absentee form for use by all town employees.

2. Employees are not required to sign their time/attendance reports and department heads are not required to document their review and approval.

Recommendation: Town employees should be required to sign their time/attendance reports and department heads should document their review and approval of the hours worked. Also, we suggest that the mayor review and document his approval of the hours worked by all department heads.

3. A report of all payroll changes made in the town's computer system is not generated and reviewed for accuracy.

Recommendation: For a proper system of checks and balances, we suggest that the town clerk or someone independent of the payroll department review all changes made to payroll each pay period and compare to written authorization.

4. The mayor's car allowance (\$500 per month/\$6,000 per year) is not reported as wages on his Internal Revenue Service (IRS) Form W-2 (Wage and Tax Statement), and the required employment taxes are not withheld and remitted to the IRS.

As a general rule, most cash payments and benefits provided to workers are considered taxable wages for federal income tax purposes unless they specifically are excluded from income by a provision of the federal tax code. Absent such a specific exclusion, wage payments and employer-provided benefits are subject to employment taxes. We are not aware of any specific exclusion for the car allowance in the federal tax code.

Recommendation: The town should comply with the employment tax laws and amend the applicable payroll reporting forms for all appropriate years and submit these to the proper federal and state taxing authorities.

5. Although the town clerk directs and performs work in various areas of the town's operations, her payroll/salary is funded entirely from proceeds of the 1% sales tax that is dedicated for public works (streets, sidewalks, and drainage) and equipment, fire department stations and equipment, and the repayment of bonds. R.S. 39:704 provides, in part, that the proceeds of any special tax constitutes a trust fund to be used exclusively for the objects and purposes for which the tax was levied.

Note: The town clerk has begun "tracking" the amount of time she devotes to the various areas of the town (e.g., utility department, public works department, et cetera) to determine the appropriate percentage of her pay that should be funded with sales tax proceeds.

Recommendation: The town should strictly comply with the sales tax proposition and state law and use sales tax monies exclusively for the purposes for which the tax was levied.

6. The town does not have written job descriptions for its employees.

Recommendation: We suggest that specific job descriptions be established, in writing, for all town employees. A formal job description provides a list of the general tasks, or

functions, and responsibilities of a position. Typically, it also includes to whom the position reports, qualifications needed by the person in the job, and the salary range for the position.

7. Form I-9 - "Employment Eligibility Verification" is not maintained for employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service.

Recommendation: For each employee hired after November 6, 1986, the town should complete a Form I-9 as required, and file in the employee's personnel file.

Utility Fund

Inadequate Controls Over Receivables

The utility (water and sewer) receivable balance in the general ledger is not reconciled timely with the balance on the detailed customer trial balance listing (subsidiary ledger).

Recommendation: For a proper system of checks and balances, the receivable balance in the general ledger should be reconciled with the detailed customer listing on a monthly basis. Any differences should be investigated and resolved in a timely manner.

Inadequate Controls Over Customer Meter Deposits

The customer meter deposit liability balance in the general ledger is not reconciled timely with the cash maintained in restricted bank accounts (checking and savings accounts) and with the meter deposit balances on the customer listing (subsidiary ledger).

Recommendation: For a proper system of checks and balances, the customer meter deposit liability balance in the general ledger should be reconciled with the restricted bank account balances and customer meter deposit listing on a monthly basis. Any differences should be investigated and resolved in a timely manner.

Insufficient Effort to Collect Delinquent Utility Accounts

As of January 26, 2005, utility (water and sewer) accounts past due totaled \$17,586, of which the mayor and four town employees owed a total of \$719.

Continuing to provide utility services after the cut-off date and not actively trying to collect delinquent utility account balances is prohibited by Louisiana's constitution [Article VII, Section 14(A) of the Louisiana Constitution of 1974]. In addition, the continued operation and quality of service provided to customers depends on the town collecting for the services it provides.

Recommendation: The board should adopt a "cut-off" policy and the mayor should enforce it to ensure that all delinquent accounts, including his and town employee accounts, are collected on a

timely basis or that service is discontinued. In addition, the town should take aggressive action to collect delinquent amounts, including legal action when necessary.

Fixed Assets

Fixed assets of the town are not tagged and physical inventories of fixed assets are not conducted. Good internal control over fixed assets requires that town's fixed assets be tagged for identification/ownership purposes and that annual physical inventories of fixed assets be conducted to ensure the accuracy of fixed asset records. Failure to locate, timely tag, and maintain location records of all movable property exposes the town to possible loss, theft, and misuse of its assets.

Recommendation: The town should identify [tag] assets that belong to the town and include the tag number on the listing of fixed assets; and conduct a physical inventory at least annually and determine the propriety of any items not found, if any, during the physical inventory.

Traffic Tickets

Traffic Violations Not Reported

The town is not reporting all traffic violation(s) to the Louisiana Department of Public Safety (DPS) as required by law. The reports submitted to DPS, by the court clerk, do not include traffic violations of offenders who paid their fines to the town.

However, R.S. 32:393C(1)(b) requires the town to report all (paid and unpaid) traffic violations, except parking violations, to DPS not later than 30 days after the date of such person's conviction and sentencing, or the final disposition of the case. Also, failure to report violations to DPS results in inaccuracies in the offender's driving records.

Recommendation: Management of the town should comply with state law and report all traffic violations as required to DPS. Also, management should contact DPS to determine what action should be taken for previous unfiled traffic violations.

Citations Not Disposed In Open Court

Contrary to state law (R.S. 32:398.2.B), not all traffic citations are disposed of by trial or acceptance of a plea in open court. The mayor conducts mayor's court each month; however, he is also exercising his judicial authority "outside" of mayor's court when he reduces or dismisses fines on days other than the court date.

Recommendation: The mayor should strictly comply with state law and only exercise his judicial powers and authority in open court.

Controls Over Traffic Ticket Books

The supply of traffic ticket books is not adequately safeguarded at town hall. Good controls over ticket books require that the supply of ticket books be locked and access restricted to only authorized personnel.

Recommendation: We suggest that the supply of ticket books be stored in a locked cabinet at town hall with access restricted to the court clerk, town clerk, and mayor.

Confiscated Weapons

The town's police department needs to improve controls over confiscated weapons. Failure to maintain control over confiscated weapons increases the risk that weapons will be stolen, lost, or disposed of improperly.

On the date of our visit (February 22, 2005) to the police department, we noted the following:

- Inventory records were not maintained on confiscated weapons.
- Not all weapons were tagged for identification purposes.

Recommendation: The chief of police should (1) prepare written policies and procedures for recording, maintaining, and disposing of evidence; (2) perform an inventory and tag all evidence; and (3) maintain a log that includes the date confiscated, tag number, description of the weapon, name of the individual from whom confiscated, reference to the arrest report, and final disposition.

Ethics

The mayor may have violated the Louisiana Code of Governmental Ethics by entering into transactions for which town funds, totaling \$3,964, were paid to (1) the husband of the court clerk for painting and renovation work done at town hall; (2) a business owned by the daughter of the court clerk and the daughter's husband, for the purchase of materials and supplies; and (3) the husband of the town clerk for repairing the town hall's air conditioning system.

Also, in June 2003, a town check in the amount of \$209 was paid to an individual for the cost of food and drinks consumed by policemen working security at the Buggy Festival; however, the check included the endorsement of an alderman and was cashed by the alderman's daughter.

The ethics law (R.S. 42:1113A) generally prohibits the town from entering into transactions with immediate family members of town officials and employees. R.S. 42:1102 defines "immediate family" as the public servant's children, the spouses of children, brothers and their spouses, sisters and their spouses, parents, spouse, and the parents of the spouse. Also, a "public servant" is defined as a public employee or an elected official.

Recommendation: We suggest that management of the town receive training related to the Louisiana ethics laws. In addition, the town should develop written policies and procedures to ensure that ethics violations do not occur.

Computer Controls

Disaster Recovery/Business Continuity Plan Needed

The town does not have a disaster recovery/business continuity plan. Good internal control requires that the town develop a written disaster recovery/business continuity plan and obtain access to an offsite facility to provide for the timely restoration of operations in the event that town hall is unavailable for an extended period of time.

Recommendation: We suggest that the town prepare a formal disaster recovery/business continuity plan to reduce the risk that untimely or excessive delays in processing data may occur and that data may be lost.

Management's Response

Roger Boudreaux
Mayor

Amber Higginbotham
Town Clerk

Albert Venable, Sr.
Chief of Police



Councilmen:

Errol 'Slu' Comeaux
Theresa Cary
Gary Duplechin
Alexis Jagneaux, Jr.
Melchisadeck Green

Town of Church Point

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March 28, 2005

The Honorable Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Presented herewith is a response to the draft report that was presented to City Clerk Amber Higginbotham Mayor Pro-Tempe Theresa Cary and myself. Although there were some violations in the running of our city government, it was done unintentionally and due to the shortage of staff because of our small community. Steps will and have been taken to rectify these problems as the following pages attest.

Respectively,

Roger Boudreaux
Mayor; Town of Church Point

Page 1 – Preliminary Draft – Findings and Recommendations

The Town of Church Point will establish a written policy and procedure manual to cover all 18 items listed on page 1 and the top of page 2 of the preliminary draft of the auditor's report. This manual will cover all aspects of every department for the Town of Church Point.

Page 2 – Preliminary Draft – Budget Procedures

The budget process for an upcoming fiscal year was usually prepared by the Mayor and City Clerk based on previous years-incoming taxes, services and on past years liabilities. This budget was then brought up for council approval. We will implement a written procedure for the timely preparing and completing of budget.

Page 2 – Local Government Budget Act

The Town of Church Point since its inception has always adopted its budget for its upcoming fiscal year by an adoption resolution unbeknown that it had to be done by ordinance according to the Lawrason Act. With all the confusion about the adoption of the budget for FY 2004/2005 the budget was not adopted. The management of the Town will make sure the budget be approved by ordinance and amended as necessary by ordinance.

Page 3 – Incorporate Performance Measures

The Town will follow the recommendations of this report pertaining to performance measures of each department.

Page 3 – Financial Management: Financial Statements

In response to this finding the City Clerk for the Town of Church Point has presented the Mayor and Council a financial statement on a monthly basis except for the months of September and October. This is due to the yearly audit being performed on the Town's records for the fiscal year of 2003/2004. Measures have been taken starting with the March meeting of 2005 to discuss the monthly financial reports at the regularly scheduled meeting instead of handing them out to each councilman without review.

Page 3 – Donating Use of Property

The Mayor donated the use of the large pavilion to five different entities during 2004. Article VII, Section 14(c) of the Louisiana Constitution of 1974 would cover 3 or the 5 usage of the part but he was not aware of the Attorney General opinion (no. 02-0069) by allowing the use for notoriety to the town. Steps have been taken to discontinue the free use for notoriety for the Town and the Town will enter in a cooperative endeavor agreement that meets the other three required elements.

Page 4 – Deposits (Daily Basis)

The only deposits that were not made daily were in the court fund. This has already been implemented since our exit meeting.

Page 4 – Controls over Purchasing and Disbursements

- 1) The Mayor has ceased making payments that this report finds does not serve a public service but will ask council to request the Attorney General's Office for a recommendation on the promotion of the Town of Church Point by cooking at cook-offs and the buying of roses for queens of the Town's festivals who act as ambassadors for the Town.
- 2) The Mayor will sign every check issued from the Town and the Mayor Pro-Tempe will affix their signature in the absence of the Mayor for the second signature required by Town ordinance.
- 3) The Mayor and Town Clerk will implement all 6 of the "good" business practices/controls of the report on page 5.

Page 5 – Payroll

Most departments were filling out time sheets. The police department had none. A standardized sheet has been implemented and its use was implemented starting the week of March 21st of 2005 and each department head will be required to sign all time sheets for his department and the Mayor will sign all time sheets except police department because the police department is run by an elected chief.

- 3) All recommendations reported in the exit meeting and draft pertaining to payroll would be implemented and checked for each payroll.
- 4) Management will contact IRS on how the Mayor's car allowance should be administered and those recommendations will be followed.
- 5) The town does comply with the restricted sales tax fund. The City Clerk will begin tracking how much time she and other employees actually work for anything pertaining to the sales tax fund.
- 6) The Town will put in writing all job descriptions for employees of each department along with job qualifications and salary range for each position.
- 7) The Town has made each employee hired after November 6, 1986 fill out a Form I-9.

Page 7 – Utility Fund

Concerning the inadequate controls over receivables and the inadequacy over customer meter deposits these restricted accounts will be reconciled with the general ledger on a monthly basis.

Also the cut off date for the water customers will be fixed at 45 days to prevent the undue hardships it would cause the elderly who receive their checks on the 1st and 3rd of each month. A policy reflecting these changes will be adopted by the City Council and every effort to collect old bills will be implemented by contacting a collection agency and legal action if necessary.

Page 8 – Fixed Assets

The Town will implement a tagging system for all assets belonging to the Town and a physical inventory will be done on yearly basis.

Page 8 – Traffic Tickets (Traffic Violations not Reported)

Due to shortage of employees in the court department of the Town, only those that failed to appear in court were reported to the state. Management will consult with DPS on how to handle all citations.

Page 8 – Citations in Open Court

The Mayor will comply with state law and exercise his judicial powers in open court.

Page 9 – Control over Traffic Ticket Books

All ticket books will be locked up at City Hall except those that are issued to the Assistant Chief of Police to hand out on a daily basis at the police station. He in turn will make sure that those issued to him will be locked up until needed.

Page 9 – Confiscated Weapons

This finding will be handed over to the Chief of Police. Due to the fact that the Chief of Police is elected the Mayor has no control over that department and can only request that an inventory of the confiscated weapons be turned over to City Hall and hope he turns in a written policy pertaining to these practices.

Page 9 – Ethics

The Mayor was not aware that the spouse's of employees could not be hired because he was under the assumption only municipal officers were considered municipal employees. Pertaining to the husband of the City Clerk repairing the Town Hall's air conditioning was done only after the in house electrician could not fix the problem and an air conditioner repair service in Town could not repair it.

The \$209.00 has been paid back by the city alderwoman for her personal gain by selling to the police department for the Buggy Festival.

Also the Mayor will get with the ethics board to see if a class can be held for Town officials and will implement a policy and procedures so that ethic violations are not violated.

Page 10 – Computer Controls (Disaster Recovery)

Business continuity plan needed.

The Town will prepare a formal disaster recovery plan in case of a natural disaster or other unforeseen delay, which may affect the daily course of running the Town.