

# CITY OF ST. GABRIEL



ADVISORY SERVICES REPORT  
ISSUED SEPTEMBER 23, 2009

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

September 23, 2009

**THE HONORABLE GEORGE L. GRACE,  
MAYOR, AND COUNCIL MEMBERS**  
St. Gabriel, Louisiana

My staff applied our *Checklist of Best Practices in Government* in providing advisory services for the financial operations of the City of St. Gabriel (city). In addition, we reviewed your resolution of the findings previously reported in the city's 2008 annual financial statements.

Attachment 1 contains our findings and recommendations resulting from our assessment. Management's response is presented in Appendix B.

Our recommendations are intended to assist you in your efforts to (1) improve controls over the city's financial operations; (2) implement good business practices; and (3) ensure the city's compliance with the Louisiana Constitution and state laws.

This assessment is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards; therefore, we are not offering an opinion on the city's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

Respectfully submitted,

Steve J. Theriot, CPA  
Legislative Auditor

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## Findings and Recommendations



The following are the findings and recommendations resulting from our advisory services. This report reveals deficiencies in controls and presents matters that are contrary to law. Management (mayor and council members) of the city should consider the costs of implementing the recommendations compared to the benefits they will provide. For any recommendations not implemented, management should be aware of the risks.

We reviewed these findings and recommendations with management of the city to provide management an opportunity for its response. Management's response is presented in Appendix B.

### **Financial Management**

There are deficiencies in the overall financial management of the city. Without an effective financial management system, the mayor and council cannot effectively exercise their fiduciary responsibilities of managing the city's finances.

1. **No Monthly Financial Statements and Budget Comparisons** - The mayor and council members were not being provided with monthly financial statements or budget-to-actual comparisons on funds of the city. Without periodically reviewing and monitoring current financial information and budget comparisons on all funds (e.g., General Fund, Special Revenue Funds, et cetera), the mayor and council cannot effectively exercise their fiduciary responsibilities of managing the fiscal operations of the city.

The most recent financial statements prepared were as of June 30, 2008 (prior fiscal year); therefore, we were not able to assess the current financial position or results of operations of the city during our visits in January 2009.

#### **Additional Comments Relating to Management's Response**

We acknowledge that the mayor and council were being provided certain financial information; however, the information provided during the six months (July 2008 - December 2008) previous to our visit did not include monthly financial statements or budget-to-actual comparisons on funds of the city.

Recommendation: The city clerk should be required to prepare monthly financial statements for all funds, including budget-to-actual comparisons, and to formally present them to the mayor and city council to be used in their decision-making process (e.g., projects to undertake, major purchases, et cetera). The clerk should also advise the mayor and council of any corrective action needed.

2. **Mayor Not Signing Checks** - Contrary to state law [Louisiana Revised Statute (R.S.) 33:404], the mayor was not signing all checks drawn on the city's bank accounts. Our assessment revealed that the city clerk was routinely signing checks solely by herself.

The Louisiana Attorney General has opined (A.G. Opinion 05-0003) that the mayor may require an additional signature on all checks, provided (1) the mayor is still required to sign all checks; (2) the additional signature must be a purely ministerial act and the additional signatory shall have no discretion regarding the signing of checks; and (3) the mayor shall have the authority to revoke the requirement of a second signature at will.

Recommendation: The mayor should comply with state law and sign all checks. Signatory authority should be removed from the city clerk to provide for a proper system of checks and balances over cash in banks. The mayor may consider designating two council members to sign checks only in his absence.

3. **Bank Accounts Not Reconciled** - The city's bank accounts were not being reconciled each month. Our assessment revealed that none of the city's bank accounts have been reconciled since June 2008. Reconciling a bank account is a key component of good controls over cash and is a relatively simple accounting process.<sup>1</sup>

#### **Additional Comments Relating to Management's Response**

During our visit, we were not provided with the bank reconciliations and were told the city's bank accounts were not reconciled.

Recommendation: The mayor should require that all bank reconciliations be prepared within 10 business days after the statements are received from the bank. We suggest that the mayor review the completed reconciliations to ensure that they are done timely, that outstanding checks appear reasonable (none over 90 days old) and that there are no unusual reconciling items.

4. **Noncompliance With Budget Laws** - Contrary to state law [R.S. 33:406.A (3)], the council adopted the city's 2009 general fund budget by resolution rather than by ordinance. Furthermore, the Louisiana Attorney General has opined (A.G. Opinion 00-462) that an amendment to a budget adopted by ordinance in a Lawrason Act municipality must also be made by ordinance.

In addition, the budget adoption instrument (resolution) did not define, as required by R.S. 39:1305.D, the authority of the mayor to make changes within various budget classifications without approval by the council, as well as those powers reserved solely to the council.

Recommendation: The mayor and city council should strictly comply with all state laws relating to budgeting.

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<sup>1</sup>Reconciling the bank balances with the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the city (an essential process ensuring complete and accurate monthly financial statements); (2) checks are clearing the bank in a reasonable time; (3) reconciling items (errors, unrecorded deposits and checks, et cetera) are appropriate and are being recorded; and (4) the reconciled cash balances agree to the general ledger cash balances. Louisiana Revised Statute 10:4-406(d)(2) allows the city 30 days to examine bank statements and canceled checks for unauthorized signatures or alterations. After 30 days, the school board is precluded from asserting a claim against the bank for unauthorized signatures or alterations.



5. **Noncompliance With Revenue Bond Agreements** - The city failed to make all required payments under the terms and conditions of the bonds issues (four sewer revenue bonds issues and one sales tax revenue bond issue) that the city has with the United States Department of Agriculture (USDA).

The city paid the principal and interest on all bonds; however, other required payments were not always made and deposited into the bond related "Reserve Fund" bank accounts (to pay the principal and interest on the bonds as to which there would otherwise be default) and "Depreciation and Contingency Fund" bank accounts (for depreciation, extensions, additions, improvements and replacements necessary to maintain and operate the sewer system).

According to our calculations, there was a total cash deficiency of \$142,516 at December 31, 2008. The following is a summary of the cash deficiencies in city bank accounts:

- **Sewer Revenue Bond Issues** [(1) Series 1999A & A-1 = \$1,237,000; (2) Series 2000 = \$532,000; (3) Series 2002 = \$1,064,000; and (4) Series 2004 = \$444,444]:

- The cash deficiency in the Reserve Fund bank accounts totaled \$29,458:

	December 31, 2008
Total cash balances in bank accounts - Reserve	\$15,734
Total cash requirements under the four bond issues	45,192
Total cash deficiency	(\$29,458)

- The cash deficiency in the Depreciation and Contingency Fund bank accounts totaled \$29,458:

	December 31, 2008
Total cash balances in bank accounts - Depreciation and Contingency	\$15,734
Total cash requirements under the four bond issues	45,192
Total cash deficiency	(\$29,458)

- **Sales Tax Revenue Bond Issue** [Series 2003 = \$4,980,000]:

- The cash deficiency in the Reserve Fund bank account totaled \$41,800:

	December 31, 2008
Total cash balance in bank account - Reserve	None
Total cash requirements under bond issue	\$41,800
Total cash deficiency	(\$41,800)

- The cash deficiency in the Depreciation and Contingency Fund bank account totaled \$41,800:

	December 31, 2008
Total cash balance in bank account - Depreciation and Contingency	None
Total cash deposit requirements under the bond issue	\$41,800
Total cash deficiency	(\$41,800)

Recommendation: The mayor should strictly comply with all terms and conditions of the bond agreements. We recommend that the mayor seek guidance from the USDA on resolving these cash deficiencies. Any agreement with the USDA should be documented in writing and provided to the council for review/approval.

6. **Need Written Policies and Procedures** - The city's written policies and procedures were not complete. Although the city has a personnel policy for general guidance, the city lacks specific written policies and procedures in key financial areas.

Written policies and procedures are necessary to provide a clear understanding of what should be done, how it should be done, who should do it, and when it should be done. In addition, written policies and procedures aid in the continuity of operations and for cross-training staff or training new staff.

Recommendation: The city council should require the development, adoption, and implementation of written policies and/or procedures, in accordance with applicable Louisiana laws, related to the following:

- Ethics, including issues such as nepotism and prohibited activities (e.g., related party transactions) and requiring that an annual certification letter be signed by the mayor, aldermen, and all employees attesting to their compliance with the ethics policy
- Financial reporting, including the nature, extent, and frequency of reporting financial information to management
- Budgeting, including procedures for preparing, adopting, monitoring, and amending budgets
- Receipts/collections, including receiving, recording, and preparing bank deposits
- Disbursements, including processing, recording, reviewing, and approving payments
- Inventory and monitoring inventories of supplies
- Customer utility accounts, including procedures for preparing bills, collecting payments, and terminating services

- Cellular telephones, including accounting for the business and personal use
- Payroll and personnel, including processing, reviewing, and approving time/attendance records, including leave taken and overtime worked
- Investing cash, including procedures for ensuring that bank balances and investments are fully secured
- Capital assets, including recording, tagging, inventorying, and safeguarding assets
- Credit cards, including charges allowed and documentation required
- Gasoline and diesel inventories, including procedures for dispensing and accounting for usage
- Traffic tickets, including storing, issuing, and accounting for issued citations
- Contracts, including monitoring procedures to ensure that services received comply with terms and conditions
- Computer, including backing up and storing computer files, general controls for the computer system, and a disaster recovery/business continuity plan
- Retention of public records, including e-mail communications

### **Controls Over Payroll**

Controls over payroll need to be improved.

1. **City Clerk Performs All Payroll Duties** - The city clerk performs all duties relating to payroll which is incompatible for a proper system of checks and balances. Furthermore, we did not find evidence of the mayor's (or any other supervisor's) review and approval of the clerk's work.

The city clerk is responsible for (1) adding/deleting employees in the computer system; (2) recording/changing employee pay rates in the system; (3) recording the work hours of employees in the system to calculate the payroll; (4) printing the paychecks; (5) signing the paychecks (including her own); and (6) distributing the paychecks.

### **Additional Comments Relating to Management's Response**

During our visit, the clerk informed us that she has full responsibility over all payroll functions of the city, including signing any manual paychecks (e.g., grant payroll) issued to employees, including herself.

Recommendation: The mayor should ensure that no single individual controls all facets of a financial function. As such, payroll duties should be reassigned to provide an adequate system of checks and balances. Also, we recommend that a computer-generated report of all payroll changes made in the system be printed each pay period and presented to the mayor for review and approval (documented in writing).

2. **Overtime Payments Not Approved** - The overtime payments to the city clerk may have been paid in violation of state law. R.S. 33:404.1 requires the city council to fix by ordinance the compensation of the city clerk. The \$9,633 of overtime (additional compensation) paid to the city clerk in 2008 was not fixed by ordinance of the council.

Furthermore, contrary to the city's overtime policy, the overtime hours worked by the city clerk and the director of public works were not approved in writing by the mayor.

Recommendation: We suggest that management consult with legal counsel. In the future, the mayor should ensure that all compensation paid to the clerk is fixed by ordinance in accordance with state law. Also, the mayor should comply with the city's overtime policy by providing written authorization for all overtime worked by department heads.

3. **Time Sheet Approvals Not Always Documented** - Supervisors did not always document their review and approval of time sheets.

Recommendation: Supervisors should be required to document (e.g., initial) their review and approval on employee time sheets.

4. **Personnel Files** - Standard employment information was not on file for all employees. Our assessment revealed that personnel files did not always contain written authorization of the employee's pay rate or the required Form I-9 - *Employment Eligibility Verification* (applicable to employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service).

Recommendation: The mayor should require all personnel files to be updated to include written authorization of pay rates and the required Form I-9.

### Grant Expenditures

Controls over grant expenditures need to be improved. We assessed the expenditure of salary funds under one state grant and one federal grant and identified noncompliance with the grant requirements and possible violations of law.

**STATE GRANT** - On March 9, 2007, the city entered into an intergovernmental agreement (agreement) with the Louisiana Department of Public Safety and Corrections (DPS) for a \$395,069 grant to assist the city in establishing a construction code enforcement office. The budget for salaries was \$233,660 which represents 59% of the total grant.

1. **Grant funds were spent on salaries/compensation after the deadline.** Grant funds were spent after the deadline date on record at DPS and after a later deadline on record at the city.

A representative of DPS informed us that DPS records reflect the grant agreement being amended once to extend the deadline from September 15, 2007, to December 15, 2007. According to city records, in January 2008, the city clerk requested a further extension from DPS and was subsequently provided a second agreement for signature. The clerk provided us a copy of an agreement signed by the mayor that reflected a deadline of May 15, 2008; however, the agreement was not signed/executed by DPS.

The following table provides the deadlines and the total salaries/compensation paid to employees by pay date:

Pay Dates	Salaries/ Compensation Payments
December 7, 2007	\$9,276
<i>Deadline per DPS records: December 15, 2007</i>	
December 21, 2007	9,311
January 4, 2008	9,040
January 18, 2008	8,859
January 25, 2008	9,612
February 1, 2008	8,827
February 8, 2008	9,389
February 15, 2008	9,222
February 26, 2008	9,804
February 29, 2008	9,099
March 14, 2008	8,760
March 20, 2008	9,170
March 28, 2008	8,870
April 4, 2008	9,188

Pay Dates	Salaries/ Compensation Payments
April 11, 2008	\$8,997
April 16, 2008	9,233
April 25, 2008	8,886
April 29, 2008	8,688
May 9, 2008	8,881
<i>Deadline per city records: May 15, 2008</i>	
May 23, 2008	57,525
May 30, 2008	2,515
<b>Total</b>	<b>\$233,152</b>

Our analysis above shows that the city paid compensation totaling \$223,876 (\$233,152 - \$9,276 paid December 7, 2007) to seven employees after December 15, 2007, which also includes a total of \$60,040 (\$57,525 + \$2,515) paid after May 15, 2008. We were informed that grant funds have not been returned to DPS nor has there been a final report prepared and submitted by the city as required.

2. **The city did not have adequate documentation of the work performed by the employees.** There was no documentation on the employees' time sheets of the work they performed during the six-month period; however, grant funds were used to pay 25% of the salary and overtime pay of the city clerk and 100% of the salaries (and overtime) of the other six employees.

Furthermore, grant funds (\$116,218) were used to pay additional compensation to all seven employees during the six-month period. The city clerk informed us that the additional compensation payments were recorded as contract labor and that no payroll taxes were withheld from the payments.

The following table provides the allocation of grant monies paid to city employees in the six-month period:

Employee	Position	(A) Regular Salary and Overtime Payments	(B) Additional Compensation (Contract Labor) Payments	(A+B) Total Grant Payments
Atkins Williams	Public Works Director	\$35,735	\$23,670	\$59,405
Yolanda Andrews-Mattaur	City Clerk	8,885	21,115	30,000
Randall Johnson	Building Inspector	20,458	18,542	39,000
Alvin Nelson	Sewer/Maintenance	16,525	12,835	29,360
Benjueil Lanieu	Laborer	10,285	16,023	26,308
Elvis Camper	Laborer	15,466	10,347	25,813
Keywanda Nelson	Permit Technician	9,580	13,686	23,266
<b>Totals</b>		<b>\$116,934</b>	<b>\$116,218</b>	<b>\$233,152</b>

3. **The additional compensation/contract labor paid (\$116,218) to the employees under the grant did not appear reasonable and may be considered a gratuitous donation of funds to employees that is contrary to the Louisiana Constitution<sup>2</sup> and state law.** The Louisiana Attorney General has been generally using a three-pronged test to determine whether expenditures of public funds are constitutional:

- There must be a public purpose for the expenditures.
- The expenditures must not appear to be gratuitous.
- There must be evidence demonstrating that the city has a reasonable expectation of receiving a benefit or value at least equivalent to the amount of expenditures.

During the grant period, each employee's regular hourly pay rate was significantly increased and the increase was paid in separate checks from the regular payroll checks. The hourly pay rate increases for the seven employees ranged from 72% to 177% above their regular pay rates. According to the city's records and our calculations, grant funds were used to pay the following hourly pay rates:

Employee	Position	(A) Regular Hourly Pay Rate	(B) Additional Compensation (Contract Labor) Hourly Pay Rate	(A+B) Total Hourly Pay Rate
Atkins Williams	Public Works Director	\$25.20	\$32.30	\$57.50
Yolanda Andrews-Mattaur	City Clerk	25.20	20.30	45.50
Randall Johnson	Building Inspector	19.00	18.50	37.50
Alvin Nelson	Sewer/Maintenance	16.75	12.08	28.83
Benjueil Lanieu	Laborer	10.00	17.75	27.75
Elvis Camper	Laborer	15.75	12.00	27.75
Keywanda Nelson	Permit Technician	10.00	14.04	24.04

4. **The city's arrangement of paying contract labor to the seven city employees may be a violation of the Louisiana Code of Governmental Ethics.** State law [R.S. 42:1113(A)] prohibits an employee of the city from entering into any contract or other transaction that is under the supervision or jurisdiction of the city. Furthermore, the city made these payments without any formal/written contracts.
5. **The additional compensation paid to the city clerk was not approved by ordinance as required by law.** R.S. 33:404.1 requires the board of aldermen to approve the clerk's compensation by ordinance.

<sup>2</sup> Article VII, Section 14(A) of the Louisiana Constitution of 1974 prohibits funds of the city from being loaned, pledged, or donated to or for any person.

6. **The city did not properly include the additional compensation in the employees' wages and report to the Internal Revenue Service (IRS) on Form W-2 (*Wage and Tax Statement*). Also, the city failed to withhold the required payroll/employment taxes from the payments and remit to the IRS.** The city clerk informed us that the additional compensation paid to employees was treated as contract labor payments and was reported to the IRS (and to the employees) on Form 1099-Misc (*Miscellaneous Income*).

Recommendations: The mayor and city council should ensure that the following is done:

- Consult with legal counsel
- Seek guidance from DPS to ensure the city's compliance with all provisions of the intergovernmental agreement
- Amend the employee's Form W-2 for both the 2007 and 2008 years to properly include the additional compensation/contract labor payments
- Amend the city's 2007 and 2008 federal and state quarterly payroll tax returns (to properly include the additional compensation/contract labor payments) and remit the required taxes to the IRS
- Request an opinion from the Louisiana State Board of Ethics on the legality of the city contracting with employees under the state grant
- For future grants, ensure that time records detail the work performed and reflect the dates and times of day that the work was performed

**FEDERAL GRANT** - On January 1, 2008, the city entered into a one-year agreement/contract with the Louisiana Department of Social Services (DSS) to obtain \$248,548 to administer the Reaching Employment Potential (REP) program to provide training and support necessary for TANF (Temporary Assistance for Needy Families) eligible adults to find gainful employment in the local community.

The portion allocated in the program budget for the payment of salaries was \$127,637 (51% of the grant). Our assessment revealed that six city employees were paid under the program.

1. **Contrary to the grant, funds paid to two of the employees did not correlate to the actual percentage of time they worked in the program. Rather, the two employees were paid as independent contractors.** According to the grant document, the percentage of an employee's salary that is paid by the grant must correlate to the actual percentage of time worked in the program. Furthermore, we did not find where the grant allowed payments to employees as independent contractors.



The city was allowed under the grant to use funds to pay a portion of the salary of the city's director of social services (Herman Wilson, Jr.) and all of the salary of the mayor's secretary (Kendra Guillory). However, the grant funds were not used to reimburse the city for paying the salaries of Mr. Wilson (\$18.17 per hour) and Ms. Guillory (\$19.95 per hour) during the grant period.

Rather, the city used the grant funds to pay a total of \$25,703 of additional compensation to the two employees. The payments were based on the total number of hours shown on invoices submitted to the city. Mr. Wilson billed the program \$25 per hour and Ms. Guillory billed \$15 per hour. The invoices did not provide a breakdown of the number of hours worked or the times of the day that the program work was performed (e.g., three hours worked from 5:00 p.m. to 8:00 p.m. on Wednesday, December 31, 2008).

The city clerk told us that the additional compensation paid (with grant funds) to the two employees was recorded as contract labor and that no payroll taxes were withheld from the payments:

Employee	Program Position	Additional Compensation (Contract Labor)
Herman Wilson, Jr.	Administrator	\$17,629
Kendra Guillory	Job Placement Specialist	8,074
	<b>Total</b>	<b>\$25,703</b>

### **Additional Comments Relating to Management's Response**

Contrary to the grant, the compensation paid to employees was not based on the percentage of the employee's salary that correlated to the actual percentage of time the employee worked in the grant program.

2. **The city's arrangement of paying contract labor to city employees may be a violation of the Louisiana Code of Governmental Ethics.** State law [R.S. 42:1113(A)] prohibits an employee of the city from entering into any contract or other transaction that is under the supervision or jurisdiction of the city. Furthermore, the city made these payments without any formal/written contracts.
3. **The city did not include the additional compensation paid in the two employees' wages and report to the IRS on Form W-2 (*Wage and Tax Statement*).** Also, the city failed to withhold the required payroll/employment taxes from the payments and remit to the IRS. The city clerk informed us that the additional compensation paid to employees was treated as contract labor payments and was reported to the IRS (and to the employees) on Form 1099-Misc (*Miscellaneous Income*).

Recommendations: The mayor and city council should ensure that the following is done:

- Consult with legal counsel
- Seek guidance from DSS to ensure the city's compliance with all provisions of the grant agreement
- Amend the employee's Form W-2 to properly include the additional compensation/contract labor payments
- Amend the city's federal and state quarterly payroll tax returns (to properly include the additional compensation/contract labor payments) and remit the required taxes to the IRS
- Request an opinion from the Louisiana State Board of Ethics on the legality of the city contracting with employees under the federal grant

### **Purchasing and Disbursements**

Controls over purchasing and disbursements need to be improved.

- **Mayor's Approval Not Always Documented** - Evidence of the mayor's approval for purchases was not always documented. The city's purchasing policy requires all purchases in excess of \$2,500 to be approved by the mayor.

#### **Additional Comments Relating to Management's Response**

Our assessment revealed the city clerk approved an invoice for \$9,333 which, according to the purchasing policy, should have been approved by the mayor.

Recommendation: To comply with policy and to strengthen controls over purchasing, the city clerk should ensure that the mayor's approval/authorization is documented in writing.

- **Purchasing Not Centralized** - The purchasing function was not centralized among all departments of the city. For example, the police department did its own purchasing separate from all other departments. Decentralized purchasing can result in less budgetary cost control and duplication of effort. A centralized purchasing process would help ensure that (1) all purchases are within budgeted funds; (2) purchases are pooled for volume discounts; and (3) purchases comply with the requirements of the Public Bid Law.

Recommendation: We recommend that management centralize the city's purchasing to improve operational efficiency and to provide a proper system of checks and balances over all departments. Management should also consider

establishing a purchasing agent position to implement and manage the city's centralized purchasing process.

- **Noncompliance With Public Bid Law** - Management did not obtain at least three quotes for the purchase of materials/equipment from a vendor that cost approximately \$15,000. State law (R.S. 38:2212.1) required the city to obtain at least three quotes (telephone or facsimile quotations) for purchases of materials or supplies costing between \$10,000 and \$20,000.

Recommendation: The mayor should strictly comply with the requirements of the Public Bid Law. We advise you that effective August 15, 2009, state law was amended to require at least three quotes when purchasing materials and supplies that cost between \$10,000 and \$30,000. The quotes should be maintained on file to demonstrate compliance with the law.

- **Purchases Under Existing State Contracts** - There was no evidence that the city council adopted the use of the Louisiana Procurement Code (LPC), as opposed to following the competitive bidding requirements of the Public Bid Law, for the police vehicles that were purchased off state contract.

Statutorily, the city is required to follow the requirements of the Public Bid Law for purchases. However, the city is allowed to make purchases under existing state contracts and avoid the requirements of the Public Bid Law. The city accomplishes this by choosing to "opt in" and be subject to the LPC, the set of laws (R.S. 39:1551-1755) that govern most state agencies' purchases of certain services, materials and supplies, and major repairs.

#### **Additional Comments Relating to Management's Response**

Contrary to state law (R.S. 39:1554.E), the city did not adopt the LPC (all or part) when it chose to bypass the Public Bid Law and purchase the vehicles off state contract.

Recommendation: The city council should pass an ordinance or resolution confirming adoption of all or part of the LPC for purchases made under state contract. Once the city has formally decided to become subject to all or part of the LPC, the city must follow the rules that apply to the state agencies.

- **Automated Purchase Order System Not Implemented** - Management has not implemented the automated purchase order system that was purchased in 2007. Good controls over purchases dictate the use of an automated system that would ensure that purchase orders are created only when budgeted funds are available. Such an automated system could help prevent overspending and would provide management with how much money is available for new commitments.

Recommendation: To improve controls over purchasing, we recommend that the city discontinue using the manual system and implement an automated purchase order system to help track and control spending.

- **VISA Credit Cards** - The city has two VISA cards, one in the possession of the mayor and the other in the possession of the city clerk. Our limited assessment revealed the following:
  - The business purpose(s) for charges/purchases were not always documented.
  - Lodging charges were not always supported by detailed/itemized receipts.
  - The credit card bill was not always paid on time resulting in late payment fees and finance charges being assessed to the city.

Recommendation: We suggest that the mayor and city council consider strengthening controls over purchases by eliminating the use of credit cards and requiring that all purchases be made through the normal purchasing procedures of the city. Itemized receipts for all charges should be maintained on file, including clear documentation of the business purpose for the charges. Furthermore, the monthly bill should be paid timely and in full to avoid late payment fees and finance charges.

- **Gasoline Purchases and Diesel Tank** - Controls over the city's gasoline purchases and the diesel tank need to be improved. The city uses a vendor fuel purchasing system (*Voyager*) for gasoline purchases and maintains a diesel fuel tank at the maintenance yard.

Good controls require that only city vehicles receive fuel, that supporting documentation for fuel usage identifies the vehicle and includes accurate odometer readings and pump meter readings, and that supporting documentation is reviewed promptly for reasonableness (number of gallons dispensed, miles traveled, and the number of miles driven per gallon).

Recommendations: The mayor and council should ensure that the following is done:

- Department supervisors should review the monthly *Voyager* statements for reasonableness, including the accuracy of odometer readings input by employees, the dates of use, number of gallons purchased, miles traveled, and miles per gallon information reported.
- The diesel tank/pump should be kept under lock at all times and access restricted to only authorized personnel.
- A fuel log should be maintained for recording and reconciling diesel dispensed from the tank. The fuel log should be accurate and include the date, number of gallons dispensed, pump meter readings, vehicle odometer readings (when applicable), and signature of person receiving/dispensing the diesel. The number of

gallons dispensed should be reconciled/agreed daily to the pump meter readings.

- A monthly analysis or summary by vehicle should be prepared that includes the total number of miles driven during the month and the average number of miles driven per gallon. The analysis should be submitted monthly to the mayor and council for review.

### **Business License Fees**

The city failed to collect license fees from all businesses operating within city limits, including businesses of two of the city's elected officials. Our assessment revealed that Police Chief Kevin Ambeau's business, Fortified Security, Inc., did not pay occupational license fees for 2007 and 2008, and council member Deborah Alexander's business, B&D Min-Mart, did not pay occupational, liquor, or beer license fees for 2008.

Recommendations: The mayor should take immediate steps to ensure that annual license fees are billed and collected from every active businesses operating within city. In addition, management should develop and implement written policies and procedures for all of its business licensing programs (e.g., occupational, liquor, and beer), including procedures for the following:

- Identifying new businesses and maintaining a list of businesses operating within city limits
- Mailing notification of license renewal
- Receiving, processing, recording, and depositing license payments
- Printing and mailing licenses
- Collecting delinquent license payments
- Selecting businesses for audit

### **Mayor's Vehicle**

Our assessment revealed two matters related to the mayor's city-provided vehicle that may be contrary to law.

1. **Personal Use Not Documented and Reported** - The mayor's city-provided vehicle (2008 GMC Yukon) is a working condition benefit; however, his business and personal use was not documented nor was the value of this benefit calculated and included in his wages. Internal Revenue Code § 61: Treasury Regulation § 1.61-21 provide that when an employer (city) provides a vehicle that is available for personal use, the value of the personal use must generally be included in the individual's income and wages [reported on employee's IRS Form W-2 (*Wage and Tax Statement*)].

Recommendation: We recommend that the mayor maintain a written mileage log to substantiate his business and personal (e.g., commuting) miles driven during the year. The mayor should ensure that all benefits provided by the city, including his benefits, are properly valued and reported in accordance with the federal employment tax rules/regulations.

2. **No Decal** - The vehicle driven by the mayor was not marked with an insignia/decal as required by Louisiana law. R.S. 49:121 requires city vehicles to have inscribed, painted, decaled, or stenciled on the outside door on each side of the vehicle, an insignia containing the name of the city.

Recommendation: The mayor should ensure that his vehicle and all other city vehicles are properly marked in accordance with state law.

### **Controls Over Cash Receipts**

Controls over cash receipts need to be improved. The city's two utility clerks share the same cash drawer for collecting utility payments. Good controls require that one person be personally responsible for having in his/her possession the cash amount of his/her drawer as established for them plus the amount of cash recorded as being received.

Recommendation: To provide accountability and improve controls over cash, each employee that collects/receives money should be assigned his/her own cash drawer and be responsible for the daily balancing (subject to supervisory review). Employees should be strictly prohibited from working out of another employee's cash drawer. In addition, all cash drawers should be secured under lock when not being used.

### **Delinquent Sewer Accounts**

The clerk was not filing sworn statements on delinquent sewer accounts in the Iberville Parish Clerk of Court office as directed by the city's *Utilities* policy. As of January 8, 2009, there were 554 sewer customers with past due balances totaling \$163,633, of which \$5,529 was due from 23 city employees including the clerk. We advise city management that continuing to provide sewer services and not actively trying to collect delinquent utility account balances could be prohibited by Louisiana's constitution [Article VII, Section 14(A) of the Louisiana Constitution of 1974].

According to policy, "If the flat fee or charge for sewer service is not paid within 60 days after rendition of the bill for such service, such flat fee or charge shall be deemed and is declared to be delinquent; and thereafter such delinquency shall constitute a lien upon the real estate for which such service is supplied. The town clerk is authorized and directed to file a sworn statement showing such delinquencies in the clerk of court office of the parish, and the filing of such statement shall be deemed notice of the lien of such charges for such service."

Furthermore, our assessment revealed that adjustments to customer sewer accounts were being approved by the city clerk rather than the mayor.

Recommendation: The city clerk should file sworn statements on delinquent accounts in accordance with the city's *Utilities* policy. Management should also consult with legal counsel about any other options available to the city for enforcing collection of delinquent sewer fees. We encourage management to continue assessing the feasibility of an intergovernmental agreement with the Iberville Parish Water District No. 2 to collect the city's sewer fees and/or to coordinate the termination of water services upon nonpayment. In addition, to strengthen controls, the mayor should review and approve (in writing) all adjustments to customer accounts.

### **Traffic Tickets**

Controls over traffic tickets and ticket revenue need to be improved.

**No Accounting for Tickets** - Although the police department uses a computer software program to "track" tickets/citations, there was no accounting of the numerical sequence of the tickets. Without accounting for the numerical sequence of all tickets, there is no way to determine whether citations were issued, lost, or voided. Proper accounting for tickets is important to help ensure (1) fines are collected or appropriate action is taken for nonpayment; (2) compliance with relevant Louisiana laws; and (3) city funds are not misappropriated.

### **Additional Comments Relating to Management's Response**

The police clerk informed us during our visit that the police department was not accounting for the numerical sequence of tickets.

Recommendation: Management of the city should ensure that the numerical sequence of all citations issued is accounted for on a monthly basis. Any missing tickets should be investigated on a timely basis.

**Ticket Revenue** - Ticket revenue collected was not being deposited on a daily basis.

Recommendation: To strengthen safeguards over ticket revenue, we recommend that all funds be counted, reconciled, and deposited on the same day collected.

### **Court Costs**

Our assessment revealed that, since July 2008, the city has not remitted the following special court costs to entities as required by law:

1. *Local Law Enforcement Training and Assistance Program* - Article 887.E of the Louisiana Code of Criminal Procedure requires the court to assess \$2 to each



person convicted of a misdemeanor or city ordinance and to remit these costs (less 2% withheld by the city as an administrative fee) to the Louisiana Commission of Law Enforcement and Administration of Criminal Justice.

2. *Trial Court Case Management Information System Plan* - Article 887.F of the Louisiana Code of Criminal Procedure requires the assessment of \$1 (\$2 for municipalities with a population greater than 2,000) to each person convicted of a misdemeanor or city ordinance and to remit these costs to the state treasury on or before the tenth of each month.
3. *Crime Victims Reparation Fund* - R.S. 46:1816(D)(1)(a) requires the levy of not less than \$50 for felonies and \$7.50 for misdemeanors and violations of municipal and parish ordinances in certain criminal actions which result in conviction and to remit these costs to the Louisiana Commission of Law Enforcement and Administration of Criminal Justice.
4. *Traumatic Head and Spinal Cord Injuries Services* - R.S. 46:2633 requires \$5 to be assessed for each reckless driving or speeding offense that results in conviction. This cost should be remitted to the state treasury within 30 days after collection.

Recommendation: The mayor should ensure that special court costs are remitted to the appropriate agencies as required.

### **Records Retention Schedule**

The city has not prepared and submitted a records retention schedule to the state archivist for approval as required by state law (R.S. 44:411).

Recommendation: In compliance with R.S. 44:36, which requires management to exercise diligence and care in preserving public records, and in accordance with R.S. 44:411, management should develop and submit a records retention schedule to the state archivist (Louisiana Secretary of State Office) for approval.

### **Disaster Recovery Plan**

Although the city plans to follow the disaster recovery plan of the parish, we recommend that management review and tailor that plan to the specific needs of the city and test/revise its plan on an annual basis. Having a specific plan is a good business practice, as it will provide the steps to be performed to continue city operations in the event of a disaster (e.g., fire, terrorist attack, et cetera).



## Disposition of 2008 Audit Findings



The following presents a summary of the audit findings reported in the June 30, 2008, audited financial statements (reported by the city's independent auditor) and the disposition of those findings based on our inquiries and general observations as of December 31, 2008.

Management's response is presented in Appendix B.

June 30, 2008, Audit Findings	Disposition as of December 31, 2008
<p><b>1. Segregation of Duties</b></p> <ul style="list-style-type: none"> <li>• Individuals who process bills are not independent of the collection function.</li> <li>• The city clerk has the ability to prepare, sign checks, edit the master payroll file, and disburse payroll checks.</li> <li>• An individual who prepares deposits also maintains the cash receipts ledger and posts entries to the general ledger.</li> </ul>	<p><u>Unresolved.</u> (See finding, <i>Controls Over Cash Receipts.</i>)</p> <p><u>Unresolved.</u> (See finding, <i>Payroll - Segregation of Duties.</i>)</p> <p><u>Unresolved.</u></p>
<p><b>2. Improve Collections of Receivables</b></p> <ul style="list-style-type: none"> <li>• Significant amounts of sewer fees have not been collected.</li> </ul>	<p><u>Unresolved.</u> (See finding, <i>Delinquent Sewer Accounts.</i>)</p>
<p><b>3. Noncompliance with Bond Covenants</b></p> <ul style="list-style-type: none"> <li>• The city is not in compliance with bond covenants requiring deposits to be made in the Sinking Fund, Reserve Fund, and Contingency Fund.</li> </ul>	<p><u>Unresolved.</u> (See finding, <i>Lack of Financial Management - Noncompliance With Revenue Bond Agreements.</i>)</p>
<p><b>4. Noncompliance With Public Bid Law</b></p> <ul style="list-style-type: none"> <li>• The city purchased vehicles under state contract but was not able to provide supporting documentation.</li> </ul>	<p><u>Unresolved.</u> (See finding, <i>Purchasing and Disbursements - Noncompliance With Public Bid Law.</i>)</p>

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## Management's Response

We received management's written response along with seven exhibits. The exhibits, in total, were too voluminous to include in this report; such information is available for review in the Baton Rouge office of the Legislative Auditor.





**CITY  
GOVERNMENT**

George L. Grace, Sr.  
Mayor

**CITY COUNCIL**

Freddie C. Frazier, Sr.  
Mayor Pro-Tempore

Deborah R. Alexander  
Flora J. Danielfield  
Melvin Hasten, Sr.  
Ralph Johnson, Sr.

**CITY CLERK**

Yolanda L.  
Andrews-Mattaur



Main Telephone:  
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Mayor's Fax Line  
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**POLICE  
DEPARTMENT**

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September 11, 2009

Mr. Steve Theriot, CPA  
Louisiana Legislative Auditor  
Legislative Audit Advisory Council  
State of Louisiana  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

In response to your staff's recent review of the City of St. Gabriel and your report dated June 4, 2009 and the revised reports dated June 23, 2009 and July 13, 2009, we have the following for your consideration:

**Financial Management**

***No Monthly Financial Statements and Budget Comparisons***

The City disagrees with this finding as it is inaccurate with respect to the procedures implemented concerning financial statements and budget comparisons. From the City's inception in 1994, the City has a long history of producing financial statements with budget comparisons that were presented monthly at City Council meetings. Each Council meeting included a presentation of key financial factors for each month with long-term trend data. These financial statements were produced by the City's external CPA firm on the firm's supported accounting software through June 30, 2008. Beginning July 1, 2008, the Finance Officer, under the supervision of the City's external CPA firm, began preparing financial reports and detailed listings of all check disbursements monthly during the period cited in your report. At each meeting, the Finance Officer reviewed this information in detail with the City Council members. In addition to the monthly reports at city council meetings, the Finance Officer provides weekly cash reports to the Mayor and City Clerk on Monday, depicting the available balances on all of the City's bank accounts. To generate the cash report, the Finance Officer reviews all account information online and then reconciles outstanding expenses that have not been captured on the online statement. Additionally, although, there is no known statutory requirement that the City's reconciliation of its bank statements be done electronically, the City now has the capability of completing both an electronic and manual reconciliation of all its bank accounts. At Exhibit A, the City is providing copies of the monthly meeting agendas,

copies of the reports presented at each meeting and weekly cash reports prepared by the Finance Officer. During the month of September 2008 the council did not receive a report because the City Council only met for the purpose of addressing emergency hurricane planning. The September 2008 and October 2008 reports were mailed to each council member because the meeting for October 23, 2008 did not occur due to lack of a quorum. For the month of December 2008, the Mayor was traveling out-of-country and the Mayor Pro-tempore' canceled the meeting due to a snow storm but, was reconvened by three board members to address raises for the Council and Chief of Police. The financial report for December 2008 was given at the January 2009 meeting.

On April 1, 2008, the City implemented a new accounting software system to include in-house payroll and financial statement preparation. The software was chosen because it was designed for a local governmental environment that includes purchase order automation, property tax and occupational license billing functions. The new accounting software will enhance reporting and processing capabilities. The accounting software transition has been completed. Implemented and use of the purchase order system and traffic ticket modules have required more time than anticipated; however, management is confident that full use will be accomplished once data for the modules is input into the system. Furthermore, the City is working to finalize use of all functions of the accounting software as soon as possible. The City has reviewed the capabilities of the accounting software and submits at Exhibit B the type of report the Finance Officer with oversight by the City Clerk has prepared for the Mayor and City Council's review. In the City's research of financial report requirements, we did not find any statutory mandate requiring graphs and charts as suggested by the audit team, however, the City acknowledges that the recommendations offered represent the best practices of the Louisiana Legislative Auditor and will produce the graphs and charts as they provide a more tangible means for the understanding of the budget comparison report for those outside of the accounting and finance structure.

Finally, the City also provided evidence to the audit team that the City's administration has a workflow chart which depicts the duties of each individual in the clerk's office. The preparation of financial statements for all funds, including budget-to-actual comparisons, and the presentation of such data is assigned to the Finance Officer. The City of St. Gabriel, from its inception, has always employed a City Clerk and a Finance Officer with separate and distinct duties with regard to the city's finances. As stated in our response above, the Finance Officer will prepare all accounting related reports with oversight by the City Clerk. The City Clerk, Finance Officer and external CPA firm will keep the Mayor and City Council apprised of any corrective action needed regarding the City's budget and finances.

### ***Mayor Not Signing Checks***

The Mayor will continue to sign all corporal checks issued requiring his signature, including vendor invoices, as well as review all automatic payroll payments; unless he is not available to do. The Mayor has always and continues to review purchases and related



expenditures and as such, is aware of all significant cash disbursements made on behalf of the City. Furthermore, the Mayor reviewed a weekly cash activity report to understand the current cash position and on-going cash activity of the City during the period cited in your report.

Additionally, the City Clerk has authorization to continue to sign checks; however, a second signature by the Finance Officer or designated individual will be required on such checks.

The Mayor has historically reviewed electronic payment reports for payroll when prepared by the external CPA firm and the City Clerk for disbursements at each payroll period. The Mayor and City Clerk have direct lines of communication concerning payroll and all city financial matters. In addition to his review of the payroll reports, the Mayor will sign the electronic disbursement report, assuring that he has reviewed and approve these payments. Finally, the City Council is provided a monthly report of all cash disbursements for review at each Council meeting.

### ***Bank Accounts Not Reconciled***

The City has an excellent history of performing this essential task since its inception. The City has been made aware of no statutory authority requiring that bank reconciliation must be accomplished via an automated system. The software that the City purchased has the capability to perform bank reconciliations but due to implementation issues the monthly bank statements were reconciled manually and weekly cash reports (illustrated at Exhibit B) were generated based on monthly statements and weekly reconciliation to generate a cash report for review by the Mayor on Monday of each week. The City has updated the software system and will be able to perform computer generated reconciliation back-up by a manual review on all city accounts. In the future, the City will prepare bank reconciliations by the 15<sup>th</sup> of each month and the City Clerk will provide oversight to insure this is done.

### ***Noncompliance with Budget Laws***

The City is in agreement with your recommendation. The City recently became aware of this requirement. Although the City has adopted all previous budgets by resolution, the City will adopt the 2010 and future budgets by ordinance as well as any amendments.

### ***Noncompliance with Revenue Bond Agreements***

The City was aware of this matter for some time and has engaged in several conversations with officials of the US Department of Agriculture to reach a reasonable resolution. However, no solution has been forthcoming at this time and the USDA requirement is a standard practice for their lending. During 2009, the City will initiate

action to resolve this matter, which is defined as either: a) the City will fund the reserve requirements, or b) the City will refinance the debt with another lender.

### ***Need Written Policies and Procedures***

The City does not disagree with your recommendation and believes it would be the best practice to have written policies and procedures where warranted.

At this time, the City has several policies written and adopted by the City Council, to include a travel and purchasing policy. With regard to specific written policies and procedures for key financial areas, management will review this matter during 2009 to develop a practical written guide that City employees would find useful. The City has initiated a standard operating procedure manual that will include job descriptions for all City departments.

The City of St. Gabriel's current policy manual (Exhibit C) does provide for guidance to employees on nepotism and prohibited activities in Section 2.4. – Limitation on Employment of Relatives and Section 9.3 – Gifts and Favors. However, the City will begin the practice of including in its annual meeting to employees a briefing on Ethics. Each employee will be required to sign a form stating that they were briefed and understand the Ethics Code, Title 42. The City will also incorporate the Ethics Code into its current policy manual and provide a copy of the "Ethic Quarterly" to each employee so that they are aware of ethic opinions of the Louisiana Board of Ethics; and to help employees fully understand the intent of the Ethics Code.

With regard to the establishment of financial policies and procedures, the City follows the guidelines set forth in the Lawrason Act and the applicable revised statutes for the collection of revenues, budget processes, financial reporting, investing cash, etc. The City will revisit these policies and procedures and, where necessary, will develop a manual for these guidelines as a reference guide.

### **Controls Over Payroll**

#### ***City Clerk Performs All Payroll Duties***

Prior to April 15, 2008, the City Clerk and an external CPA firm prepared the City's payroll. Additionally, prior to April 15, 2008, the City Clerk entered all employee data into the CPA firms accounting software including; salaries/hourly rates, benefits, deductions, and usage of leave. The external CPA firm, printed payroll checks, initiated electronic disbursement of payroll, and completed payroll reports. After the conversion to the new accounting system purchased by the City, the City Clerk began preparing the City's payroll with the external accounting firm completing federal and state payroll reports. The Mayor was provided payroll disbursement reports at the preparation of each

payroll to approve before the issuance of checks. This process was in place when the payroll was outsourced and during in-house processing.

Presently, the City Clerk is preparing payroll and the related disbursements, to include payroll file maintenance. The City will continue requiring, prior to payroll disbursement, the Mayor or Finance Officer to review payroll disbursement reports for approval. The review will include a comparison to the time accumulation supporting records and approved pay rate sheets.

The City disagrees with the finding that the City Clerk signs her own payroll check as it is misleading. In situations concerning a corporal payroll check or any other type check (refund, travel, etc) the City Clerk, alone, does not sign any check made payable to herself. When a payment is due to the City Clerk, it is always signed by the Mayor or co-signed by the City Clerk and an individual having corporal check signature authority.

Additionally, the Finance Officer will reconcile the payroll bank account monthly to provide additional oversight of payroll processed via the approved payroll register.

### ***Overtime Payments Not Approved***

The City will ensure that the City Clerk's compensation is fixed by ordinance on an annual basis, where required. Furthermore, the City will review this matter with its legal counsel for validation of the process used. Overtime compensation to the City Clerk and Director of Public Work were approved via the Mayor's review of the payroll register. As a corrective action mentioned under payroll duties, the Mayor will now physically sign the payroll register as proof that the register has been reviewed and approved for payments to employees. The Mayor will require all department heads authorized to work overtime to ensure that timesheets are documented to show the Mayor's approval of hours worked.

Additionally, it is the legal opinion of the City Attorney that work performed outside the City Clerk's duties as the Clerk are not explicitly and statutorily required to be fixed by ordinance. The City will investigate and determine how it will compensate the City Clerk for duties outside those established in her job description as such.

### ***Time Sheet Approvals Not Always Documented***

Departmental supervisors will approve all timesheets in writing for future payrolls. Additionally, the City Clerk will review such timesheets at payroll preparation to ensure that the approval is documented.

### ***Personnel Files***

The City Clerk has accumulated all Form I-9's for current employees of the City. As new employees are hired, the form will be prepared and maintained in their personnel file. Management considers this matter resolved.

In our initial response to the audit findings dated June 23, 2009, the issue concerning no written authorization of employees' pay rates not in personnel files was not a reported finding; therefore, the City must address this finding anew in this report. At the beginning of each fiscal year, the external CPA firm provides a copy of the projected salary/hourly rates of pay for all city employees which are entered for each employee by the City Clerk in the financial management software. The City Clerk maintains a copy of the printout in a master file after the data is entered. During the fiscal year, as directed by the Mayor, changes/increases to an employee's rate of pay are accomplished by a memo generated by the City Clerk for approval by the Mayor. Sample copies of this document are provided at **Exhibit D**. However, beginning with the 2010 fiscal year the Mayor will require the City Clerk in addition to entering the new payroll rates in the system, to generate an individual rate of pay data sheet reflecting the approved budgeted salary/hourly rates. The City Clerk will continue the practice of forwarding a memo to the Mayor for approval of pay increases that occur during the fiscal year.

## **Grant Expenditures**

### **State Grant**

***Controls over grant expenditures need to be improved. We assessed the expenditure of salary funds under one state grant and one federal grant and identified noncompliance with the grant requirements and possible violations of law.***

***Grant funds were spent on salaries/compensation after the deadline. Grant funds were spent after the deadline date on record at DPS and after a later deadline on record at the city.***

***The City did not have adequate documentation of the work performed by the employees and the city may have used grant funds to pay employees for work that was not related to the purposes of the grant.***

***The additional compensation/contract labor paid (\$116,218) to the employees under the grant did not appear reasonable and may be considered a gratuitous donation of funds to employees that is contrary to the Louisiana Constitution and state law.***

***The City's arrangement of paying contract labor to seven city employees may be in violation of the Louisiana Code of Governmental Ethics.***

***The additional compensation paid to the city clerk was not approved by ordinance as required by law.***

***The City did not properly include the additional compensation in the employees' wages and report to the Internal Revenue Service on Form W-2(Wage and Tax Statement). Also, the city failed to withhold the required payroll/employment taxes from the payments and remit to the IRS.***

**Management's response:**

Management is consulting with legal counsel to address this matter. In particular, the City offers the following:

- From the inception of the grant the City has maintained an open dialogue with the state agency and just as other municipalities throughout the state, the City worked with DPS to extend the deadline date of the grant on several occasions. One such effort was to extend the deadline past the May 15, 2008 date stated in your letter. Thus the City does not view this finding as a violation of the grant. The City has provided DPS with a full accounting of all grant transactions, and will confer with DPS for resolution of grant extension discrepancies.
- During the grant period, the City submitted periodic reports to DPS outlining payments made pursuant to the grant. The pay rates utilized in compensating persons for work done in efforts to establish and maintain an office in compliance with the State Uniform Construction Code were commensurate with the nature of the work performed and were comparable to rates which were considered appropriate by DPS and/or other jurisdictions within the state. The employees listed in your report performed job duties for the following positions:

Atkins Williams (Chief Building Official)  
Randall Johnson (Junior Building Official)  
Yolanda Andrews-Mattaur (Grant Administration/Permits)  
Keywanda Nelson (Permit Technician)  
Benjueil Lanieu (Building Inspector)  
Alvin Nelson (Building Inspector)  
Elvis Camper (Building Inspector)

- Furthermore, the individuals on this grant maintained timesheets that were used in payroll preparation. The majority of the individuals were dedicated solely to the establishment of a code enforcement office and program that previously did not exist at its current level.
- The City's decision to pay code enforcement employees by contract payments was because the grant funding was temporary. The City did not wish to commit to permanent changes to employee salaries since the longevity of the funding was uncertain. The City conferred with representatives from DPS on several occasion with regard to the compensation of employees and clear guidance was not provided. The City initially thought the funding would cover salaries for the employees over a 12-month period but, were informed by the Chief Building

Official that in his meeting with DPS representatives, the salaries where for a six-month period as approved by the Code Council.

- The City will review these arrangements for the payments to employees with legal counsel to include any correspondence to the Louisiana State Board of Ethics and/or the Louisiana Attorney General's Office. However, the City does not believe that these compensation arrangements represent any ethics violations.
- The City disagrees with this finding as it relates to La. R.S. 33:404.1. La. R.S. 33:404.1 states, "[the board of aldermen shall by ordinance fix the compensation of the mayor, aldermen, clerk, chief of police, and all other municipal officers.]" The City is in compliance with this mandate in that the compensation for the city clerk, in her capacity as a municipal officer, is set by ordinance. The job responsibilities performed by Ms. Mattaur with respect to the DPS grant were grant administration/permitting duties and were not related to her job responsibilities as a municipal officer. The compensation which she received was for grant related non-municipal officer duties and was therefore not required to be set by the board of alderman via ordinance pursuant to La. R.S. 33:404.1.
- The City is not required to withhold payroll/employment taxes from payments made via Form 1099 to individuals; therefore, if it is determined that the City's decision to pay for services rendered pursuant to the grant via Form 1099 are considered to be the incorrect method to pay employees, the City will consider amending the previous payroll tax returns filed.
- The City does not agree wholly with the finding that it does not have documentation of timesheets for personnel assigned to the Building Inspection/Code Enforcement Office. The City created a fund site with cost centers to capture Department 300 expenses and income. Additionally, the audit representative indicated that the employees hire to perform work in the Building/Code Enforcement Office may have been gratuitously paid for work performed. We submit at Exhibit E-Employee Credentials; the work qualification of these employees. The City also provides data at Exhibit F which documents the number of permits and inspections completed by the department. Additionally, as explained to the audit representative, the salaries projected in the grant would have been sustained if the projected income for pending and projected building projects had come to fruition. The economy and the market looked very promising during the earlier part of 2008 even with weather delays by Hurricanes Gustav and Ike. However, at the beginning of 2009 the economic status of not just Louisiana but the entire country was in jeopardy. Several projects planned for construction in St. Gabriel were postponed due to the developers' inability to maintain/sustain funding for their projects.

## **Federal Grant**

***Contrary to the grant, funds paid to two of the employees did not correlate to the actual percentage of time they worked in the program. Rather, the two employees were paid as independent contractors.***

***The City's arrangement of paying contract labor to city employees may be a violation of the Louisiana Code of Governmental Ethics.***

***The City did not include the additional compensation paid in the two employees' wages and report to the Internal Revenue Service on Forms W-2(Wage and Tax Statement). Also, the city failed to withhold the required payroll/employment taxes from the payments and remit to the IRS.***

**Management's response:**

Management is consulting with legal counsel to address this matter. In particular, the City offers the following:

- The City has maintained an open dialogue with the state agency and will review these reported items to close the grant.
- The City disagrees with this finding. The two (2) employees who received compensation pursuant to this grant performed grant related duties outside of business hours for the City. Therefore, the compensation that they received was paid as contract labor and invoices for the grant related work that they performed were properly submitted to the granting agency.
- The City will consider amending the previous payroll tax returns.
- The City will review these arrangements with legal counsel to include any correspondence to the Louisiana State Board of Ethics.
- With respect to future grants received, the City will enhance record keeping, clearly documenting time assignments to grants, including payroll costs, detailed description of work performed and report such compensation as wages, including related payroll withholding.

**Purchasing and Disbursements**

***Mayor's Approval Not Always Documented***

The City disagrees with this finding concerning the Mayor approval of purchasing and disbursements. The City believes this finding is a result of purchases made by the Police department for new vehicles in which the Elected Chief of Police initiated the purchase without approval by the Mayor. As a result of a later audit finding and recommendation concerning the Police Department operating autonomously from the City, the Mayor will begin initialing all purchase orders for purchases in excess of \$2,500 as stipulated in the

City's purchasing policy. The Mayor will insure that the Police Department is inclusive in the centralized purchasing system of the City and as recommended, the City Clerk will insure that the Mayor's approval/authorization is documented in writing.

### ***Purchasing Not Centralized***

The City will cease allowing individual departments to make purchases autonomously. During 2009, the City will centralize the purchasing function in the Finance Department. However, the Police and Streets Department will continue to initiate purchase orders, but such purchase orders will be coordinated through the centralized purchasing system and approved at the City's Finance Department.

### ***Noncompliance With Public Bid Law***

The City will maintain accurate records to document quotes obtained for purchases of materials and supplies costing between \$10,000 and \$20,000. The City will follow the enacted purchase policy for future purchases requiring public bid.

### ***Purchases Under Existing State Contracts***

The City disagrees with this finding as evident on the Office of State Purchasing website (<http://www.doa.louisiana.gov/osp/contacts/coopur/approvedquasiunits.htm>) and evidentiary documentation at Exhibit G, that the City/Town of St. Gabriel has met the requirements of Louisiana Revised Statutes 39:1701 to be considered an authorized purchaser on state contracts. The City has been privileged to save money and cost required to advertise for equipment and supplies using state contracts since 1994. Management did not find evidence that there is any additional requirement of the municipality other than completion of the states questionnaire which once approve by OSP, lists approved buyers on their website who are authorized to procure under the cooperative procurement clause.

### ***Automated Purchase Order System Not Implemented***

As mentioned on page 1, the City implemented a new accounting software system and is in the process of activating all of its applications. The City has scheduled training for our purchasing module and will maintain its manual system as a backup during this transition. Once the online system is fully operational, manual coding will cease. Should the online capability to process purchase orders be compromised, the City will use the manual system as a back-up and all manual data will be inputted into the system when it is back online.



## ***VISA Credit Cards***

The City believes the use of credit cards is a necessary business practice. Furthermore, the card holders do and will continue to document any business purpose of charges made. The City believes this finding is a result of an isolated event concerning a business trip by Chief of Police and an Officer to a convention out-of-state whereby, there was a discrepancy with the acceptance of the Louisiana Tax Exemption form. This discrepancy was resolved. On the other hand, the City seldom purchases meals with that type of purchase considered very limited. The City utilizes the State Travel Policy and associated forms. The City will require the completion of all associated travel form to accurately depict travel expenses by all employees.

The late fees described in your report relate to a time period just after Hurricane Gustav and Ike (September 2, 2008 through September 14, 2008). The City was not fully operational for some time after the storm and the card charges were paid late. However, this is not a customary practice at the City. The City makes all attempts to pay credit card charges timely. In the future, except when it is physically impossible, the credit card bill will be paid on time to prevent any late payment fees and finance charges.

## ***Gasoline Purchases and Diesel Tank***

The City chose the *Voyager* system as it provided the City with a very tangible asset, detail fuel usage data. The report depicts information on the drivers' card use, vehicle fueled, expenses by department and irregularities with purchases. Department managers are notified of report findings but via your recommendation the City produce copies for monthly review of *Voyager* statements for reasonableness and report any issues to the Mayor or Finance Officer. Additionally, the City will begin preparing a monthly analysis by vehicle to compare miles traveled, date of use and gallons purchased. The monthly report will be reviewed by the Finance Officer and submitted to the Mayor. Such information is presently submitted with each monthly statement from the fuel provider. To further control fuel expenditure, the City imposed a 15 gallon purchase limit for fuel on the cards from the inception of the account.

Additionally, the City will acquire a lock for the diesel tank/pump and restrict its access to authorized personnel only. A fuel log, as suggested by your office, has been obtained by the City to monitor fuel tank usage for heavy equipment.

## ***Business License Fees***

The City will develop written procedures to document current practices for all of its business licensing programs to ensure proper collection of all business license fees. Furthermore, the two assessments identified in your report for Chief Kevin Ambeau and Councilwoman Deborah Alexander has been paid.

## **Mayor's Vehicle**

### ***Personal Use Not Documented and Reported***

The Mayor will identify any personal mileage driven during the year with any personal benefit subject to federal employment tax regulations.

### ***No Decal***

The City believes the Mayor's vehicle is exempt from the requirement. Attached is a legal opinion from the City's legal counsel for your review.

## **Controls Over Cash Receipts**

Each employee that collects/receives cash has his/her own cash drawer and is responsible for its daily balancing. All drawers are secured under lock when not in use and employees will be prohibited from working out of another employee's cash drawer. The City initiated this process immediately.

Finally, the City has always had only two employees responsible for collection of cash receipts. As such, only one additional cash drawer is necessary.

## **Delinquent Sewer Accounts**

The City detailed its procedure for collection of delinquent sewer accounts when meeting with audit representatives. The City will review its *Utilities* policy to ensure that it corresponds with the current practices of the City. In the past, the filing of liens for delinquent customers was delegated by the Mayor to the City Attorney based on a listing provided by the City Clerk. During the audit team review of delinquent sewer accounts, it was found that the City did not follow its policy to file new liens. As explained to the audit team, the Mayor and City Council have been diligent with efforts associated with collecting fees for providing sewer services. The internal efforts have not produced the results desired, which is the ultimate collection of the delinquent receivables; however, the delinquent situation continues to cause additional expenses to the city. The City initiated a cut-off process with the Iberville Parish Water District #2 serving the City but, no favorable results were experienced.

The City initiated correspondence to delinquent sewer users on June 22, 2009 (City has issued several notification letters prior), notifying them of the City's intent to file liens and file reports with major credit bureaus as to these delinquent payments. Beginning July 1, 2009, the City will begin filing liens on property where payments are not current. Beginning September 1, 2009 the city will provide a list to Iberville Parish Water Works

District #2 of accounts to be cut-off from water services. Also, on September 1, 2009, the City will forward to the three credit reporting bureaus delinquent payment information. The City is continuing to pursue any and all means necessary for potential improvements to collections of receivables. The City will consult with legal counsel concerning this matter.

Furthermore, the City has addressed the delinquencies related to employees using the sewer system including the City Clerk. Concerning the City Clerk's name appearing on the report, notification was given to the employee who maintains the sewer accounts to remove the City Clerk's name because the residence was temporarily vacant for the period in question. Prior to the period in question, the City Clerk's sewer bill was current and generally paid in advance. Additionally, the employee wanted to ensure that the Mayor, not the City Clerk, authorized the adjustment as this would indicate an improper transaction between the City Clerk and the employee. The untimeliness of the adjustment was an oversight by the employee.

The Mayor will begin to review and initial all adjustments to customer sewer accounts.

### **Traffic Tickets**

The Police Department indicated that the numerical sequence of tickets was being accounted for with each ticket book on a manual basis. On the other hand, the City will begin using a traffic ticket module to maintain a record of all tickets by numerical sequence which includes processed, unused, voided and dismissed tickets.

Additionally, the Police Department indicated that small collections were not deposited daily. However, the Police Department has assigned one individual to prepare and deliver a deposit of traffic fine collections at the conclusion of each business day.

### **Court Costs**

The individual that was responsible for assembling special court costs for payment is no longer with the department. The Police Department will prepare a schedule, since the last review, to identify any delinquent payments for submission to the applicable agency. The Police Department expects to conclude this review within the next 30 days. Finally, the City will increase the cost of court to include any amounts required to be collected for the Crime Victims Reparation Fund and Traumatic Head and Spinal Cord Injuries Services. This matter will be reviewed with the City Court Magistrate for further actions required.

In the future, the Finance Director will monitor payment of special court costs to ensure such amounts are remitted to the appropriate agencies timely.

## Records Retention Schedule

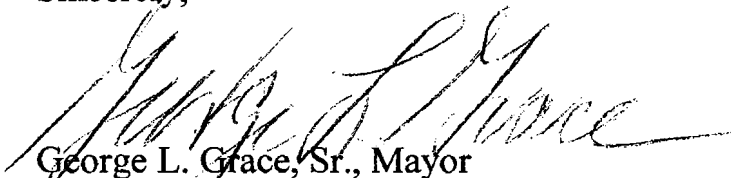
The City has contacted the state archivist and obtained a suggested record retention schedule. As a result, the City will prepare a record retention schedule and submit it to the City Council and state archivist for approval.

## Disaster Recovery Plan

The City will review the parish disaster recovery plan and tailor the plan to the specific needs of the City. As a result, the City will consider adopting a written plan during 2009.

If you have any questions, please notify me.

Sincerely,



George L. Grace, Sr., Mayor  
City of St. Gabriel

Enclosures:

- Exhibit A:
  - 1. Council Meeting Agendas
  - 2. Financial Reports
  - 3. Weekly Cash Reports
- Exhibit B: Accounting Software Reports
- Exhibit C: Policy Manual
- Exhibit D: Approval of Rate of Pay Changes
- Exhibit E: Employee Credentials
- Exhibit F: Building/Code Enforcement Work Data
- Exhibit G: State Contract Purchasing Authority