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LEGISLATIVE AUDITOR

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August 10, 2005

Honorable Jimmy Dale Clements
President of the Board
Village of Simsboro
P.O. Box 40
Simsboro, Louisiana 71275-0040

Dear Mr. Clements,

We have performed a limited review of certain financial records of the Village of Simsboro (Village) for the period beginning October 2003 and ending October 2004. This review was performed to determine the propriety of certain allegations received indicating improper accounting for utility collections and traffic tickets. The scope of our work was significantly less than that required by *Government Auditing Standards* in the audit of the Village's financial records; therefore we are not offering an opinion on the Village's financial statements, system of internal control, nor assurance as to compliance with laws and regulations. In addition, we applied our *Checklist of Best Practices in Government* to the Village's operating procedures.

The Village currently has one full-time employee, the Village clerk. The clerk is responsible for collecting and reconciling funds for the Village. Because the Village does not have the luxury of segregating duties among employees, the Mayor, the Chief of Police, and the Board must take a greater role in the daily operations of the Village.

While our review did not reveal any transactions indicating that utility collections or traffic tickets were handled improperly, we did note a lack of written policies and procedures in numerous areas of business operation. We want to bring the importance of having written policies and procedures to the attention of the Mayor and the Board for consideration. We offer the following comments and suggestions:

- (a) **Cash:** The Village does not have written policies or procedures for collecting cash or reconciling cash receipts to deposits. We recommend the Village commit to writing cash collection and reconciliation policies and procedures based on current practices. The Village should also require someone other than the clerk to conduct periodic cash reconciliations.
- (b) **Purchasing:** The Village does not have written purchasing policies or procedures but follows unwritten practices. Though the Village uses purchase orders, they are not approved in writing by the Mayor or the Board. We recommend the

Village commit to writing current purchasing practices. We also recommend that either the Mayor or the Board approve, in writing, purchase orders prior to the expenditure of funds.

- (c) **Budgeting:** There are no written budget policies or procedures for preparing, adopting, monitoring, and amending the budget. We recommend the Village develop and implement a budget policy that includes procedures for preparing, adopting, monitoring, and amending the budget.
- (d) **Monthly Financial Statements:** The Village does not have written policies or procedures that provide for the nature, extent, and frequency of financial reporting and the Board is not provided monthly financial statements. We recommend the Board develop and implement policies and procedures to provide for the nature, extent, and frequency of financial reporting. These policies and procedures should require monthly comparisons of actual expenditures and revenues to budgeted amounts for each fund. A comparison of actual expenditures and revenues to budgeted amounts will help the Village identify potential problems before budgeted amounts are exceeded. These policies and procedures will also help provide the Board with a complete picture of the Village's financial position.
- (e) **Disbursements:** The Village does not have written disbursement policies or procedures but follows unwritten disbursement practices. These unwritten practices require the submission of receipts or invoices, the use of purchase orders for all disbursements, and approval of invoices prior to payment. We recommend the Village commit to writing its current practices. We also recommend that paid invoices are marked "PAID" to prevent duplicate payment.
- (f) **Cellular Phones:** There are no written policies or procedures for the use and care of cell phones. The Village has two cell phones that are used by the Mayor and the Chief of Police. The Village should adopt and implement policies and procedures to govern the use and care of the cell phones to include the following:
 - Monthly reviews of cell phone bills to identify personal calls
 - Reimbursement of personal calls at a flat rate per minute
 - Annual review of the contract to ensure it meets the needs of the Village

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- (g) **Travel:** There are no written policies or procedures for travel. Though Village personnel travel only a few times per year, we recommend the Village adopt a detailed travel policy using the state travel policy as a guide. The policy should include, at a minimum, the following:
- Definition of allowable travel
 - Procedures for advancements and reimbursements
 - Per diem rates for meals and hotels in and out of the state, if applicable
 - Mileage reimbursement rates
 - Guidelines for overnight travel
 - Documentation required to substantiate reimbursement
 - Provisions for disciplinary action for noncompliance
- (h) **Payroll and Attendance Records:** Although the Village has written policies and procedures for payroll processing and personnel, they need to be revised. The Village should evaluate its sick and annual leave policies for all employees and maintain accurate records for leave accruals. The Village should also clearly indicate that sick and annual leave policies for full-time employees are not applicable to part-time employees. Finally, the Village should maintain personnel files on all employees. Personnel files should contain, at a minimum, the following:
- Documentation of the employee's agreed rate of pay
 - Completed I-9 form for all employees hired after November 6, 1986
 - Completed federal and state income tax withholding forms
 - Completed job application
 - Accurate job description

(i) **Accounts Receivable:** There are no written policies or procedures for collecting delinquent accounts receivable. We recommend the Village develop and implement procedures to collect delinquent accounts. These policies and procedures should:

- Describe the billing process
- Indicate when bills are to be sent out
- Indicate who is responsible for sending out water/sewer bills
- Describe when bills are due
- Explain delinquent account procedures
- Explain service disconnect and reconnect procedures

In addition, the Village should develop and implement procedures that provide for the approval of bill adjustments and write-offs.

(j) **Capital Assets:** The Village does not record assets on an asset listing and assets are not tagged. Louisiana law (Revised Statute 24:515) requires Village officials to maintain records of all land, buildings, improvements, equipment, and other general fixed assets. We recommend the Village develop and implement policies and procedures to ensure that assets are recorded on a fixed asset listing and are properly retired in compliance with Louisiana law. We also recommend that the Village tag all capital assets when purchased.

(k) **Ethics:** The Village does not have a written ethics policy. Louisiana law requires compliance with the Louisiana Code of Governmental Ethics, Title 42 of the Louisiana Revised Statutes. We recommend that the Village develop and implement an ethics policy to ensure compliance with Louisiana law. The Village should also require annual certification from employees and Board members attesting to their compliance.

(l) **Confiscated Weapons and Drugs:** There are no written policies or procedures for recording, maintaining, and disposing of confiscated weapons and drugs though the Village follows unwritten practices. We recommend the Village commit its current unwritten practices to writing. The policy should also include

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procedures for filing and maintaining documentation on all confiscated weapons and drugs.

- (m) **Traffic Tickets:** The Village does not have written policies and procedures for the issuance, maintenance, and accountability of traffic tickets but follows unwritten practices. We recommend the Village commit to writing its current practice for the issuance, maintenance, and accountability of traffic tickets. This policy should require the Village clerk to submit to the Chief of Police a listing of all traffic tickets paid; daily deposits; and daily reconciliations of traffic tickets paid to receipts written and funds deposited.
- (n) **Information System Controls:** The Village does not have written policies or procedures governing information systems. The Village currently has one computer that contains critical data of Village operations. We recommend that the Village develop and implement written policies and procedures to properly safeguard critical data. The Village should perform daily backups and properly maintain the back-up data in a secure location. The Village should also test the back-up procedures at least annually.

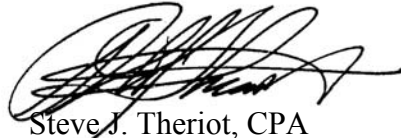
Finally, having written policies and procedures will strengthen the Village's current practices and provide a framework for present and future Village employees to perform the business operations necessary to provide accurate accountability of Village assets and help prevent fraud.

The Village provided this office with a draft of policies and procedures for the aforementioned areas of operation for our review. I would like to commend the Village on its timely response to the audit and willingness to put policies and procedures in place as quickly as possible.

Honorable Jimmy Dale Clements
President of the Board
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Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document. If you have any questions, please contact me at (225) 339-3839 or Mr. Daryl Purpera at (225) 339-3807.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a circular stamp or seal.

Steve J. Theriot, CPA
Legislative Auditor

LET:JLM:DGP:ss

[SIMSBOR005]

**VILLAGE OF SIMSBORO
P.O. BOX 40
SIMSBORO, LOUISIANA 71275**

July 20, 2005

Ms. Lisa Tucker, Compliance Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RECEIVED
LENSON, KRYSTAL M. AUDITOR
05 JUL 22 AM 11:03

Dear Ms. Tucker:

On behalf of the Village of Simsboro, I am sending you this note of thanks for your help and attention on the recent audit made of our Town Hall businesses. Your expertise and informative suggestions have been greatly appreciated.

We are in the process of documenting your findings into the form of a Policy and Procedure Manual. We are also reviewing job descriptions and procedures and will publish this in a Manual also. These Manuals will definitely give The Village of Simsboro guidelines now and in the future.

Again, thank you for your interest in the Village of Simsboro.

Sincerely,



Jimmy Dale Clements, Chairman of Aldermen
Village of Simsboro