

CITY OF OPELOUSAS



ADVISORY SERVICES REPORT

ISSUED JUNE 6, 2007

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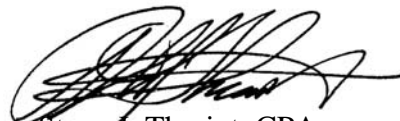
**THE HONORABLE DONALD CRAVINS, SR., MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
CITY OF OPELOUSAS**
Opelousas, Louisiana

Mayor Cravins requested that my office review the financial operations of the City of Opelousas (city) to offer recommendations to improve the business practices and procedures established by prior administrations. We applied our *Checklist of Best Practices in Government* in providing advisory services for the financial operations of the city. Attachment I contains our recommendations resulting from our assessment of the financial procedures and practices of the city's various departments. Management's response is presented in Appendix A.

Our recommendations are intended to improve controls over financial operations, provide advice in implementing good business practices, and ensure compliance with state laws. However, management of the city should consider the costs of implementing our recommendations compared to the benefits they will provide.

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

RLT:SD:GM:dl

OPLCITY07

Recommendations

The following are the recommendations resulting from our advisory services. The recommendations are presented to improve the system of controls that provide for the safeguarding, managing, and accounting for assets of the city and to ensure compliance with applicable state laws. However, management of the city should consider the costs of implementing these recommendations compared to the benefits they will provide. For those recommendations not implemented, management should be aware of the risks of not implementing such controls.

Management’s response to the recommendations is included in Appendix A.

Plan for Future Operations

The city does not have a formal plan for making both short- and long-term spending cuts to ensure it will operate within its available funding and maintain a reasonable unreserved/ undesignated fund balance for the General Fund. For the fiscal year ended August 31, 2006, the audited financial statements reported a deficit of \$261,889 in the unreserved/undesignated fund balance for the General Fund. A comparison of unrestricted fund balance for the General Fund for August 31, 2005 and 2006, follows:

<u>Fund</u>	Unreserved/Undesignated Fund Balance <u>August 31, 2005</u>	Unreserved/Undesignated Fund Balance (Deficit) <u>August 31, 2006</u>	Net Change (Deficit Spending)
General	\$402,658	(\$261,889)	(\$664,547)

The city cannot continue to operate in the future if the deficit spending continues and a reasonable unreserved/undesignated fund balance for the General Fund is not accumulated.

Recommendation: We suggest that management:

1. Develop and adopt an operating plan that includes both short- and long-term spending cuts
2. Monitor the plan, at least quarterly, to assess whether the city is on target with the plan
3. Use the plan in decision-making process and for budgeting (e.g., projects to undertake, major purchases, contracting)
4. Monitor the financial statements and budget monthly to ensure that operations are within the available funding and that a reasonable fund balance is being maintained

Federal Emergency Management Agency (FEMA)

In November 2005, FEMA determined that funds were overpaid to the city totaling \$399,255 (reported as Due to Other Governmental Units in the August 31, 2006, financial statements). This overpayment was for “emergency protective measures” to safeguard evacuees from Hurricane Katrina. These monies were deposited in the city’s General Fund and commingled with other city funds and were not spent for their intended purposes.

As of April 30, 2007, the overpayment has not been repaid and the current city administration stated that funds are not available for the repayment. In addition, the city’s independent auditors reported in their August 31, 2006, audit report that approximately \$40,000 of FEMA funds related to Hurricane Rita were expended without proper supporting documentation.

Recommendation: The current administration should meet with state and FEMA officials to agree on a repayment plan for the funds in question. In addition, for future disasters involving federal funds, the city should deposit all federal funds in a restricted bank account and retain adequate documentation for all expenditures.

Organization Chart

The city’s organization chart (chart) is very general and does not clearly establish lines of authority and responsibilities. The chart does not include the job titles and employee names for each position.

Recommendation: The chart should be revised to display in graphical form the way work is distributed in the city and clearly show direct supervisor - subordinate relationships. The chart should show the job titles and employee names for each position.

Written Policies and Procedures

The city’s written policies and procedures are not complete. Formal written policies and procedures provide a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and ensure the procedures followed meet management’s expectations. Also, written policies and procedures aid in the continuity of operations and for cross-training staff.

Written Policies - We recommend written policies for the following:

1. Ethics - The written ethics policy should be in accordance with state law and address such items as nepotism, prohibited activities (related party transactions), and transactions after termination of public service. In addition, we recommend that an annual certification letter be signed by each alderman and other members of management attesting to their compliance with the ethics policy.

2. Past due utility accounts - The written cut-off policy should include the number of days allowed for past due balances before services are discontinued and fees charged for reconnecting services. Although currently there is no written cut-off policy, the standard procedures provide that customers be disconnected after 60 days past the due date on the bill. Therefore, utilities are not cut off until approximately 90 days after the services were received which seems too lenient.
3. Capital assets - The dollar thresholds for the capitalization of capital assets should be established, along with policies addressing the inventory taking and tagging of capital assets.
4. Records retention - State law (R.S. 44:36) requires the city to exercise diligence and care in preserving public records. In compliance with this law and in accordance with R.S. 44:411, the city should develop and submit a records retention schedule, including e-mail communications, to the state archivist (Louisiana Secretary of State Office) for approval.
5. Travel - We were informed that the city was in the process of adopting a formal travel policy. We suggest that the state's travel policy be used as a guide in developing the policy.
6. Vacation and sick leave for unclassified employees - The policy should define an unclassified employee and be specific as to whether elected officials (mayor and chief of police) are included or excluded. Also, the policy should address whether unused leave can be accumulated and whether unused or accumulated leave will be paid upon separation of employment.
7. Financial reporting - The written policy should include the nature, extent, and frequency of financial reporting information provided to the mayor and aldermen.

Written Procedures - We recommend written procedures for the following:

1. Preparing, adopting, monitoring, and amending the budget
2. Purchasing materials and supplies, including the checks and balances to ensure compliance with the public bid law and the documentation maintained for all bids and price quotes (current written procedures are not adequate)
3. Receiving and distributing incoming mail
4. Processing, reviewing, and approving disbursements
5. Adding and deleting vendors to/from the vendor list
6. Receiving, recording, and preparing deposits for cash receipts
7. Processing, reviewing, and approving time/attendance records and payroll, including leave taken and overtime worked

8. Investing excess cash, including procedures for ensuring that bank balances and investments are fully secured
9. Recording, tagging, and safeguarding capital assets
10. Accounting for the use of the Shop Rite fuel cards and monitoring the monthly statements
11. Storing, issuing, and accounting for traffic and misdemeanor tickets/citations
12. Recording, maintaining, inventorying, and disposing of confiscated items (evidence room)
13. Preparing and administering the municipal-wide street maintenance program, to include forms used in administering the program
14. Preparing customer water and sewer bills, including reading water meters
15. Collecting customer payments for water and sewer bills
16. Enforcing the city's cut-off policy for water and sewer services
17. Monitoring contracts to ensure that services received comply with terms and conditions of the contracts
18. Issuing city building permits
19. Operating the recreational leagues, including the specific procedures for allowing participation by all children of the city
20. Backing up and storing computer files off-site and general controls for the computer system

Contracts

Legal Counsel - There is no written contract for the city's legal counsel. Good business practices require written agreements/contracts for services setting forth the specific terms and conditions. This agreement/contract will ensure that services received comply with the city's expectations.

Recommendation: We suggest that all agreements for services (professional or otherwise) with third parties be in the form of a written contract. Also, all contracts should be monitored by a designated employee to ensure that services received by the city comply with the terms and conditions of the contract. In addition, we suggest that the city consider the following when contracting for legal services:

1. Establish the specific services to be provided as general counsel services (monthly retainer)
2. Clearly identify services included as general counsel services (retainer) versus hourly amounts charged for litigation services
3. Require that out-of-pocket expenses be itemized, if applicable
4. Obtain request for proposals for legal services as a good business practice

Concession Stand Contracts - The city leases the operations of the concession stands located at the two city parks (North Park and South Park) to private individuals. The lease agreements provide for monthly lease payments be paid to the city. As of March 31, 2007, the North Park lessee is 10 months delinquent and the South Park lessee is one month delinquent.

Recommendation: The lease agreements should be monitored by a designated employee to ensure that the terms and conditions of the lease are being followed and that all payments due the city are current.

Revenue/Receipts

Incoming Mail - City mail is received at multiple locations and mail received at city hall is not opened before it is distributed to the appropriate department. Therefore, checks and vendor invoices are being mailed to multiple locations. Also, checks are distributed via unopened mail to the various departments without proper controls in place to ensure that all checks received are deposited and recorded in the accounting records. In addition, vendor invoices are distributed via unopened mail to the various departments instead of going to the accounting department.

Recommendation: All city mail should be received at a central location where it should be opened and distributed to the appropriate department. Checks received in the mail (except for water and sewer payments) should be listed on a daily receipts log and restrictively endorsed and then given to the city clerk for deposit and entry into the general ledger. The daily receipts log should be given to the accountant that reconciles the bank accounts to be used to verify deposits made during the bank reconciliation process.

Checks received for water and sewer payments should be restrictively endorsed and then given to the city clerk for deposit and entry into the general ledger. Listing these payments on the daily receipts log is not necessary as there are other controls in place to ensure that the payments are deposited and recorded in the accounting records.

Admission Fees - There is not a clear accounting of tickets sold and the amount of monies collected for Bidby Basketball games, the two swimming pools, and camping fees collected for overnight parking of recreational vehicles.

- Beginning and ending ticket numbers are not recorded by the clerk when the tickets are issued to the park employees.

- The park employees receiving tickets are not required to sign a form documenting the number of tickets received and later the number of unused tickets returned to city hall.
- Funds collected for these activities are held overnight by the person(s) collecting the funds.

Recommendation: The city should implement the use of a “Ticket Reconciliation” form to account for the tickets issued/returned and the amount of funds turned in to city hall and require that funds collected each day be placed in the bank’s night depository.

Deposit of Funds - Cash and checks collected each day by tellers in the city clerk’s office are not deposited in the bank until the following business day. These funds are held overnight or over the weekend in a locked filing cabinet in a locked room in city hall. Cash and checks held overnight and over weekends at city hall, at times, may exceed \$20,000.

Recommendation: Cash/checks should not be held at city hall overnight. These funds should either be deposited at the end of the day or dropped in the bank’s night depository.

Purchasing and Disbursements

Controls Over Purchasing

1. Price quotes are either obtained by the department initiating the requisition or by the purchasing department.

Recommendation: Price quotes should be obtained solely by the purchasing department.

2. Purchase orders are not prepared or entered into the accounting system until after the vendor invoice is received by purchasing.

Recommendation: Purchase orders should be created and entered into the accounting system after the requisition is approved.

3. The accounting department does not receive a copy of the approved requisitions or purchase orders until vendor invoices are received by the purchasing department.

Recommendation: Purchase orders and the related purchase requisitions should be submitted to the accounting department when the purchase orders are issued to the vendor.

4. Receiving reports (freight bill, bill of lading, et cetera) are sent to the purchasing department upon receipt of the items by the receiving department.

Recommendation: Receiving reports should be sent to the accounting department and purchasing department upon receipt of the items by the receiving department.

5. Vendor invoices are sent to the purchasing department or to the department making the purchase.

Recommendation: All vendor invoices should be mailed directly to the accounts payable clerk to match with the purchase requisition, purchase order, and receiving report.

6. Four vehicles were purchased during October and November 2006, without being bid as required by Louisiana's Public Bid Law.

Recommendation: Purchase requisitions should include a "check-off" for items requiring bids or fax/telephone quotes as a control to ensure compliance with the bid law or the city's purchasing policy.

7. For purchases reviewed that complied with the bid law, the supporting documentation was not filed in an orderly manner.

Recommendation: Documentation should be maintained in a bid folder that includes, at a minimum, the following:

- Bid notification letters that include the contract, plans, and specifications
- Documentation that bids were properly advertised
- Bid opening documentation including tabulation sheet and indication of selected bid
- Copies of board minutes
- Notification to purchasing department of bids accepted to ensure that purchase requisitions/purchase orders agree to bid amounts

8. Purchases of recurring items, such as automobile parts (brake pads, batteries, et cetera), may not individually exceed the dollar thresholds requiring bids or three quotes. However, if these items are totaled for the fiscal year, they may meet the dollar thresholds to be bid or require quotes.

Recommendation: The city should review annually all items purchased frequently and consider requesting bids for such items to ensure the lowest possible prices and to ensure compliance with the bid law or the city's purchasing policy. Also, this would be a more efficient way to purchase these items as price checks or quotes would not be necessary each time an order is placed.

9. There is no formal approval process for adding and deleting businesses to/from the vendor list. Currently, there are over 4,000 active vendor numbers. Our review of the vendor listing revealed numerous vendors with the same address that have different vendor numbers. Also, many vendors included in the listing are inactive.

Recommendation: Procedures should be developed for adding and deleting vendors to/from the vendor listing. Also, the ability to make changes to the vendor listing should

be restricted and all additions/deletions should be approved by the city clerk or controller. The vendor listing should be reviewed periodically to ensure that only active vendors are included and that vendors are not issued more than one vendor number.

Controls Over Disbursements

1. Instead of issuing one check to pay a vendor, many times multiple checks from several different funds are used to pay vendors. Multiple checks are used to properly allocate the expenditure to the appropriate cost center/department (for example, payments to CLECO or Entergy for electricity that involves numerous cost centers/departments).

Recommendation: The city should use a master bank account to make all disbursements. A master bank account system requires each fund to transfer cash to the master bank account for its portion of the disbursements made. Using a master bank account system may require an upgrade to the city's accounting system software.

2. The city pays vendor invoices once every two weeks through its accounts payable system. However, check requests from departments are used and manual checks are written daily. Manual checks are inefficient and bypass the city's normal payment process and increase the likelihood of making inappropriate purchases.

Recommendation: The use of manual checks should be restricted to special circumstances approved by the city clerk or controller.

3. The supply of blank/unused checks is not maintained under lock during work hours.

Recommendation: The supply of unused checks should be secured under lock at all times.

Revolving Loan Program

The city received grants in 1995 and 1998 totaling \$175,000 from the United States Department of Agriculture - Rural Development (USDA). The purpose of the grants was to support the business development and expansion needs of small and emerging private businesses in the city. The city makes low interest (5%) loans to small businesses in the city ranging from \$10,000 to \$20,000, with terms of five years. As the loans are repaid, the city uses the interest earned and principal payments to make additional loans to other small businesses, hence, the term "revolving loan."

As of March 31, 2007, the city had 12 outstanding loans to small businesses with nine of the loans having payment in arrears totaling \$22,502. The current administration became aware of this matter soon after taking office in January 2007, and identified other problems with the revolving loan program, as follows:

- Missing loan folders
- Incomplete information in the loan folders that were available
- Lack of documentation to demonstrate compliance with the USDA loan requirements

The current administration is in the process of attempting to collect the delinquent loans and is accumulating the required information to determine if the loans comply with the USDA loan requirements.

Recommendation: We suggest that the city continue its efforts to collect the delinquent loan balances and accumulate the required loan documentation to demonstrate compliance with USDA loan requirements. Also, we suggest that the city clerk or controller monitor this program by:

1. Reviewing all future loan applications from small businesses to ensure that city and USDA loan requirements are complied with and are properly documented
2. Documenting approval before making the loan
3. Monitoring the loans monthly for delinquent loan payments
4. Taking immediate action to collect delinquent loan payments

Current Investigation - The Legislative Auditor's compliance audit division is currently investigating certain transactions relating to the Revolving Loan Program. This matter will be reported at the conclusion of the investigation.

Gasoline/Diesel

The city needs to improve controls over gasoline/diesel purchases. The city uses CFN Fleet Rite, Incorporated, which is a fuel purchasing system for its gasoline and diesel purchases. Although records are maintained that document the number of gallons of fuel dispensed for each vehicle, the odometer readings are not always accurately recorded for each vehicle. Therefore, the miles traveled and miles per gallon information reported by the CFN Fleet Rite system is not accurate. Also, department directors are not reviewing the Shop Rite statements timely to ensure whether fuel usage is reasonable.

Recommendation: The city should:

- Require department directors to review weekly fuel usage statements to ensure accurate odometer readings are reported and review for reasonableness, the dates of use, gallons purchased, miles traveled, and miles per gallon information reported on the statements
- Require employees to enter correct odometer readings when fueling vehicles

- Ensure Shop Rite cards are used for assigned vehicles only
- Document the disposition of all missing and/or erroneous odometer readings on Shop Rite statements

Payroll

Payroll Changes - Payroll changes (adding/deleting employees, increasing/decreasing pay rates, et cetera) are not verified to the approved authorization forms by someone independent of the payroll department.

Recommendation: We recommend that a computer-generated report of all changes made to the payroll system between pay periods be verified to the approved authorization by someone independent of the payroll department.

Annual and Sick Leave Records - The recordkeeping process for annual and sick leave earned and taken by city employees is decentralized. Municipal Civil Service maintains leave records for classified employees, while leave records for fire and police personnel are maintained in those departments. Also, each department head maintains records for his/her unclassified employees.

Recommendation: The payroll department should maintain leave records as part of the payroll process (processing time sheets for all employees with approved leave slips). We suggest that the current payroll software be upgraded to enable adequate leave records to be maintained or purchase a new payroll system. Also, the leave earned, taken, and leave balances should be reported on employees' payroll check stubs. In addition, a report of all employees' leave earned, taken, and leave balances should be reviewed by department heads and the controller periodically for reasonableness and abuse of leave privileges.

Payment of Unused Annual Leave

In December 2006, Mayor Anna Simmons was paid \$16,555 for 480 hours of accumulated annual leave. Although the board of aldermen approved the payment to Ms. Simmons in a regular meeting dated November 14, 2006, there is no supporting documentation for the 480 hours of accumulated annual leave.

- The time sheets on file in the city's payroll department for Ms. Simmons were not prepared by the mayor and do not contain the mayor's signature certifying the accuracy of the time sheets. Time sheets were prepared for the mayor and aldermen solely to process their payroll checks and not to document actual hours worked.
- No records are available to document leave earned and taken by the former mayor.

- The city's policy allows unclassified employees to earn annual and sick leave at the rate of four hours each month. Ms. Simmons was paid at the rate of 10 hours each month for four years (480 hours), assuming she did not use any annual or sick leave during her four-year term.

The Louisiana Attorney General (AG) has consistently opined (AG Opinion Nos. 03-91, 96-399, and 89-222) that the mayor is entitled to payment of accrued leave provided that formal records were maintained to reflect that the leave was accrued and unused.

Recommendation: We suggest that the city obtain legal advice concerning the return of these funds to the city. In the future, if the city's policy allows the mayor to earn annual and sick leave, adequate records should be maintained documenting leave earned and taken.

Bank Reconciliation

Although bank statements are reconciled timely to the accounting system (general ledger), the reconciliations include numerous reconciling items. For example, the General Fund, Electric Lights and Waterworks Fund, and Drainage Fund bank reconciliations list 133 outstanding checks totaling approximately \$40,000. The dates of these outstanding checks range from 1999 to 2006.

Recommendation: The controller should review bank reconciliations each month to ensure they are reconciled timely and that all reconciling items are appropriate.

Bank Deposits/Investments

Procedures are not in place to ensure that bank balances and investments are fully secured as required by Louisiana law. Also, the types of security pledged by the city's fiscal agent bank are not reviewed to ensure that they comply with state law.

Recommendation: Pledged security notifications should be reviewed monthly to ensure that bank balances and investments are adequately secured and that the types of securities pledged comply with state law.

Water and Sewer

Meter Deposits - The customer meter deposit liability balance in the general ledger is not reconciled with the cash maintained in the restricted bank account and with the meter deposit balances on the customer listing (subsidiary ledger).

Recommendation: For a proper system of checks and balances, the customer meter deposit liability balance in the general ledger should be reconciled with the restricted bank account

balances and customer meter deposit listing on a monthly basis. Any differences should be investigated and resolved in a timely manner.

Adjustments to Water/Sewer Bills - The city has a written policy for circumstances allowing the adjustment of water/sewer bills. However, there is no documentation maintained of why the adjustment was allowed, how the adjustment was calculated, and approval by the city clerk.

Recommendation: Documentation should be retained to support adjustments made to customers' water/sewer bills. This documentation should include why adjustments were allowed, how adjustments were calculated, and evidence of approval.

Aged Accounts Receivable Report - Although monthly aged accounts receivable reports are prepared for each of the four billing cycles and are used to prepare the water cut-off lists, the reports are not retained. Also, the city clerk is not reviewing the aging reports to ensure that the city's cut-off policy is being enforced.

Recommendation: Management of the city should (1) retain the monthly aged accounts receivable reports; (2) review the reports at least monthly to ensure compliance with the city's cut-off policy; (3) enforce the cut-off policy to ensure accounts are collected on a timely basis or that service is discontinued; and (4) take aggressive action to collect delinquent accounts, including legal action, when necessary.

Capital Assets

The detailed listing of capital assets is not current. Good controls over capital assets require that (1) detailed asset records be current; (2) every asset includes a tag identifying it with a number that can be cross-referenced to the detailed asset records; and (3) a physical inventory be conducted at least on an annual basis. In addition, state law [R.S. 24:515(B)(1)] requires the city to maintain records of all land, buildings, improvements other than buildings, equipment, and any other capital assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost.

Our review of capital asset records revealed the following:

- The detailed listing is not reconciled with the general ledger control account each month.
- The detailed asset listing:
 - Is not updated in a timely manner for assets purchased (e.g., the police department purchased two vehicles in October 2006, and two vehicles in December 2006, and as of March 29, 2007, the vehicles were not added to the listing of capital assets.)
 - Is not adjusted promptly when asset items are sold or retired (e.g., numerous vehicles and weapons that were disposed of in prior fiscal years are still included on the listing.)

- Includes asset items that are not capital assets (e.g., wallpaper in the police chief's office and ammunition for handguns)
- Does not contain sufficient descriptions or locations for many assets making it difficult, if not impossible, to verify their existence
- Capital assets are not identified by numbered tags.
- An annual physical inventory of capital assets is not conducted.
- Adequate procedures are not in place to ensure the timely addition/deletion of vehicles on the city's insurance policy.

Recommendation: First, we suggest that the city conduct a physical inventory and tag all assets belonging to the city. Second, management should designate an employee to manage the capital assets and develop procedures to (1) update the detailed listing when assets are purchased or disposed; (2) ensure that all assets are tagged and appropriately cross-referenced to the detailed listing; (3) take periodic physical inventories and account for all differences to management; (4) reconcile the detailed listing to the general ledger control account monthly; and (5) add/delete vehicles on the city's insurance policy.

Street Maintenance - Work Order System

The public works department uses a *Work Order* form to document street maintenance work performed. Each morning the public works foreman schedules the street maintenance work to be completed by his workers. No system is in place to report to management of the city the planned maintenance work and the progress in meeting that plan.

Recommendation: We suggest that the public works department use a *Complaint Form* to accumulate maintenance requests and that the director of public works reviews the requests to determine if work should be done. If the director approves the work request, a *Work Order* form should be completed. In addition to work orders prepared from complaint forms, work orders should be prepared for other regularly scheduled street maintenance. The director should then complete a *Weekly Work Schedule* from the work orders. This schedule is used to organize the work to be done, keep track of the work being done, and monitor the work progress.

The director of public works should report weekly to management of the city the planned maintenance work and the progress in meeting that plan. An example of specific forms and policies/procedures for a simple street maintenance - work order system can be found on our Web site at www.la.state.la.us/Government Assistance/Best Practices.

Traffic/Misdemeanor Tickets

Neither the Opelousas Police Department (OPD) nor the Opelousas City Court (OCC) are accounting for the numerical sequence of traffic/misdemeanor tickets. Without an accounting, there is no way to determine whether citations were issued or tickets were lost or voided. Proper accounting for traffic/misdemeanor tickets is important to ensure (1) collecting traffic fees or

taking appropriate action for nonpayment; (2) complying with Louisiana laws; and (3) preventing misappropriation of assets.

Although both the OPD and OCC use the same computer software to track tickets, the two systems are not integrated or linked together. Therefore, work entering citations into the respective systems are duplicated. OPD employees enter all citations issued into their system and then give the citations to OCC and their employees enter the citations into their system.

Recommendation: The OPD and OCC systems should be integrated to eliminate the duplication of work and to allow for proper accounting of the numerical sequence of traffic/misdemeanor tickets. We suggest the following to properly coordinate the two systems:

1. Require the OPD to enter the ticket numbers and the police officer name in the system when a book of tickets is issued to a police officer
2. Require the OPD to enter the information from the citations (date issued, name of offender, and violation) returned by police officers
3. Restrict the OPD's access rights to the information contained in numbers 1 and 2 previously listed
4. Allow the police officers "read rights" to all other fields in the system
5. Allow the OCC "read rights" to the OPD fields and access rights to all other fields
6. Require the OPD and OCC to account for the numerical sequence of all citations issued and the final disposition of those citations monthly

Evidence Room

There are confiscated items (e.g., weapons, drugs, et cetera) relevant to criminal cases dated in the 1980s stored in the police department's evidence room. Storing evidence for such a long period of time is creating problems for storing current evidence because of the limited space in the evidence room.

Recommendation: We suggest that a policy be established as to the period of time that evidence should be maintained and when a destruction order signed by the magistrate and district attorney should be obtained. After the policy is approved, a destruction order should be obtained for all evidence held that exceeds the policy period. A document from the law enforcement agency that destroys the evidence should be maintained that includes the date, location, items destroyed, and signature of the persons destroying and witnessing the destruction (the city's police officers should be prohibited from destroying evidence). The police chief should periodically review the evidence room to ensure that the policy is being followed.

Financial Reporting

Electric Light and Waterworks Enterprise Fund - The franchise fees received from CLECO and SLEMCO are accounted for and reported in the Electric Light and Waterworks Enterprise Fund.

Recommendation: The franchise fees received from CLECO and SLEMCO should be accounted for and reported in the General Fund instead of the Electric Light and Waterworks Enterprise Fund (see GASB Codification Section 1300.109). The city does not bill customers for electricity nor does the city have capital assets or debt associated with the electrical distribution system.

Rural Economic and Community Development Grant Fund - This fund accounts for the grants received from USDA for a revolving loan program (see “Revolving Loan Program” recommendation). This program is accounted for and reported in the Rural Economic and Community Development Grant Enterprise Fund.

Recommendation: The activities of this revolving loan program should be accounted for and reported in either a special revenue fund or the General Fund instead of an enterprise fund (see GASB Codification Section 1300.105 and 109).

Computer Controls

Physical Security - Access to the server for the city’s computer system is not restricted to only authorized personnel. The server is located in an unlocked room off the hall in the city clerk’s section of city hall and is accessible to all employees who enter that area.

Recommendation: We suggest that either the room where the server is located be locked or the server be moved to a location where access can be restricted.

System Backup - Although the accounting system is backed up daily, the back-up files are not stored off-site each day.

Recommendation: We suggest that the back-up files be stored off-site each day and kept in a secure place.

Disaster Recovery and Business Continuity

We recommend that a formal written disaster recovery/business continuity plan be prepared and tested/revised annually. Having a formal written plan is a good business practice as it will provide the steps to be performed to continue town operations in the event of a natural disaster, fire, or terrorist attack.

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Management's Response



DONALD CRAVINS, SR.
MAYOR

City of Opelousas

Gateway to Acadiana

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ALDERMAN-AT-LARGE
BRIAN THOMAS
ALDERMAN, DISTRICT "A"
LOUIS BUTLER, JR.
ALDERMAN, DISTRICT "B"
DALE PEFFERKORN
ALDERMAN, DISTRICT "C"
HUEY HAWKINS
ALDERMAN, DISTRICT "D"
JACQUELINE MARTIN
ALDERMAN, DISTRICT "E"

CITY CLERK & TAX COLLECTOR

FRANCES CARRON, MMC

OFFICERS

PERRY GALLOW
CHIEF OF POLICE
LEE CAHANIN
FIRE CHIEF
KENNETH BOAGNI, JR.
CITY JUDGE
PAUL MOUTON
MARSHAL OF WARD ONE

May 22, 2007

Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70802

The Legislative Auditors were requested by Mayor Donald R. Cravins, Sr. to audit the City of Opelousas in an advisory capacity to assess the City's policies, procedures and business practices which were implemented by prior administrations. This assessment was requested to provide recommendations in all areas that need to be reformed or improved, and will be used by the current administration to restructure the organization and management policies of the City of Opelousas.

Many areas of the City's management and operations which need to be addressed are in the process of correction. Due to the time and effort which will be required to improve all practices citywide, management feels it may take up to a year to complete the entire process.

Following is management's response to the findings by category:

Plan for Future Operations

Management has been in the process of analyzing each department of the General Fund individually to determine areas which can be streamlined, make spending cuts which may be considered excessive, and merge services which are considered duplicated or can be consolidated for better feasibility. Management is also in the process of determining new funding sources which can be utilized in the General Fund. Once this process is complete, a formal operational plan will be documented and monitored for progress and weaknesses on a regular basis.

FEMA

The City is waiting on the State's position as to whether a forgiveness of this debt is a possibility. The City has the understanding there are other entities in the same predicament who are asking the State for assistance. If it is determined that all or a

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portion of the money owed cannot be forgiven, the Mayor and the City Council will determine a payment plan.

Organization Chart

A revised detailed organizational chart has been prepared and submitted to the Mayor for approval. Upon approval, the chart will be distributed to all city employees. Expected date of completion/adoption is June 15, 2007.

Written Policies and Procedures

1. **Ethics:** An ethics policy for management personnel and aldermen is being formulated from "Code of Governmental Ethics" (Chapter 15). The expected date of completion is July 15, 2007.
2. **Past Due Utility Accounts:** The City will implement a written policy that will include the number of days allowed for past due balances before services are discontinued and the fees that will be charged for reconnecting services. The City will also look into the reducing the number of days past the due date a customer has before their services are disconnected. Expected date of completion is June 30, 2007.
3. **Capital Assets:** A written policy on the capitalization of assets and inventory procedures will be implemented by July 15, 2007.
4. **Records Retention:** The City will establish a written policy on records retention and will forward a schedule to the state archivist for approval. Expected date of completion is July 31, 2007.
5. **Travel:** A travel policy, based on the state's policy, had been developed. Implementation date is June 15, 2007 or as soon as can be approved by the City Council.
6. **Vacation and sick leave for unclassified employees:** This policy has been developed and implemented effective May 1, 2007 (retroactive to January 1, 2007).
7. **Financial reporting:** A written policy will be established explaining the monthly reporting of financial information to the mayor and aldermen.

Written Procedures

1. **Budget:** A written procedure will be established explaining the process of preparing, adopting, monitoring, and amending the budget. Expected date of completion is June 30, 2007.
2. **Purchasing:** Current written procedures on purchasing, including compliance with the public bid law, will be revised with greater detail. Expected date of completion is July 15, 2007.
3. **Incoming Mail:** A written procedure will be prepared which will define the new collection and distribution policy. All incoming mail will be handled in a controlled method by designated employees who will be instructed on the proper collection and distribution according to type of mail and department. Expected date of completion is June 30, 2007.

4. Disbursements: A policy will be written on the current procedures of processing, reviewing, and approving disbursements which are all submitted to the comptroller for review and approval. Expected date of completion is July 15, 2007.
5. Vendors: A written policy on the addition of vendors will be established by June 30, 2007. The current software does not allow vendors to be deleted. A new accounting software package is required, but due to budget restraints, will not be implemented until 2008.
6. Deposits: A written policy on the current procedures of receiving, recording and preparing deposits for cash receipts will be established. Expected completion date is July 15, 2007.
7. Time attendance records: A written policy will be developed for the current procedures of processing employee work records. Expected date of completion is July 1, 2007.
8. Investing excess cash: A written policy will be established on the current procedures of the weekly investment of excess cash and security of the quarterly monitoring of security pledges. Expected completion date is July 15, 2007.
9. Recording capital assets: A written policy will be developed on the recording, tagging and safeguarding of capital assets. Expected completion date is August 31, 2007.
10. Fuel cards: A written procedure to monitor the use and control of the fuel system is in place effective June 1, 2007.
11. Traffic tickets: See management response submitted by Chief Perry Gallow.
12. Confiscated items: See management response submitted by Chief Perry Gallow.
13. Street-wide maintenance program: A written policy will be established to administer the municipal-wide street maintenance program which will include revised and/or supplemental forms for better implementation. Expected date of completion is September 30, 2007.
14. Water and sewer bills: The City will implement a written policy for the preparation of customer water and sewer bills, including reading water meters by July 15, 2007.
15. Collections: The City will implement a written policy for current procedures covering the collection of customer payments for water and sewer bills by June 30, 2007.
16. Cut-off policy: A written policy for enforcing the City's procedures as to utility cut-off due to nonpayment will be completed by July 31, 2007.
17. Contracts: A written procedure will be established to monitor the compliance of services bound to the city through contracts. Expected completion date is August 15, 2007.
18. Permits: A policy will be written defining the current procedures in place for the issuance of city building permits. Expected completion date is July 15, 2007.
19. Recreational leagues: A written policy will be established on the operations of the park's recreational leagues, which will detail specific operations and nondiscrimination. Expected completion date is September 30, 2007.

20. Backup files: A written procedure will be established regarding the controls and offsite storage of computer file backups. Expected completion date is June 15, 2007.

Contracts

1. Legal Counsel: With the assistance of current legal counsel, the City is developing a plan of action to address the issue of written contracts for services with third parties. Expected date of completion is September 1, 2007.
2. Concession Stand: A City Clerk's office employee will be delegated to monitor the lease agreements for the South and North park concession stands to ensure that the terms and conditions of the leases are being followed and that all payments due are current. All new leases will include a clause that null and void the lease if payment is 60 days past due

Revenues and Receipts

1. Income mail: All City mail will be collected in the city clerk's office by a designated employee. Checks received in the mail, with the exception of water and sewer payment and ad valorem payments, will be listed on a daily receipts log and restrictively endorsed, then given to the general ledger accountant for deposit and entry into the general ledger system. The daily receipts log will be given to the accountant that reconciles the bank accounts to be used to verify deposits made during the bank reconciliation process.
2. Admission fees: The ticket reconciliation procedure, including the use of a form to verify, will be implemented for all parks and recreation services where monies are collected. Employees who handle funds do not have access to a night depository. In lieu of this capability, we are reviewing options to relieve park employees of the responsibility to hold money. These procedures will be implemented by July 15, 2007.
3. Deposit of funds: The current collection software does not allow single tellers to close out at different times. Due to the fact that the collection windows are open until 4:30pm, the tellers do not have ample time to reconcile and audit collections before 5:00pm. The City is planning to acquire a new billing, collection, and accounting system. Due to budget restraints, this is projected to take place sometime in 2008. As a temporary solution, the City will purchase a commercial safe in which all monies being held overnight will be locked.

Purchasing and Disbursements

The City is currently in the process of completely revising the procedures used in the purchasing and accounts payable departments. Internal controls will be implemented to create segregation of duties; create better monitoring and receiving procedures; implement stricter monitoring of compliance and documentation required with purchase policies and bid laws; streamline receipt, accuracy and payment of invoices; and implement a better process of obtaining quotes. The use of manual

checks is being restricted to special circumstances by the city clerk or the comptroller. The blank checks have been secured with access only to selected employees. This process is currently in progress, but due to changes in procedures by departments city-wide, is expected to require about 2 months to fully implement.

Revolving Loan Program

A new Community/Business Development Director has been appointed. The director has met with the USDA Regional Director, and has been trained in the proper procedures and requirements of this program. The director is making an effort to find all of the loan files to determine the current status of each participant. An effort is being made to collect delinquent loans. Under the direction of the new director, the loan program will be in full compliance with federal guidelines. Monitoring processes will be also be implemented.

Gasoline/Diesel

Stricter controls are in place to monitor fuel usage by department and vehicle number. A directive will be issued to all department directors with instructions to employees to record odometer readings. The fuel provider statements are provided to the Chief Administrative Officer for review on a monthly basis, who then reviews fuel usage with each department director. Fuel cards are identified by vehicle number and each employee (authorized to purchase fuel) has a personal PIN number. This PIN number is used to identify the individual, along with the vehicle number. We believe the present monitoring systems has sufficient controls to deter abuse.

Payroll

The payroll department is now required to submit reports of all payroll system changes to the comptroller for approval.

Payment of Unused Annual Leave

A policy has been implemented to prevent this situation from reoccurring. The matter of overpayment to the previous mayor will be presented to the City Council for discussion, and based on their decision, presented to legal counsel to determine if legal action if appropriate. A response is expected by July 31, 2007.

Bank Reconciliation

Bank reconciliations will be submitted to the comptroller for review and approval.

Bank Deposits/Investments

The fiscal agent has been informed that the City required quarterly reports on all security pledges, which will be reviewed by the comptroller (or designated employee) for adequacy and compliance.

Water and Sewer

Meter Deposits: The customer meter deposit liability balance in the general ledger will be reconciled to the restricted bank account on a monthly basis and submitted to the city clerk for approval. The city clerk will investigate any differences and have them resolved in a timely manner.

Adjustments: All adjustments made to utility bills will be properly documented and submitted for approval to the city clerk. The adjustments will be approved by the city clerk upon review that all required documentation is presented and attached.

Aged Accounts Receivable Report: The city clerk will review the aging reports on a monthly basis to ensure that the city's cut-off policy is being properly enforced. All aging reports will be retained for a two year period. The city clerk is currently in discussion with a collection agency in regards to the excessively delinquent accounts.

Capital Assets

Presently, we are developing a plan of action to do a complete physical inventory of all City assets with a purchase value of five hundred dollar or more. During the inventory, all items will be identified by a numbered tag, documented, and recorded in a central database. One individual will be assigned with the responsibility to maintain the Inventory Control Log. This inventory process will be implemented by August 1, 2007.

Street Maintenance-Work Order System

The Public Works department is developing a complaint form which will be used to determine work assignments. This information will be used by the scheduling supervisor to develop a work order which will be used for routine maintenance. On a weekly basis, the public works directors will provide a report on the progress of all work scheduled and assigned. The report will also include planned maintenance and the progress of this work. Since this will require an upgrade of computer software, this system will not be fully implemented until November 30, 2007 (estimate). However, a modified system will be in place by August 1, 2007.

Traffic/Misdemeanor Tickets

See management response submitted by Chief Perry Gallow.

Evidence Room

See management response submitted by Chief Perry Gallow.

Financial Reporting

The recommendation of reporting the utility franchise fees in the General Fund instead of the Electric Light and Waterworks Enterprise Fund and the Rural Economic and Community Development Grant Fund as a special revenue fund has been submitted to the city auditors for review and discussion. Upon determination, any needed changes will be made on September 1, 2007, which is the City's new fiscal year.

Computer Controls

The server room will be equipped with a locking system and will be accessed by authorized employees only. Backup files are currently being stored offsite each day in a secure place.

Disaster Recovery and Business Continuity

The City will deploy a formal written disaster recovery/business continuity plan with input from the Mayor, the Executive Department, the Comptroller, Chief Administrative Officer and Disaster Preparedness Director for the City. This will be completed and by November 1, 2007.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Donald R. Cravins, Sr.", with a long horizontal flourish extending to the right.

Donald R. Cravins, Sr.
Mayor



PERRY GALLOW
CHIEF OF POLICE

CITY OF OPELOUSAS

Department of Police

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WILLIE SMITH
ASSISTANT CHIEF

May 24, 2007

Office of Legislative Auditor
State of Louisiana
Attention Mr. Steve J. Theriot, CPA
P O Box 94397
Baton Rouge, Louisiana 70804-9397

Ladies and Gentlemen:

Presented herewith is my written response to the findings of your advisory services report to the City of Opelousas as it relates to the Opelousas Police Department.

Yours for Professional Law Enforcement,

Perry Gallow,
Chief of Police

JPG/maf

Enclosures Evidence Room Objective
Citation Log Procedure



PERRY GALLOW
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CITY OF OPELOUSAS

Department of Police

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WILLIE SMITH
ASSISTANT CHIEF

May 24, 2007

EVIDENCE ROOM OBJECTIVE

Opelousas Police Department is presently searching for a new evidence storage facility. This will allow for a complete inventory of all evidence.

A request will be made by the Opelousas Police Department to the District Attorney's office to purge any and all evidence where as the case(s) has been tried and a conviction / acquittal has been rendered. This will free up a great deal of space and allow the evidence custodian to keep a more up to date log on evidence.

The Opelousas Police Department has a system in place where evidence is logged in and out.



PERRY GALLOW
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WILLIE SMITH
ASSISTANT CHIEF

May 24, 2007

CITATION LOG PROCEDURE

Due to sensitive nature of citations, the following procedure is being implemented and will be followed by all personnel. Three sample pages have been attached for you to review.

Supervisors receiving citation books from Records Section (A.C. Smith) will complete a receipt form (Sample Page A) which will be turned in to the Records Section by the Assistant Chief or a designee.

Officers receiving citations books from Supervisors will complete a receipt from (Sample Page B). This form will be submitted to the Records Section by the On-Duty Shift Supervisor with the shift's daily paperwork.

Officers will log each citation on the Officer's Tally Sheet (Sample Page C) after each citation is issued. Citations will be issued and logged in numerical order. Upon completion of each citation book, the Officer's Tally Sheet will be submitted to Records Section with the shift's daily paperwork.

Records section will maintain all forms and enter the information into a computer spreadsheet for quick reference. Records section will compare each of the Officer's Tally sheets to receipts and spreadsheet to insure accuracy.



CITY OF OPELOUSAS

Department of Police



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May 24, 2007

Sample Page A

TICKET BOOK RECEIPT

I have received ___ Citation Books(s) from Records Section, Numbered from _____ to _____.

Date issued: _____
Issued by: _____

Requested by: _____
Received by: _____

Sample Page B

I have received citation book (s) _____ to _____.
_____ to _____.

Officer's Name (print) _____
Officer's Signature _____

Sample Page C

OFFICER'S TALLY SHEET

Citation #	Name	Date