

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**First Municipal District Assessor
Parish of Orleans
New Orleans, Louisiana**

June 5, 2002



***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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Daniel G. Kyle, Ph.D., CPA, CFE

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**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
New Orleans, Louisiana

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended December 31, 2001

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

June 5, 2002

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended December 31, 2001

CONTENTS

	Statement	Page
Independent Auditor's Report on the Financial Statements		2
General Purpose Financial Statements:		
Balance Sheet - All Fund Types and Account Groups (Unaudited)	A	4
Governmental Fund - General Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance (Unaudited)	B	5
Notes to the Financial Statements (Unaudited)		6
	Schedule	Page
Supplemental Information Schedule - Schedule of Expenditures (Unaudited)	1	15
	Exhibit	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements	A	
Schedule of Findings	B	
Schedule of Prior Year Findings	C	
	Appendix	
Newly Elected Assessor's Corrective Action Plans and Responses to the Findings and Recommendations	I	



OFFICE OF
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May 3, 2002

Independent Auditor's Report
on the Financial Statements

HONORABLE PATRICIA A. JOHNSON
FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
New Orleans, Louisiana

We attempted to audit the accompanying general purpose financial statements of the First Municipal District Assessor, Parish of Orleans (Assessor), as of and for the year ended December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of management of the Assessor.

As explained in Exhibits A and B of this report, the Assessor did not have adequate documentation to support financial transactions reflected in the accompanying general purpose financial statements and failed to provide us with financial records necessary for us to apply sufficient audit procedures to enable us to express an opinion on the fair presentation of the accompanying general purpose financial statements. Furthermore, the Assessor failed to provide us with written representations regarding financial matters of her office and her office's compliance with various laws and regulations. These written representations from the Assessor are required by auditing standards generally accepted in the United States of America.

As disclosed in note 1(E) to the financial statements, the Assessor failed to adopt a budget for the fiscal year ending December 31, 2001, as required by Louisiana law. Generally accepted accounting principles require that a comparative budget and actual statement be included in the accompanying general purpose financial statements when adoption of a budget is legally required. Therefore, failure to present this comparative budget and actual statement is a departure from generally accepted accounting principles.

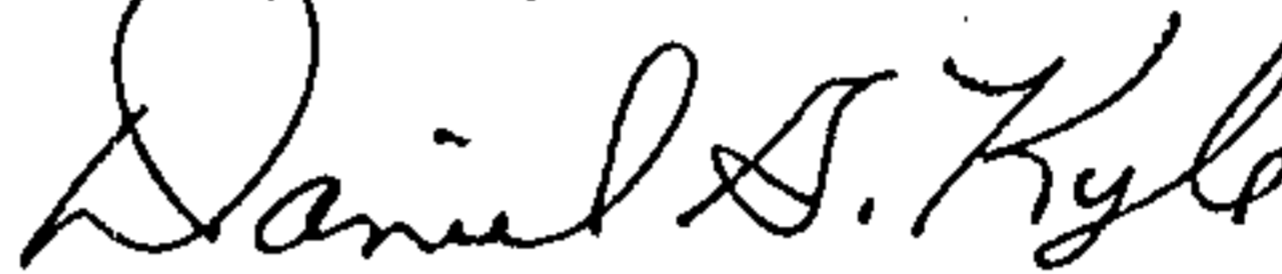
Because of the significance of the matters discussed in the second paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the fair presentation of the financial statements referred to in the first paragraph or on the accompanying supplemental information schedule.

LEGISLATIVE AUDITOR

HONORABLE PATRICIA A. JOHNSON
FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
Audit Report, December 31, 2001

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2002, on our consideration of the Assessor's internal control over financial reporting and on our tests of her compliance with certain provisions of laws and regulations. That report is an integral part of attempting an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.

Respectfully submitted,



Daniel G. Kyle, CPA, CPE
Legislative Auditor

GLM:GCA:dl

[ORLAS02]

UNAUDITED

Statement A

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
ALL FUND TYPES AND ACCOUNT GROUPS**

Balance Sheet, December 31, 2001

	GOVERNMENTAL FUND - GENERAL FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
ASSETS			
Cash and cash equivalents (note 2)	\$51,182		\$51,182
Due from Orleans Board of Assessors	4,143		4,143
Office furnishings and equipment (note 3)		\$22,776	22,776
	<u>\$55,325</u>	<u>\$22,776</u>	<u>\$78,101</u>
TOTAL ASSETS			
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable	\$135,363		\$135,363
Payroll taxes payable	5,565		5,565
Total Liabilities	<u>140,928</u>	NONE	<u>140,928</u>
Equity:			
Investment in general fixed assets		\$22,776	22,776
Fund balance (deficit) - unreserved - undesignated	(85,603)		(85,603)
Total Equity	<u>(85,603)</u>	<u>22,776</u>	<u>(62,827)</u>
	<u>\$55,325</u>	<u>\$22,776</u>	<u>\$78,101</u>
TOTAL LIABILITIES AND EQUITY			

The accompanying notes are an integral part of this statement.

UNAUDITED

Statement B

FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 2001

REVENUES

Intergovernmental revenues - Board of Assessors:

Allotment	\$134,943
Appropriated from City of New Orleans	50,000
Appropriated from Orleans Board of Assessors	14,000
Document transfer fees	36,177
Revenue sharing	10,000
On-behalf payments	91,934
Legal fees	10,000
Interest income	956
Other income	1,990
Total revenues	<u>350,000</u>

EXPENDITURES

Personal services and related benefits	214,656
Operating services	246,328
Travel and other charges	3,142
Total expenditures	<u>464,126</u>

EXCESS OF EXPENDITURES OVER REVENUES (114,126)

FUND BALANCE AT BEGINNING OF YEAR 28,523

FUND BALANCE (Deficit) AT END OF YEAR (\$85,603)

The accompanying notes are an integral part of this statement.

UNAUDITED

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**

Notes to the Financial Statements
As of and for the Year Ended December 31, 2001

INTRODUCTION

The First Municipal District Assessor, Parish of Orleans (Assessor), is an independently elected official and is one of seven assessors for Orleans Parish. There are seven municipal districts with an independently elected assessor for each district. All assessor offices are located on the 4th floor of the Orleans Parish City Hall, 1300 Perdido Street. Louisiana Revised Statute (R.S.) 47:1909 states that the governing authority of the city of New Orleans shall provide suitable rooms in the city hall for the use of the assessor of each municipal district and for the use of the board of assessors. Therefore, the upkeep and maintenance costs of the assessors' offices are not included in the accompanying financial statements.

The Board of Assessors, Parish of Orleans (board), comprised of the seven Orleans Parish assessors, is the administrative body for the Orleans Parish assessors and their seven municipal districts. R.S. 47:1909 provides that the assessors elected in the Parish of Orleans shall constitute a board of assessors for the parish and each assessor shall independently exercise his functions in the assessing and listing of the property in and for his respective district within the parish.

The board's primary revenue is ad valorem taxes collected by the New Orleans Department of Finance - Bureau of Treasury (city tax collector) from the assessment tax rolls of the parish. The seven Orleans Parish assessors receive an allotment from the board on a pro-rata basis for operation of their offices. The remaining funds of the board are used to pay the assessors' salaries and fringe benefits and administrative expenses of the board.

The Assessor assesses all real and movable property in her municipal district subject to ad valorem taxation. The Assessor is authorized to appoint as many deputies as may be necessary for the efficient operation of the office and to provide assistance to the taxpayers in her district. The deputies are authorized to perform all functions of the office, but the Assessor is officially and peculiarly responsible for the actions of the deputies. The Assessor has four employees.

The Assessor completes an assessment listing by August 1 of the tax year and submits the list to the parish governing authority, as prescribed by law. Once the assessment listing is approved/certified by the Louisiana Tax Commission, the assessment roll is submitted to the city tax collector, who is responsible for the collection and distribution of taxes to the various taxing bodies.

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of the Assessor have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The Assessor is a separate governmental reporting entity. The board determined that they were a separate governmental reporting entity and that each assessor of the parish of Orleans was a separate governmental reporting entity. Therefore, for financial reporting purposes, the Assessor includes all funds and account groups that are controlled by the Assessor as an independently elected parish official. The activities of other independently elected parish officials and municipal level governments are not included within the accompanying financial statements.

C. FUND ACCOUNTING

The Assessor uses a fund (General Fund) and an account group to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The fund of the Assessor is classified as a governmental fund (General Fund), which accounts for the Assessor's general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition of general fixed assets.

The General Fund, as provided by R.S. 47:1906, is the principal operating fund of the Assessor and accounts for the operation of the Assessor's office.

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Notes to the Financial Statements (Continued)

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement of the General Fund presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The General Fund is maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Assessor uses the following practices in recording revenues and expenditures:

Revenues

District allotments and revenue sharing revenues are recorded in the year they are due and payable. Document transfer fees and legal fees reimbursed are recorded as revenues when received. Interest income on time deposits is recorded when the time deposits have matured.

Expenditures

Expenditures are recognized in the accounting period in which the liability is incurred.

E. BUDGET AND BUDGETARY PRACTICES

Although the Assessor is required by Louisiana law to adopt a budget for the General Fund, a budget was not adopted for the fiscal year ending December 31, 2001.

**F. ON-BEHALF PAYMENTS FOR
FRINGE BENEFITS AND SALARIES**

On-behalf payments for fringe benefits and salaries totaled \$91,934 for the year. The Assessor's salary of \$80,250 was paid directly to the Assessor from the board. In addition, the board paid fringe benefits totaling \$11,684 (pension plan contributions totaling \$6,676 and health insurance premiums totaling \$5,008) on-behalf of the Assessor. On-behalf payments are reported as revenues (on-behalf payments) and expenditures (personal services and related benefits) in Statement B.

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Notes to the Financial Statements (Continued)

Certain operating expenditures of the Assessor's office are paid by the city of New Orleans and are not included in the accompanying financial statements. These operating expenditures include office space, utilities, telephones, and janitorial services.

G. ENCUMBRANCES

The Assessor does not use encumbrance accounting.

H. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and time certificates of deposit with original maturities of 90 days or less. Under state law, the Assessor may deposit funds in demand deposits, interest-bearing demand deposits, or time certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

I. GENERAL FIXED ASSETS

Fixed assets are recorded as expenditures at the time purchased, and the related assets are capitalized (reported) in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

J. LEAVE

The Assessor has the following policy relating to vacation and sick leave:

Employees earn 10 days of vacation leave upon completion of one year of employment. Upon five years of employment and up to 15 years of employment, employees earn 15 days of vacation leave. Employees with more than 15 years of employment earn 20 days of vacation leave. Vacation leave not taken/used at the end of the year is not carried over to the following year. Therefore, a liability for unused vacation leave at December 31, 2001, is not recorded in the financial statements.

Employees earn sick leave at the rate of one-half day for each month of employment. Employees may accumulate sick leave indefinitely. Unused sick leave can be taken only in the event of illness and is not convertible to pay upon termination of employment or retirement. Therefore, a liability for unused sick leave at December 31, 2001, is not recorded in the financial statements.

Vacation and sick pay expenditures are charged to operations when incurred.

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Notes to the Financial Statements (Continued)

K. TOTAL COLUMN ON STATEMENT

The total column on Statement A is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. CASH AND CASH EQUIVALENTS

At December 31, 2001, the Assessor has cash and cash equivalents (book balances) totaling \$51,182 as follows:

Demand deposits	\$35,317
Time deposits	<u>15,865</u>
Total	<u><u>\$51,182</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2001, the Assessor has \$53,680 in deposits (collected bank balances). These deposits are fully secured from risk by federal deposit insurance (GASB Category 1).

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets (office furnishings and equipment) follows:

Balance, January 1, 2001	\$22,776
Additions	None
Deductions	<u>None</u>
Balance, December 31, 2001	<u><u>\$22,776</u></u>

4. PENSION PLAN

Plan Description. Substantially all employees of the Assessor's office are members of the Louisiana Assessors' Retirement System (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees.

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Notes to the Financial Statements (Continued)

All full-time employees that are not drawing retirement benefits from any other public retirement system in Louisiana are required to participate in the System. Employees who retire at or after age 55 with at least 12 years of credited service or at or after age 50 with at least 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3.00% of their final-average salary for each year of credited service prior to July 1, 1999, and 3.33% for each year of credited service earned after that date, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Assessors' Retirement System, Post Office Box 14699, Baton Rouge, Louisiana 70898, or by calling (225) 928-8886.

Funding Policy. Plan members are required by state statute to contribute 7.0% of their annual covered salary and the assessor is required to contribute at an actuarially determined rate. The current rate is 5.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (1% for Orleans Parish) of the taxes shown to be collectible by the tax rolls of each parish, plus revenue sharing funds appropriated by the legislature. The contribution requirements of plan members and the Assessor are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Assessor's contributions (excluding the contributions made by the board on-behalf of the Assessor) to the System for the years ending December 31, 2001, 2000, and 1999, were \$5,444, \$4,625, and \$4,773, respectively, equal to the required contributions for each year.

5. LEASE COMMITMENT

The Assessor leases an automobile that is accounted for as an operating lease. On August 7, 2001, the Assessor's lease for a 1999 Chrysler LHS terminated, and the Assessor signed a new lease for a 2001 Chrysler LHS. The lease is for 36 monthly payments of \$475 beginning on August 8, 2001, and ending on August 7, 2004. For the year ending December 31, 2001, automobile lease expenditures for the two leases totaled \$8,404.

UNAUDITED

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Notes to the Financial Statements (Continued)

At December 31, 2001, the future minimum annual commitments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2002	\$5,700
2003	5,700
2004	<u>3,800</u>
Total	<u><u>\$15,200</u></u>

6. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

7. RISK MANAGEMENT

The Assessor is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Assessor is covered by commercial insurance of the board.

8. LITIGATION AND CLAIMS

The Assessor engages the services of attorneys to defend her assessment valuations of properties. In addition, during 2001, the Assessor incurred legal fees totaling \$13,754 for the defense against the Writ of Mandamus filed by the Legislative Auditor for the production of financial records and the subsequent appeal on the venue issue. The district court granted the Writ of Mandamus in favor of the Legislative Auditor.

The legal fees paid during 2001 were funded in part by a \$50,000 appropriation from the New Orleans City Council. Legal fees of \$197,495, as reported on Schedule 1, are reconciled as follows:

Legal fees paid during 2001	\$71,827
Add - legal fees payable at December 31, 2001	<u>125,668</u>
Legal fees as reported on Schedule 1	<u><u>\$197,495</u></u>

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**

Notes to the Financial Statements (Concluded)

9. GASB 34 IMPLEMENTATION

The GASB issued Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, in June 1999. The date of implementation is effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999 (earlier application is encouraged). The Assessor is required to implement the provisions for the pronouncement for financial statements for the period beginning after June 15, 2003, because total annual revenues were less than \$10 million in the year ending December 31, 1999. GASB Statement Number 34 establishes a new governmental financial reporting model that will feature, among other significant changes, *Management's Discussion and Analysis*, a unique combination of fund-based and government-wide financial statements, and required supplementary information. The effects on the Assessor's financial statement are not known at this time; however, the pronouncement will be implemented for the year ending December 31, 2004, if not implemented earlier.

10. SUBSEQUENT EVENT

In the election for the First Municipal District Assessor, Parish of Orleans, held February 2, 2002, Darren Mire was elected. Mr. Mire's term as Assessor starts May 6, 2002.

UNAUDITED

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended December 31, 2001**

The following supplemental information schedule presents the Schedule of Expenditures for the year ended December 31, 2001.

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
GOVERNMENTAL FUND - GENERAL FUND**

**Schedule of Expenditures
For the Year Ended December 31, 2001**

EXPENDITURES

Personal services and related benefits:	
Salaries and wages	\$99,277
On-behalf payments for Assessor	91,934
Hospitalization insurance	10,772
Retirement	5,444
Payroll taxes	7,229
	<u>214,656</u>
Operating services:	
Legal fees	197,495
Office supplies	15,562
Assessor's personal expense allowance	8,025
Automobile lease	8,404
Accounting and data processing	9,693
Automobile insurance	2,261
Cellular telephone	1,170
Dues and subscriptions	3,718
	<u>246,328</u>
Travel and other charges - meetings/conferences	<u>3,142</u>
TOTAL EXPENDITURES	<u><u>\$464,126</u></u>

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on the attempted audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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STATE OF LOUISIANA
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May 3, 2002

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the Financial Statements

HONORABLE PATRICIA A. JOHNSON
FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
New Orleans, Louisiana

We were authorized to audit the general purpose financial statements of the First Municipal District Assessor, Parish of Orleans (Assessor), as of and for the year ended December 31, 2001, and have issued our report thereon dated May 3, 2002. Our audit was to have been conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. However, because of inadequacies in the Assessor's accounting records and lack of information provided by the Assessor, we were not able to apply the foregoing standards.

Compliance

As part of attempting to obtain reasonable assurance about whether the Assessor's general purpose financial statements are free of material misstatement, we performed limited tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our tests were limited because of inadequacies in the Assessor's accounting records and lack of information provided by the Assessor. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our limited tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings in Exhibit B as items 2000-01, 2000-02, 2000-03, 2000-04, 2000-05, and 2000-06.

Internal Control Over Financial Reporting

In planning and attempting to perform our audit, we considered the Assessor's internal control over financial reporting in order to determine our auditing procedures for the purpose of attempting to express an opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. However, because of inadequacies in the Assessor's accounting records and lack of information provided by the Assessor, we were unable to form an opinion on the Assessor's financial statements and related notes. In addition to the matters relating to noncompliance with certain provisions of laws and regulations, we noted certain matters involving the internal control over financial

EXHIBIT A

LEGISLATIVE AUDITOR

HONORABLE PATRICIA A. JOHNSON
FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS

Compliance and Internal Control Report

May 3, 2002

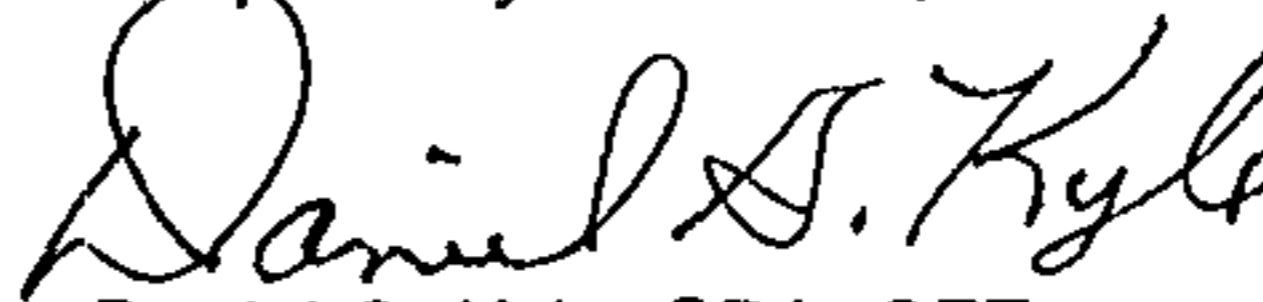
Page 2

reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Assessor's ability to record, process, summarize, and report financial data consistent with her assertions in the financial statements. One matter relates to the size of the Assessor's operation and its limited staff that precludes an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial. The other matters that are reportable conditions are described in the accompanying schedule of findings in Exhibit B as items 2000-01, 2000-02, 2000-03, 2000-04, 2000-05, 2000-07, 2000-08, 2000-09, 2000-10, and 2000-11.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described previously, we considered all items to be material weaknesses.

This report is intended for the information and use of the Assessor; Board of Assessors, city of New Orleans; and Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

GLM:GCA:dl

[ORLAS02]

EXHIBIT A

LEGISLATIVE AUDITOR

FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
New Orleans, Louisiana

Schedule of Findings
For the Year Ended December 31, 2001

COMPLIANCE WITH LAWS AND REGULATIONS

2001-01 Adequate Financial Records Not Maintained

Assessor Patricia Johnson has not maintained adequate financial records. Financial records are necessary to (1) provide evidence that the Assessor has fulfilled her stewardship responsibilities; (2) properly account for the receipt and disbursement of funds; (3) demonstrate the Assessor's compliance with applicable laws and regulations; (4) properly manage and safeguard assets; and (5) provide for the preparation of accurate and timely financial statements. Louisiana Revised Statute (R.S.) 44:36 requires the Assessor to exercise diligence and care in preserving public records.

Assessor Johnson hired a contract accountant to compile the cash receipts and cash disbursements journals, prepare the general ledger, and reconcile the checking account for the year ending December 31, 2001. This work was completed for the start of our audit on April 16, 2002. Although these records are needed to prepare the annual financial statements, they were not available timely (3½ months after the year-end) and were not prepared monthly to enable the Assessor to properly account for the receipts and disbursement of funds.

Specifically, the financial records were deficient in that the Assessor did not:

- Prepare monthly cash receipts and cash disbursement journals providing a detailed listing of all money received/checks written summarized by account classification.
- Maintain a monthly general ledger that summarizes the cash receipts and disbursements transactions. Preparing a monthly general ledger and reconciling certain account balances in the general ledger to detailed records (i.e., cash) provides assurance that all transactions are recorded each month. Without a current general ledger, accurate and timely financial statements cannot be prepared.
- Prepare monthly financial statements that report the operations of the Assessor as compared to the budgeted amounts.
- Maintain supporting documentation for all disbursements made. (See findings "Internal Control Over Disbursements Inadequate" and "Weaknesses in Internal Control Over Payroll.")

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Schedule of Findings
May 3, 2002
Page 2

- Maintain a detailed list of all capital assets that includes the date acquired, amount, and location of the asset. (See finding "Fixed Asset Records Inadequate.")
- Maintain individual employee personnel files, including annual and sick leave records. (See finding "Weaknesses in Internal Control Over Payroll.")
- Have a written travel policy that provides specific guidance as to allowable travel expenses, such as reimbursement rates for mileage, lodging, and meals.
- Have written purchasing procedures that ensure purchases are (1) properly authorized; (2) made in accordance with laws and regulations; (3) made with available funds; and (4) properly budgeted.

The Assessor should (1) prepare monthly cash receipts and cash disbursements journals; (2) maintain a general ledger; (3) prepare monthly financial statements; (4) maintain supporting documentation for all disbursements made; (5) maintain a detailed list of all capital assets; (6) maintain individual employee personnel files; (7) prepare a written travel policy; and (8) prepare written purchasing procedures.

**2001-02 Assessor's Personal Expense Allowance
Not Included as Wages or Reported to the
Internal Revenue Service**

The Assessor's personal expense allowance was not reported as wages on her Internal Revenue Service (IRS) Form W-2 (Wage and Tax Statement), and the required employment taxes were not withheld and remitted to the IRS. R.S. 47:1907(B) provides that in addition to her salary, the Assessor is granted 10% of her annual compensation as a personal expense allowance. As a general rule, most cash payments and benefits provided to workers are considered taxable wages for federal income tax purposes unless they specifically are excluded from income by a provision of the federal tax code. Absent such a specific exclusion, wage payments and employer-provided benefits are subject to employment taxes. There is no specific exclusion for the personal expense allowance in the federal tax code.

For calendar year 2001, Assessor Patricia Johnson was paid \$8,025 for her personal expense allowance. Assessor Johnson informed us that since she has been Assessor, the personal expense allowance has never been included on her IRS Form W-2 or IRS Form 1099, and employment taxes were never withheld or paid on the allowance.

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Schedule of Findings
May 3, 2002
Page 3

The Assessor should amend the applicable payroll reporting forms for all applicable years and submit these to the appropriate federal and state taxing authorities.

**2001-03 Personal Use of Vehicle Not
 Reported as Taxable Income**

The Assessor did not report her personal use of an Assessor-owned vehicle as wages as required by federal tax laws. An employer-provided vehicle is considered a fringe benefit under the federal employment tax laws. Employees are generally required to maintain adequate records substantiating their business use of the vehicle.

The Assessor leases one vehicle (2001 Chrysler LHS) that is used by her for personal use; however, she does not maintain records substantiating the business use of the vehicle. For the year ended December 31, 2001, the Assessor did not determine the value of the personal use and include it in her wages.

The Assessor should (1) comply with appropriate employment tax laws and record-keeping requirements; and (2) amend the applicable payroll reporting forms for all appropriate years and submit these to the appropriate federal and state taxing authorities.

2001-04 Debt Incurred Without Approval

The Assessor incurred long-term debt, in the form of a lease agreement, without obtaining State Bond Commission consent and approval as required by Louisiana law. R.S. 39:1410.60(A) provides that governments cannot borrow money or incur debt without the consent and approval of the State Bond Commission. R.S. 39:1410.60(C)(1) provides that the term "debt" does not include a lease of a movable that contains a non-appropriation clause and which does not contain an anti-substitution or penalty clause.

On August 8, 2001, the Assessor entered into a three-year lease agreement with Chrysler Financial Corporation for a 2001 Chrysler LHS. This lease agreement did not include a non-appropriation clause and did include a penalty clause. Therefore, State Bond Commission consent and approval was required. The Assessor did not obtain State Bond Commission consent and approval to incur the long-term debt for this lease. The total debt incurred by the Assessor under the three-year lease was \$17,100.

FIRST MUNICIPAL DISTRICT ASSESSOR

PARISH OF ORLEANS

Schedule of Findings

May 3, 2002

Page 4

The newly elected Assessor should immediately take possession of the vehicle and either return it or apply to the State Bond Commission for approval of the lease agreement dated August 8, 2001.

**2001-05 Failure to Comply With Local
Government Budget Act**

The Assessor did not prepare and adopt a budget as required by Louisiana law. R.S. 39:1305 requires the Assessor to prepare a comprehensive budget presenting a complete financial plan for the general fund. R.S. 39:1309 requires that all action necessary to adopt and otherwise finalize and implement the budget shall be completed before the end of the prior fiscal year.

Assessor Johnson did not prepare and adopt a budget for the years 2001 or 2002. In addition to violating Louisiana law, this reduces the effectiveness of the Assessor's budgetary controls over revenues and expenditures.

The newly elected Assessor should adopt a budget for the remainder of the year beginning May 6, 2002, and ending December 31, 2002.

**2001-06 Failure to Complete the Louisiana
Compliance Questionnaire**

The Assessor did not complete the Louisiana Compliance Questionnaire as required by Louisiana law. R.S. 24:513 requires that the Louisiana Compliance Questionnaire, an integral part of the *Louisiana Governmental Audit Guide*, be completed by the Assessor and given to its auditor (the Legislative Auditor) at the beginning of the audit. The questionnaire is the Assessor's representation of her compliance with state laws.

We mailed the Louisiana Compliance Questionnaire to Assessor Johnson on February 21, 2002, and requested that she complete and return it to us. We provided Assessor Johnson with the questionnaire again on April 16, 2002, and asked her to complete and return it to us. We again made a request on May 1, 2002, that she complete and return the questionnaire to us. The Assessor failed to comply with our requests.

The newly elected Assessor should complete the Louisiana Compliance Questionnaire at the beginning of all future audits and give it to the auditor.

LEGISLATIVE AUDITOR

FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
Schedule of Findings
May 3, 2002
Page 5

INTERNAL CONTROL OVER FINANCIAL REPORTING

2000-07 Internal Control Over Disbursements Inadequate

Internal control over disbursements is inadequate in that appropriate supporting documentation is not maintained. Good internal control requires that documentation exist to support transactions entered in the financial records of the Assessor. R.S. 44:36 requires that public records be preserved and maintained for a period of at least three years from the date on which the public record was made.

Deficiencies in internal control over disbursements include the following:

- Adequate documentation is not maintained to support all payments. Assessor Johnson could not provide supporting documentation for 34 payments, totaling \$88,117, that were paid between January 1, 2001, and December 31, 2001, and seven payments, totaling \$55,186, that were paid between January 1, 2002, and April 30, 2002. Because of the lack of supporting documentation, we could not determine whether these payments were for business or personal purposes. A summary of these payments follows:

<u>Paid to</u>	<u>Number of Payments</u>	<u>Amount</u>
John Rawls, Attorney	6	\$89,693
Leroy Hartley, Attorney	1	17,585
Guste, Barnett & Shushan, Attorneys	9	13,754
Jacque Touzet, Attorney	1	3,130
Brett Prendergast, Attorney	1	2,500
Office Depot	6	8,404
Sprint PCS (cell phone)	5	1,448
Hotels	2	1,397
Other	10	5,392
Totals	<u>41</u>	<u>\$143,303</u>

LEGISLATIVE AUDITOR

FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
Schedule of Findings
May 3, 2002
Page 6

- The Assessor could not provide us with 12 checks, totaling \$6,922, written and clearing the bank in April 2001 and October 2001.
- IRS Forms 1099 were not filed for attorneys who provided legal services to the Assessor's office.

The Assessor should (1) ensure that there is adequate documentation to support the disbursement of public funds and should maintain this documentation for the required time period; (2) maintain canceled checks to support payments made; and (3) file required IRS Forms 1099 for individuals who do business with the Assessor.

2000-08 Fixed Asset Records Inadequate

Detailed fixed asset records are not maintained, assets are not tagged, and physical inventories of fixed assets are not conducted annually. R.S. 24:515(B)(1) requires the Assessor to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property or equipment disposed. Good internal control over fixed assets requires that fixed assets be tagged for identification purposes and that annual physical inventories of fixed assets be conducted to ensure the accuracy of fixed asset records.

Because the Assessor does not have detailed fixed asset records, we were not able to apply other auditing procedures to satisfy ourselves as to the existence and cost of the general fixed assets totaling \$22,776, as reported on Statement A (Balance Sheet).

The Assessor should (1) define assets that will be inventoried, including the minimum value for inclusion on the list of fixed assets; (2) prepare a detailed list of fixed assets [the list should include the date of purchase and the initial cost]; (3) conduct a physical inventory at least annually and follow up on items not found during the physical inventory; and (4) identify [tag] assets that belong to the Assessor and include the tag number on the listing of fixed assets.

FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
Schedule of Findings
May 3, 2002
Page 7

2000-09 Weaknesses in Internal Control Over Payroll

The Assessor does not have adequate internal control over the payroll function. Good internal control would require that there be formal payroll and personnel policies and procedures and that certain employment information be maintained. Our review of payroll revealed the following deficiencies:

- The Assessor does not have formal payroll/personnel policies and procedures.
- The Assessor could not provide employee attendance records (daily sign-in/out logs) for January 2, 2001, through August 2, 2001. In addition, the daily sign-in/out logs do not evidence the review/approval of the Assessor.
- No documentation is on file relating to approved salary/wage amounts for employees.
- Form I-9 - "Employment Eligibility Verification" is not maintained for all employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service. In addition, other federal and state income tax withholding tax forms (Federal Form W-4 and Louisiana Form L-4) are not maintained on all employees.
- No employment applications are available.
- No job descriptions are available.
- No records are maintained to document whether employees earn or take vacation leave or sick leave.

Although the Assessor has only four employees, controls over payroll can be improved by implementing the following:

1. Prepare simple written policies and procedures relating to payroll and personnel.
2. Maintain all attendance records that evidence, at a minimum, the work hours of all employees and the review/approval of the Assessor.
3. Establish a personnel file on each employee that contains, at a minimum, (1) documentation of the employee's approved pay rates; (2) a completed Form I-9 - U.S. Department of Justice Immigration and Naturalization Service "Employment Eligibility Verification" for all employees hired after November 6,

**FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS**
Schedule of Findings
May 3, 2002
Page 8

1986; (3) completed federal and state income tax withholding forms (Forms W-4 and L-4); (4) an employment application form; and (5) a job description.

4. Maintain simple records to account for vacation and sick leave earned and taken by employees.

2000-10 Policy for Use of Cellular Phones Needed

Assessor Johnson does not have a formal policy for the use of cellular phones. A formal policy would provide guidance for the business use and care of cellular phones.

The Assessor's office paid charges of \$1,170 during 2001 for usage of a cellular phone assigned to the Assessor. We could not determine whether these payments were for business or personal purposes because we were not provided supporting documentation for these payments.

The Assessor should adopt a formal policy for the business use of cellular phones and should maintain adequate documentation to support the disbursement of public funds and compliance with the cellular phone policy.

2000-11 Variances in Assessment of Property

We were unable to obtain explanations and documentation of variances in assessments. Assessors have the responsibility to maintain documentation supporting their fair and equitable assessment of property.

We reviewed the assessment rolls for one particular residential building located in Assessor Johnson's district for the assessment period beginning January 1, 2001. We assumed that individual units within this residential building were similar, as individual units within the building had the same number of square feet.

Although there were similar units within this building that had the same square footage, the assessed values varied significantly. The following are some examples of the ranges in assessed property values for particular units with the same square footage:

LEGISLATIVE AUDITOR

FIRST MUNICIPAL DISTRICT ASSESSOR

PARISH OF ORLEANS

Schedule of Findings

May 3, 2002

Page 9

- Three units with the same square footage (2,139) ranged from \$400,000 to \$650,000.
- Two units with the same square footage (2,365) ranged from \$550,000 to \$731,000.
- Seven units with the same square footage (2,687) ranged from \$740,000 to \$900,000.
- Two units with the same square footage (3,884) ranged from \$800,000 to \$1,322,500.
- Two units with the same square footage (3,901) ranged from \$900,000 to \$1,365,000.

We were able to obtain explanations for differences in assessment values for some of the above properties by reviewing certain change orders. However, there was no documentation to support the statements made on those change orders.

We attempted to obtain from Assessor Johnson explanations and documentation supporting the differences in assessment values on May 3, 2002. However, Assessor Johnson did not produce any documentation and ordered us to leave the building.

LEGISLATIVE AUDITOR

FIRST MUNICIPAL DISTRICT ASSESSOR
PARISH OF ORLEANS
New Orleans, Louisiana

Schedule of Prior Year Findings
For the Year Ended December 31, 2000

INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS

PRIOR YEAR FINDING	DISPOSITION
2000-01 Failure to comply with Louisiana audit and reporting laws	Resolved by the Legislative Auditor in attempting to audit the December 31, 2001 fiscal year.
2000-02 Failure to maintain financial records and refusal to provide available records	Partially resolved. The Assessor provided certain records; however, adequate financial records were not maintained. See 2001-01 in Exhibit B.
2000-03 Assessor's personal expense allowance not included as wages or reported to the Internal Revenue Service	Not resolved. See 2001-02 in Exhibit B.
2000-04 Personal use of vehicle not reported as taxable income	Not resolved. See 2001-03 in Exhibit B.
2000-05 Debt incurred without approval	Not resolved. See 2001-04 in Exhibit B.
2000-06 Failure to comply with Local Government Budget Act	Not resolved. See 2001-05 in Exhibit B.
2000-07 Failure to complete the Louisiana Compliance Questionnaire	Not resolved. See 2001-06 in Exhibit B.
2000-08 Internal control over disbursements inadequate	Not resolved. See 2001-07 in Exhibit B.
2000-09 Fixed asset records inadequate	Not resolved. See 2001-08 in Exhibit B.
2000-10 Weaknesses in internal control over payroll	Not resolved. See 2001-09 in Exhibit B.
2000-11 Policy for use of cellular phones needed	Not resolved. See 2001-10 in Exhibit B.
2000-12 Variance in assessment of property	Not resolved. See 2001-11 in Exhibit B.

Appendix I

Newly Elected Assessor's Corrective Action Plans and Responses to the Findings and Recommendations

On Friday, May 3, 2002, then Assessor Patricia A. Johnson directed representatives of the legislative auditor to leave the premises of the First Municipal District Assessor. Further attempts to contact Ms. Johnson have failed. Therefore, we have presented the findings to the newly elected Assessor, Darren Mire, for his corrective action plans to correct the problems of the previous administration. Darren Mire took office as Assessor on Monday, May 6, 2002.

Darren G. Mire

Assessor

**1st Municipal District, Orleans Parish
4E01 City Hall – 1300 Perdido
New Orleans, Louisiana 70112
(504) 565-7052 office · (504) 565-7119 fax**

June 3, 2002

Mr. Daniel G. Kyle, PH.D., CPA, CFE
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

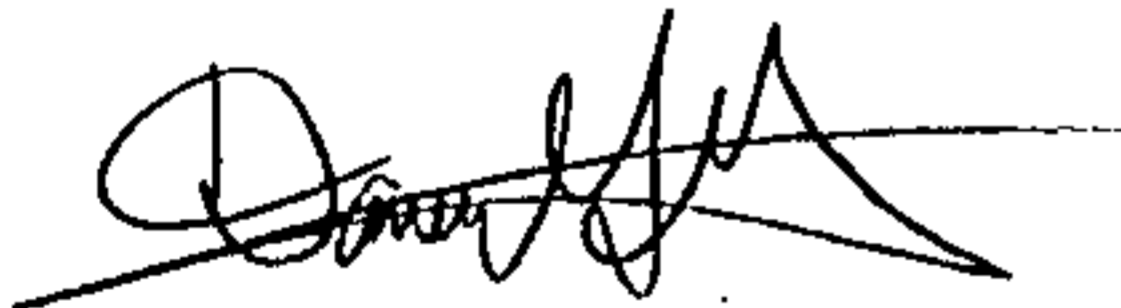
Dear Mr. Kyle,

Throughout my campaign, I spoke of bringing accountability and transparency back to the Assessors' office. I have found in taking office that the way to begin this process is by constructing a financial model of the office, which will prove to the public that they can again have confidence in the way their tax dollars are being spent.

Please accept the following, as my official response to the report on the financial and compliance audit made by your office of the First Municipal District Assessor, Parish of Orleans, for the year ended December 31, 2001. In addition to my response, I will not only include the plans I have made to correct the problems left by my predecessor, Patricia A. Johnson, but also the steps I will take to prevent the occurrence of future such events.

If you have any questions or comments, feel free to contact me or my assistant, Catherine Dannel. Thank you in advance for your attention.

Sincerely,



Darren G. Mire
Assessor, 1st Municipal District

DGM/cd

Enclosures

2001-01 Adequate Financial Records Not Maintained

Assessor Mire has hired a contract accountant to compile the cash receipts and cash disbursements journals, prepare the general ledger, and reconcile the cash accounts on a monthly basis.

Additionally:

A system has been put in place to maintain supporting documentation for all cash deposits and disbursements. See item numbers 1.10 and 1.20 contained forthwith.

A detailed list of all capital assets has been created (assignment of costs still pending some modest investigating and resulting estimation for the approximately ninety (90) items). See exhibit I.

Individual employee personnel files are being maintained on all current employees.

A travel policy has been written, as well as a voucher. See item 2.10 and exhibit II.

Purchasing procedures have also been established. See item 7.10.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
1.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
1 of 2

Cash Receipts

Purpose:

To establish procedures for the recording of cash receipts.

Definitions:

None

Provisions:

A. General

The custodial and recording functions associated with cash receipts will be restricted to provide reasonable internal control with regard to the handling of these funds. The responsibility for receiving, recording, and depositing all cash receipts should be segregated.

B. Cash Control/Cashiering

All incoming cash receipts and checks received should be timely submitted and processed for deposit. All checks received will be restrictively stamped "For Deposit Only -" and logged into both the Deposit Log and the Deposit and Disbursement Register. The necessary data elements for each check will include the check's date, remitter, description and amount. After each day's checks have been logged, a calculator tape will be prepared; the total will represent the cash receipts deposit for that day.

The checks will subsequently be photocopied. The photocopies will be attached to the remittance advices.

The cashier will enclose each day's cash receipts with a completed deposit slip in a locking bag and secure it. Deposits can be numbered sequentially. (Optional)The bag will be given to another courier (designee) for delivery to the bank. The bank bag(s) and validated deposit receipts will subsequently be returned.

Validated deposit receipts should be matched to the photocopies for the corresponding deposit(s). Any variances should be immediately resolved.

C. Accounting

The Accountant/Bookkeeper will review the check copies and remittance advices and the Deposit Log for coding and reconciliation.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
1.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
2 of 2

Cash Receipts

This employee will determine the account coding of each receipt and indicate it on the face of the supporting document(s).

The Deposit Log will be used as the basis for creating the journal entries recording the receipts.

All documentation supporting cash receipts for the month will be retained for a minimum period of three years.

Upon receipt of the monthly bank statement, deposit totals should be agreed (reconciled) to the Deposit Logs per the bank statement. Any differences should be immediately resolved.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
1.20

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
1 of 2

Accounts Payable and Cash Disbursements

Purpose:

To establish procedures for the control and recording of accounts payable invoices and cash disbursements.

Definitions:

None

Provisions:

Good internal controls require that adequate documentation exist and be maintained to substantiate the recording and subsequent disbursement of funds related to expenditures. This documentation should exist in the form of invoices, receipts, T&E Vouchers, etc.

1. Cash Control/Cashiering
 - A. Expenditures should be recorded in the period incurred.
 - B. Two alphabetized filing systems should be used to separate unpaid invoices from paid invoices.
 - C. Invoices should be marked "paid" upon disbursement to avoid omitting payment or duplicating the payment. The voucher portion of the check (or a copy) should also be attached.
 - D. All checks disbursed must be logged into both the Disbursements Log and the Deposit and Disbursement Register. The necessary data elements for each check will include the check's date, payee, description and amount.
 - E. Canceled checks should be maintained separately from the paid invoices.
 - F. IRS Forms 1099 should be filed yearly for lawyers and contractors who provided services to the assessor's office.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
1 of 9

Travel and Expense Vouchers

Purpose:

To establish guidelines and procedures for the preparation, execution and submission of Travel and Expense Vouchers.

Definitions:

None

Provisions:

A. General

1. Business expenses incurred for the following items are to be submitted on Travel and Expenses (T&E) Voucher forms.
 - Business Travel
 - Business Meals and Entertainment
 - Business Gifts
2. The Travel and Expense Voucher is not to be used for reimbursement of other expenses, such as trade association membership dues, meeting fees, continuing education expenses, medical physicals, etc. These expenses should be submitted as a regular invoice or check request, as applicable.
3. Both cash and charge expenditures should be included on the T&E.
4. Travel and Expense Vouchers are to be:
 - a. Completed and submitted to Accounting within one week of returning from a trip or weekly if for local expenditures only. Reimbursement will not be made for expenses if the T&E Voucher is received after 90 days from the date of the expense.
 - b. Submitted to clear any outstanding cash advance before a new advance is obtained.
 - c. Completed as to employee's name and supported by receipts.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
2 of 9

Travel and Expense Vouchers

- d. Signed, dated and properly approved by the Assessor (or another supervisory designee)

B. Travel

The travel section (top section) of the T&E Voucher is to be fully completed for expenses incurred for local or out-of town travel. Information required on the T&E Voucher in support of expenses incurred for business travel includes:

1. General

- a. Dates of departure and return,
- b. Days covered by T&E Voucher,
- c. Location(s) visited (*local* if no out-of-town travel),
- d. Brief, to the point explanation of the purpose for the business travel,
- e. Totals for each line across,
- f. Totals for right-hand column.

2. Transportation (excluding taxi cabs, shuttles, airport limousines)

- a. Customer copy of all airline tickets must be attached,
- b. Public carrier (airline, train, etc. expenses are to be entered separately for each day expense is incurred,

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
3 of 9

Travel and Expense Vouchers

- c. Air travel is limited to coach, unless the employee is the Assessor **and** *in air* flight time exceeds two and one-half hours. Frequent flyer upgrades to first class flights will be accepted only if there are no coach seats available, subject to approval by the Assessor (or another supervisory designee). Unauthorized premiums for first class flights will not be reimbursed to the employee.
 - d. Discounted fares are encouraged where prior planning allows.
 - e. The Office recognizes the personal demands often placed on its employees and their families when travel on company business is required and for this reason all frequent flyer benefits may be retained by the employee as long as this privilege is not abused by preferential booking at a higher cost to the Office.
3. Car Rental
Customer copy of car rental must be attached
(NOTE: If the Office is self-insured, no additional insurance coverage should be accepted on the car rental form.)
4. Hotel Rooms
 - a. Receipts for all lodging expenses must be attached,
 - b. Daily room charges including tax must be listed separately for each day,
 - c. Other hotel expenses are to be entered on other appropriate lines of the T&E Voucher.
5. Meals
 - a. List expenses incurred for you each day for meals including tips.
 - b. Expenses incurred for meals with business associates are to be listed in the *Entertainment* section.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
4 of 9

Travel and Expense Vouchers

6. **Taxi Cab**
Taxicab, shuttle and airport limousine fares including tips will be entered separately for each day expenses were incurred. Receipts documenting each fare should be attached where possible/reasonable and must be attached when individual fares equal or exceed \$25.
7. **Telephone**
Long Distance or local business charges will be entered separately for each day expenses are incurred.
8. **Tips**
Enter miscellaneous tips separately by day, noting purpose for each. (Tips should generally be included with the appropriate expense, i.e., meals, taxis, etc.)
9. **Milcage and Parking**
 - a. Mileage reimbursement due will be calculated at the amount per mile by the Internal Revenue Service. Show calculation in the *Mileage* section.
 - b. Mileage reimbursement is only available when employee's personal car is used.
 - c. Local mileage reimbursement for travel to a location other than work (e.g., a local seminar or conference) will be only for the *additional* mileage incurred by the employee.
 - d. Parking expenses are to be listed separately.
10. **Incidentals**
 - a. Costs of incidentals items (e.g., laundry) incurred in cases of emergency or when an employee is required to stay longer than planned are to be entered with explanations referenced in the *Legends/Other Travel* section,
 - b. Expenses for incidental items are not to be include day-to-day personal expenditures that would normally be incurred if at home (e.g. newspaper, magazines, toothpaste, etc.)

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
5 of 9

Travel and Expense Vouchers

11. Hotel bills and car rental bills which are to be mailed for subsequent payment are to be so indicated on the T&E Voucher in the *Direct Bill* section. These should be submitted when received on a second T&E Voucher fully completed with references to the original T&E Voucher to which it applies.
12. If another person, company, or organization is to pay all or part of any charges listed, the name and the affiliation of the person making reimbursement to the office for the expenses is to be indicated on the T&E Voucher.
13. For purposes of converting foreign currency to US dollars, the following should be used:
 - a. The conversion rate that will be used by a credit card company, or
 - b. The conversion rate used for any currency exchanges made by the employee. The currency exchange receipts should be attached to the T&E, or
 - c. The New York foreign exchange rate published in the wall Street Journal.

Whichever is most appropriate, in addition, the employee will also be reimbursed for any commission paid on currency exchanges. These should be supported by receipts.

C. Meals and Entertainment

1. Due to changes in federal tax laws, more stringent reporting and documentation are required for entertainment expenses. Entertainment expenses must be ordinary and necessary expenses of carrying on the Office's business and must not be lavish or extravagant. These expenses must also be directly related *to* and *associated with* the active conduct of the Office's business. Expenditures are generally not considered *directly related to* when entertainment occurs where there is little or no possibility of engaging in the active conduct of business. Expenditures are considered *associated with* if the entertainment directly precedes or follows a substantial bona fide business discussion.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
6 of 9

Travel and Expense Vouchers

For tax purposes, meals and entertainment expenses, including taxes, tips, private room rentals, and parking fees related to the meal or entertainer are generally limited to a 50% tax deduction. This includes expenses incurred when traveling away from home, meals

furnished on company premises, and reimbursed expenses. It also includes the cost of entertainment activities (e.g., golf) at business conferences unless the entertainment activity is a vital part of the meeting where business is discussed. (Employees can be reimbursed 100% with no tax consequences, but the employer can only deduct 50% of amount reimbursed.)

- a. Travel to and from the meal or entertainment. (Unlike parking, travel is not considered part of the activity.)
- b. The value of a meal or entertainment which is fully taxable as compensation to the recipient.
- c. Taxable employee benefits, such as vacation packages.
- d. De minimus fringe benefits, such as holiday turkeys and hams, subsidized cafeterias, and tickets which are occasionally given out for entertainment events such as plays or baseball games.
- e. Food and entertainment at traditional social or recreational activities, such as an office party, picnic, or outing. These events are considered fully deductible because they are for the benefit of all employees.
- f. Expenses for samples or promotional items made available to the general public.
- g. Charitable sporting events and related expenses (including food and beverage costs that are a part of the ticket package) if the event is organized to benefit a tax exempt organization, all net proceeds of the event are contributed to such organization, and volunteers perform substantially all the work. (This includes high school or college athletic events because the referees, coaches, etc. are compensated.)

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
7 of 9

Travel and Expense Vouchers

2. In addition to the 50% limitation, there are stricter qualifications for all meal deductions. To be deductible a meal must meet these requirements:
 - a. The meal must have a clear business purpose that directly relates to business.
 - b. Business must be discussed before, during or after the meal. A discussion includes business meetings at a convention or seminar. This requirement does not apply to individual personal meals on business travel away from home.
 - c. An employee must be present at the meal.
 - d. There must be receipts for all entertainment expenses and written details of items a-c must appear on the face of the T&E.

A general business relationship between diners is not enough to justify deductions. A good will lunch with a potential customer, unless business is actually discussed, is not deductible at all.
3. Regarding the T&E Voucher form, personal meals and business (entertainment) meals need to be segregated. Costs of personal meals will be included in the Travel (top) section of the T&E Voucher while business meals will be included in the Entertainment section. Personal meals are defined as those meal costs incurred while traveling away from home when the individual pays for personal meals and no one else's.
4. Business meals are defined as those meals paid for by an employee including one or more business associates in addition to the employee. For business meals, each entertainment meal or event is to be listed separately (e.g., lunch and dinner on the same day are to be shown separately)
5. Information required on the T&E Voucher in support of expenses incurred for business meals in accordance with the tax support requirements is:
 - a. **Date**
The date of each charge is required and will agree with the date on receipts provided.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
8 of 9

Travel and Expense Vouchers

Persons(s) and Office

(1) A list of all persons including their title and office must be shown or attached to the voucher.

(2) Broad descriptions such as *Office Personnel* are not acceptable.

b. Place

Enter the name and location of the establishment at which the business meal or entertainment occurred.

c. Business Purpose

A brief, to-the-point description or statement specifying a clear business purpose that directly relates to business with reference to the business discussion occurring before, during, or after the meal. If there is insufficient space to write the business purpose on the voucher itself, attach a written statement to the voucher.

6. Credit card receipts will be required whenever possible instead of restaurant bill stubs. Copies of credit card billing statements will only be accepted in lieu of a misplaced credit card receipt. This should be noted on the T&E.

D. Business Gifts

1. Gifts given for business purposes are to be entered in the entertainment section of the T&E Voucher. Gifts should not exceed \$25.00 per recipient per year.

2. Information required on the T&E Voucher in support of business gifts includes:

-Date

-Person and company/office affiliation

-Description of gift

-Business purpose

3. IRS regulations stress full substantiation of business entertainment expenses including club expenses and business gifts.

Effective Date:
Immediately

Date Issued:
May 14,2002

Number:
2.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
9 of 9

Travel and Expense Vouchers

E. Miscellaneous

Airline tickets and other travel-related charges must be billed to the employee and **not** to the office for services rendered by travel agents. Employees required to travel on behalf of the company who do not have credit cards may obtain a travel advance to pay for airline tickets.

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Number:
7.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
1 of 1

Purchasing

Purpose:

To establish guidelines and procedures for the preparation, execution and submission of Requisition Forms.

Definitions:

None

Provisions:

General

- A. Purchases of goods and services are initiated by properly authorized requisitions bearing the approval of the Assessor or his designee.
- B. The appropriation to be charged is indicated on the purchase requisition by the person making the purchasing request.
- C. Un-obligated funds remaining under the appropriation must be verified to be sufficient to meet the expenditure.
- D. Requisition Forms are to be:
 1. Completed and submitted to the assessor (or his designee) prior to the purchase being made or committed to.
 2. Completed as to vendor(s) name and address, item catalog number, item description, quantity break, quantity requisitioned, item unit cost, and total cost extended.
 3. Signed, dated and properly approved by the Assessor (or another supervisory designee).

Accounting Policies and Procedures

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May 14,2002

Number:
5.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
1 of 1

Budgets

Purpose:

To establish guidelines and procedures for budget preparation and adoption as required by Louisiana law.

Definitions:

None

Provisions:

R.S. 39:1305 requires the assessor to prepare a comprehensive budget presenting a complete financial plan for the general fund. R.S. 39:1309 requires that all action necessary to adopt and otherwise finalize and implement the budget shall be completed before the end of the prior fiscal year.

**2001-02 Assessor's Personal Expense Allowance Not Included as
Wages or Reported to the Internal Revenue Service**

The assessor's personal expenses allowance will be reported as wages on his IRS Form W-2 and the required employment taxes withheld and remitted to the IRS. See item 4.10.

***If it can be substantiated that the previous assessor's personal expense allowances were not reported as wages on either Forms 1099 or W-2 *and* the previous assessor provides her address and social security number, the applicable payroll reporting forms will be amended and submitted to the appropriate federal and state taxing authorities.**

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May 14,2002

Number:
4.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
1 of 1

Personal Expense Allowance

Purpose:

To establish guidelines and procedures for Assessors or employees who receive personal expense allowances.

Definitions:

None

Provisions:

R.S. 47:1907(B) provides that in addition to his salary, the assessor is granted 10% of his annual compensation as a personal expense allowance.

As there is no specific exclusion for the personal expense allowance in the federal tax code, either

- a. taxes should be withheld and remitted to the IRS and amounts reported on IRS Form W-2, or
- b. amounts should be reported on IRS Form 1099.

2001-03 Personal Use of Vehicle Not Reported as Taxable Income

A policy has been implemented for the assessor to comply with appropriate employment tax laws and record-keeping requirements when this situation is applicable. See item 3.10.

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Number:
3.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
1 of 2

Office-Paid Vehicles and Personal Use Declaration

Purpose:

To establish guidelines and procedures for employees who are assigned an office-paid vehicle.

Definitions:

None

Provisions:

Pursuant to IRS regulations, the office is required to include in the W-2's of all employees assigned use of office autos taxable earnings pertaining to the personal use of these autos. The office has elected not to withhold income tax other than FICA (Social Security Tax) on the value of the employee's personal usage. The IRS sets the Fair Market Value and Annual Value for leased automobiles. The employee is required to maintain detailed records to support business and personal use. Each employee assigned a company automobile must submit a statement to the office in November documenting the business and personal use of the vehicle for the period November (prior year) through October (current year). The personal usage percentage will be used to calculate the amount of taxable income included on the employee's W-2 for the current year.

Note:

State Bond Commission consent and approval is required by Louisiana law. R.S. 39:1410.60(A) provides that governments cannot borrow money or incur debt without consent and approval of the State Bond Commission. R.S. 39:1410.60(C)(1) provides that the term "debt" does not include a lease of a movable that contains a non-appropriation clause and which does not contain an anti-substitution or penalty clause.

Declaration of Personal Use of Assigned Vehicle

_____, do hereby declare that my personal use of the company
assigned vehicle for 20__ is as follows:

-----Vehicle One-----

-----Vehicle Two-----

Vehicle Make and Model

Vehicle Make and Model

Number Months Driven

Number Months Driven

Ending Miles

Ending Miles

Beginning Miles

Beginning Miles

20__ Total Miles

20__ Total Miles

Personal Miles

Personal Miles

Personal Miles %

Personal Miles %

I further declare that I have adequate records to support the foregoing statement.

Employee Name (Printed)

Signature

2001-04 Debt incurred Without Approval

It has come to Assessor Mire's attention through the Legislative Auditor that the 1st Municipal District Assessor's Office paid for all deposits and automobile lease payments as well as automobile insurance payments on the 2001 Chrysler LHS From August 8, 2001 through May 5, 2002. Upon the taking office on May 6, 2002, the President of the Board of Assessors, Erroll Williams, informed Assessor Mire that the previous assessor should provide him with some form of documentation that the leased 2001 Chrysler LHS had been converted to a personal lease. The previous assessor has not provided Assessor Mire with any documentation regarding the 2001 Chrysler LHS nor has the vehicle been returned to the possession of the 1st District Assessor's Office. Also, there hasn't been any reimbursement to the 1st District Assessor's Office of any prepaid auto insurance premiums in relation to the 2001 Chrysler LHS leased by the previous assessor. Until there can be any substantial verification otherwise, Assessor Mire considers this asset to be missing from the office of the 1st Municipal District Assessor's Office.

Failure to Comply With Local Government Budget Act

Assessor Mire has hired adopted a budget for the remainder of the year beginning May 6, 2002 and ending December 31, 2002.

2001-05 Failure to Complete the Louisiana Compliance
Questionnaire

Assessor Mire will complete the Louisiana Compliance Questionnaire at the beginning of all future audits and give it to the auditor.

2001-06 Internal Control Over Disbursement Inadequate

Assessor Mire has implemented procedures for cash disbursements and accounts payable that ensures there is adequate documentation to support the disbursement of public funds and should maintain this documentation for the required time period; will maintain canceled checks to support payments made; and file required IRS Forms 1099 for individuals who do business with the assessor.

2001-07 Fixed Assets Records Inadequate

The assessor has (1) defined, inventoried and tagged assets inventoried; and (2) prepared a detailed list of fixed assets with a date of purchase and (*estimated*) initial cost (costs to be concluded within the next 30 days; see 2001-01).

2001-08 Weakness in Internal Control Over Payroll

The assessor has prepared simple written policies and procedures relating to payroll and personnel; will maintain all attendance records (via time sheets or logs) that evidence, at a minimum, the work hours of all employees and the review/approval of the assessor; established a personnel file on each employee that contains (1) documentation of the employee's approved pay rates; (2) a completed Form I-9; (3) completed federal and state income tax withholding forms (Forms W-4 and L-4); an employment application form; (5) and a job description; and will maintain simple records to account for vacation and sick leave earned and taken by employees.

2001-09 Policy for Use of Cellular Phones Needed

The assessor has adopted a formal policy for the business use of cellular phones and will maintain adequate documentation to support the disbursement of public funds and compliance with the cellular phone policy. See item 6.10. At this present time, Assessor Mire does not have a cellular phone paid for by the Assessor's office.

Effective Date:
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Date Issued:
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Number:
6.10

Supersedes:
New

Distribution:
General

Author:
Mary W. Green

Page:
1 of 1

Cellular Phones

Purpose:

To establish guidelines and procedures for the payment (or reimbursement) of cellular phone expenditures.

Definitions:

None

Provisions:

Cellular phones can be either (1) office owned or (2) personally owned.

Office-owned cellular phones

The assessor should review the monthly bill breakdown each month upon receipt for personal calls and reimburse their office for those calls. The cell phone records will be deemed public and must be maintained as support for the expenditures.

Personally-owned cellular phones

The assessor should review the monthly bill breakdown each month upon receipt for business calls. Copies of the intact bill must be, with business calls hi-lighted or otherwise clearly marked. A check request should be submitted in order to process reimbursement.

2001-10 Variances in Assessment of Property

Part of Assessor Mire's platform during his recent election was to make his office more transparent to the public. In doing so, Assessor Mire does not intend to levy assessments without appropriate valuation techniques based on collected data. Assessor Mire will reassess all property in the 1st Municipal District during the 2004 reassessment year in a fair and equitable manner. During the reassessment year, Assessor Mire will be prepared to defend any assessments and provide any documentation on the valuation process.