

CITY OF DENHAM SPRINGS

AGREED-UPON PROCEDURES

APRIL 27, 2001

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April 27, 2001

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

We have performed the agreed-upon procedures enumerated below which were agreed to by the Mayor and the members of the City Council. Our engagement, to apply agreed-upon procedures, was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

Because the agreed-upon procedures enumerated below do not constitute an examination, we will not express an opinion on the City's internal control structure or any part thereof.

PROCEDURES PERFORMED

As outlined in our engagement letter dated April 15, 2001, we performed the following agreed-upon procedures:

1. Document internal control procedures at the police department over the following areas:
 - Collection of cash receipts at the window of the police department for various charges such as accident reports, criminal background checks, and other miscellaneous receipts.
 - Collection and processing of bond payments for those paid in cash.
2. Review the bond log for the period August 1, 1999 through April 1, 2001 and perform the following procedures:
 - Perform reasonableness test as to amount of bond fees collected (\$8.00 per bond subject to the fee) based upon the number of receipts issued during the time period.
 - Trace the amounts per the bond fee transmittal sheets to deposit actually made at City Hall.
 - Determine the number of cash bonds received and trace amounts of cash collected per "appearance bond" completed by police officer to the amount of cash remitted to the City Court per their records.
3. Perform reasonableness test as to amount of cash receipts collected at window of police department based on number of receipts issued during the period August 1, 1999 through March 14, 2001.
4. Prepare report with Schedule of Findings and Recommendations.
5. Review draft report with client and issue final report to mayor and members of the City Council.

A summary of the findings with respect to the procedures listed above are as follows:

OVERVIEW - INTERNAL CONTROLS

Finding:

The following weaknesses were noted in the internal control procedures at the police department:

- Lack of segregation of duties.
- Cash drawer kept in an unlocked desk in a room with unlimited access.
- Deposits are only being made once or twice a month.
- No employee is verifying the sequential order of the receipts at the time deposit slips are being prepared and reconciling the total of the receipts to the total deposit.

Recommendation:

We recommend the following controls be placed in operation in order to address the following weaknesses noted above:

Actual cash receipts for the various charges should be received at City Hall in a centralized cash collection site. Upon payment of the applicable charge at this site, a prenumbered receipt would be generated by computer and the person could then present the receipt at the police department where issuance of the report requested would take place. Any checks received by mail for any of the various reports should be sent directly to the same cash collection site for processing. By implementing these procedures cash would be kept in a secure location, the sequential issuance of receipts would be computerized, and deposits would be done daily. Also, there would be a better segregation of duties. All of these factors would lead to a strengthened internal controls system.

BOND FEES/CASH BONDS COLLECTED

Finding:

Based on our review of the bond log for the period August 1, 1999 through April 1, 2001, we estimated the amount of bond fees (\$8.00 per bond) that should have been collected and compared this amount to the amounts actually collected and deposited at City Hall. The two amounts were deemed comparable and reasonable.

We reviewed the bond log for the same time period to determine the number of cash bonds received and traced amounts indicated on the "appearance bond" completed by police officer to the amount of cash remitted to City Court per their records with no exceptions being noted.

CASH RECEIPTS WINDOW

Finding:

Based on the results of the reasonableness test performed on the receipts issued for cash collections at the window, it appears that for the period August 1, 1999 through March 14, 2001, there is approximately \$700 unaccounted for (assuming all receipts were for a \$5.00 average charge). It was also noted that two complete receipt books were missing which covers the time period between November 29, 2000 thru February 12, 2001. However, these books appear to have contained 100 receipts per book and were included in our reasonableness test previously mentioned. Due to the results of our reasonableness test, we then reviewed the sequential order of the receipts included for each deposit, and it was noted that based on our review of copies of receipts, the following receipts were issued for cash collected at the police department but those receipts could not be traced to deposits made at City Hall:

<u>Receipt #'s</u>	<u>Amount Collected</u>	<u>Dates of Receipts</u>
0563545 - 0563548	\$ 30	12/12/00 - 12/13/00
0563482 - 0563508	135	11/21/00 - 11/30/00
1964416 - 1964500	<u>425</u>	missing
Total Unaccounted for Cash	<u>\$ 590</u>	

Some of the above missing receipts were issued during the same time period covered by the missing receipt books noted above.

In addition, we noted that on the deposit dated March 8, 2001, the pink receipts totaled \$395 but only \$285 was indicated on the transmittal sheet and subsequently deposited at City Hall. The difference of \$110 is also considered unaccounted for. Furthermore, a transmittal sheet dated 5/15/01 indicated cash receipts of \$326, but the total of the receipt copies was \$410. The difference of \$84 is also considered unaccounted for (Receipt #1212479-1212500 and 1966001-1966060 issued for the period 3/9/01 thru 3/21/01). In summary, it appears that \$784 of cash receipts is unaccounted for which is further supported by the results of our reasonableness test that revealed an estimated unaccounted for cash of at least \$700.

Recommendation:

By implementing the previous recommendation cited in this report, a much stronger internal control structure would be achieved.

GENERAL

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the City of Denham Springs' financial statements or specified elements, accounts, or items thereof. Accordingly, we do not express such an opinion. Also, we express no opinion on the effectiveness of the City of Denham Springs' internal control over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

We appreciate the cooperation and assistance accorded us by the employees of the City of Denham Springs. If you have any questions about this report, or if we can be of any further service to you in carrying out our recommendations, we shall be pleased to meet with you at your convenience.

Respectfully submitted,

Hannis J. Bourgeois, LLP