

TOWN OF MELVILLE



ADVISORY SERVICES REPORT  
ISSUED NOVEMBER 19, 2008

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

November 19, 2008

**THE HONORABLE PAM CANATELLA,  
MAYOR, AND MEMBERS OF THE  
BOARD OF ALDERMEN**  
Melville, Louisiana

My staff applied our *Checklist of Best Practices in Government* in providing advisory services for the financial operations of the Town of Melville (town). In addition, we reviewed your resolution of the audit findings reported in the town's September 30, 2007, audited financial statements.

Attachment I contains our findings and recommendations resulting from our assessment and Attachment II provides the status of the September 30, 2007, audit findings. Management's response is presented in Appendix A.

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

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Steve J. Theriot".

Steve J. Theriot, CPA  
Legislative Auditor

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## Findings and Recommendations



The following are the findings and recommendations resulting from our advisory services. Management (mayor and aldermen) of the town should consider the costs of implementing these recommendations compared to the benefits they will provide. For any recommendations not implemented, management should be aware of the risks.

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

### **Financial Management**

Management of the town's fiscal operations needs improvement. Without an effective financial management system, the mayor and board of aldermen cannot effectively exercise its fiduciary responsibilities of managing the town's finances.

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

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

Recommendation: Management should develop and implement written policies and/or procedures, in accordance with applicable Louisiana laws, related to the following:

- Budgeting, including procedures for preparing, adopting, monitoring, and amending budgets
- Financial reporting, including the nature, extent, and frequency of reporting financial information to management
- Investing cash, including procedures for ensuring that bank balances and investments are fully secured
- Receipts/collections, including receiving, recording, and preparing bank deposits
- Customer utility accounts, including procedures for reading meters, preparing bills, collecting payments, and terminating services

- Purchasing, including how purchases are initiated and approved, checks and balances to ensure compliance with the public bid law, and documentation required
  - Contracts, including monitoring procedures to ensure that services received comply with terms and conditions
  - Disbursements, including processing, recording, reviewing, and approving payments
  - Payroll and personnel, including processing, reviewing, and approving time/attendance records, including leave taken and overtime worked
  - Capital assets, including recording, tagging, inventorying, and safeguarding assets
  - Travel, including rates for mileage, meals, and lodging and filing standard expense reimbursement reports
  - Credit cards, including charges allowed and documentation required
  - Cellular telephones, including accounting for the business and personal use
  - Gasoline and diesel inventories, including procedures for dispensing and accounting for usage
  - Traffic tickets, including storing, issuing, and accounting for issued citations
  - Confiscated evidence, including recording, maintaining, inventorying, and disposing of items
  - Computer, including backing up and storing computer files, general controls for the computer system, and a disaster recovery/business continuity plan
  - Retention of public records, including e-mail communications
2. **Deficit Spending in General Fund** - Management has continually spent more than the available revenues (e.g., taxes, licenses, fines, et cetera) of the General Fund. For example, over the past 6-year period (2002-2007), deficit spending in the General Fund totaled \$606,517 as summarized on the following page:

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Revenues	\$389,615	\$254,304	\$257,909	\$225,055	\$124,680	\$171,972
Expenditures	(444,663)	(397,959)	(326,858)	(308,558)	(263,104)	(288,910)
(Deficit)	<u>(\$55,048)</u>	<u>(\$143,655)</u>	<u>(\$68,949)</u>	<u>(\$83,503)</u>	<u>(\$138,424)</u>	<u>(\$116,938)</u>

Management has consistently used monies generated in the Utility Fund (e.g., gas, sewer, and water services) to support/finance this deficit spending in the General Fund as the fund balance of the General Fund was not sufficient to finance such spending. According to the audited financial statements of the town, the fund balance of the General Fund for the previous 6-year period was as follows:

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Reserved		\$17,899				
Unreserved	28,653	\$586	\$45,244	\$7,106	\$3,109	\$3,249
Total Fund Balance	<u>\$46,552</u>	<u>\$586</u>	<u>\$45,244</u>	<u>\$7,106</u>	<u>\$3,109</u>	<u>\$3,249</u>

Recommendation: Management should do the following:

- Prepare and adopt a written plan for the General Fund that incorporates short- and long-term spending cuts and/or increases in revenues to eliminate continued deficit spending. Management should also use the plan for budgeting and decision-making.
  - Monitor the financial statements and budget monthly to ensure that operations of the General Fund are within the available funding and that a reasonable fund balance is maintained and to assess whether the town is on target with the plans.
3. **Equity Decreasing in Utility Fund** - The equity/net assets of the Utility Fund have steadily decreased and the “unrestricted” component is a deficit. Equity of the Utility Fund is displayed as “net assets” in the town’s audited financial statements and reported in two components: (1) invested in capital assets, net of related debt and (2) unrestricted net assets.

This decreasing trend in the equity of the Utility Fund is primarily a result of significant amounts of cash transferred out to the General Fund. For example, for the past 4-year period (2004-2007), income (before transfers) generated from utility operations totaled \$66,410; cash transferred out totaled \$365,230 (net); and the resulting decrease in equity/net assets of the Utility Fund totaled \$298,820 (before capital contributions) as summarized on the following page:

	Fiscal Year			
	2007	2006	2005	2004
Operating revenues	\$515,591	\$572,971	\$584,702	\$576,699
Operating expenses	(467,107)	(506,669)	(487,107)	(490,803)
Interest expense, net	(43,207)	(72,497)	(58,475)	(57,688)
Income (loss) before transfers	5,277	(6,195)	39,120	28,208
Transfers, net	(93,050)	(84,462)	(105,218)	(82,500)
Decrease in net assets	<u>(\$87,773)</u>	<u>(\$90,657)</u>	<u>(\$66,098)</u>	<u>(\$54,292)</u>

According to the audited financial statements of the town, the components of net assets of the Utility Fund for the previous 4-year period were as follows:

	Fiscal Year			
	2007	2006	2005	2004
Invested in capital assets, net of related debt	\$2,949,201	\$3,052,965	\$3,139,109	\$3,158,817
Unrestricted	(53,176)	(69,167)	(64,654)	(23,289)
Total Net Assets	<u>\$2,896,025</u>	<u>\$2,983,798</u>	<u>\$3,074,455</u>	<u>\$3,135,528</u>

Recommendation: Management should do the following:

- Prepare and adopt a written plan for the Utility Fund that incorporates short- and long-term spending cuts and/or increases in revenues to reverse the decreasing trend in equity/net assets. Management should also use the plan for budgeting and decision-making.
  - Monitor the financial statements and budget monthly to ensure that operations of the Utility Fund are within the available funding and that a reasonable unrestricted net assets balance is maintained and to assess whether the town is on target with the plans.
4. **Noncompliance With Ethics Plan** - Management exceeded the \$400 monthly expenditure limit set forth in its plan approved by the Louisiana Board of Ethics and management did not always file the quarterly affidavits as required.

The Board of Ethics Advisory Opinion 2007-016 (dated April 17, 2007) allows the town to participate in limited transactions with a business in which the mayor owns a controlling interest and requires the town to file quarterly affidavits attesting to its compliance.

Recommendation: Management should monitor monthly purchases to ensure that the town does not continue to exceed the \$400 expenditure limit and should ensure that quarterly affidavits are prepared and filed as required.

5. **Budget Not Adopted by Ordinance** - The town’s 2008 General Fund budget was adopted by resolution rather than by ordinance as required by state law [R.S. 33:406 A (3)]. Also, the Local Government Budget Act (R.S. 39:1305.D) requires the ordinance to define the authority of the mayor to make changes within various budget classifications without approval by the board, as well as those powers reserved solely to the board. In addition, the Louisiana Attorney General has opined (A.G. Opinion 00-462) that an amendment to a budget adopted by ordinance in a Lawrason Act municipality must also be made by ordinance.

Recommendation: Management should strictly comply with all state laws relating to budgeting, including adopting and amending the town’s annual budgets by ordinance.

6. **Noncompliance With Bond Requirements** - Management failed to make all payments required under the terms and conditions of two separate bonds that the town has with the United States Department of Agriculture (USDA).

Although the town is making the required monthly payments of principal and interest on both bond issues, sufficient monies have not been set aside in a “Reserve Fund” as required for the purposes of paying the principal and interest on the bonds as to which there would otherwise be default. In addition, sufficient monies have not been set aside in a “Depreciation and Contingency Fund” for one bond issue as required for depreciation, extensions, additions, improvements, and replacements necessary to maintain and operate the water and sewer system.

We calculated a cash deficiency totaling \$184,609 at May 31, 2008, under both bond issues as follows:

**\$985,000 Water and Sewer Revenue Bonds (Series 1983)**

- There is a cash deficiency of \$69,911 in the Sewer Reserve Fund:

	May 31, 2008
Cash in bank	\$1,334
Cash deposit requirements (August 1984 - May 2008)	71,245
Cash deficiency	(\$69,911)

- There is a cash deficiency of \$80,042 in the Depreciation and Contingency Fund:

	May 31, 2008
Cash in bank	\$1,182
Cash deposit requirements (August 1984 - May 2008)	81,224
Cash deficiency	(\$80,042)

**\$450,000 Sales Tax Bond (Series 1991)**

- There is a cash deficiency of \$34,656 in the Reserve Fund:

	May 31, 2008
Cash in bank	None
Cash deposit requirements (August 1991 - May 2008)	\$34,656
Cash deficiency	(\$34,656)

Recommendation: Management should seek guidance from the USDA on the resolution of these cash deficiencies. Any resolution/agreement should be in writing and maintained on file at the town hall.

**Segregation of Accounting Duties**

The town’s accounting duties are not adequately segregated because of the limited number of office employees (town clerk and assistant clerk). Without adequate segregation of duties, errors or fraud could occur and not be detected, increasing the risk of loss or theft of town assets. Ideally, different employees would be responsible for transaction: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation. Good controls dictate that one person should not have control of more than one of those responsibilities.

For example, the town clerk performs accounting duties related to the operations of the Utility Fund without supervisory review. Although both the town clerk and assistant clerk collect utility payments and post payments to customer accounts, the town clerk also prepares the utility bills, records adjustments to customer utility accounts, prepares the bank deposits, and records transactions in the general ledger.

Recommendation: Management should assign responsibilities between the town clerk and assistant clerk to ensure a crosscheck of duties. As a compensating control, we suggest that the mayor be involved by performing a supervisory review of the town clerk’s work.

**Purchasing and Disbursements**

Controls over purchases and disbursements need to be improved.

**Purchase Order System** - Our assessment revealed that appropriate documentation to support purchases and disbursements was not always available. To strengthen accountability and controls over purchasing and disbursements, the town should implement a purchase order system. Under a basic purchase order system, certain documentation is required before payment is made for services provided or materials received. Documentation should include the following:

- Purchase requisition - submitted by the department requesting the purchase and approved by a designated town official

- Purchase order - prepared by the town clerk who verifies that funds are budgeted and available and that the purchase is in compliance with the public bid law (approved by a designated town official)
- Receiving report - evidence from the town employee receiving the materials/supplies that they were actually received
- Invoice - evidence from the vendor of the services or materials provided
- Approval of invoice - verified by the approver that documentation is present to support the payment and the amount owed is correct

Recommendation: Management should:

1. Require that all supporting documentation (requisition, purchase order, receiving report, and invoice) is available before payment is approved
2. Require that check signers review the supporting documentation for completeness before signing town checks
3. Ensure that the paid vendor invoice and supporting documents are filed together (do not separate the supporting documents into separate files)

**VISA Credit Card Charges** - The detailed/itemized receipts for charges and the documentation of the business purposes for the charges was not always being accounted for and maintained on file. As a result, we could not readily determine the business purposes of the VISA charges.

Recommendation: Management should develop and adopt a policy addressing credit card use, including requiring detailed/itemized receipts of all charges to be submitted to the town clerk with the business purpose for the charges clearly documented.

**Late Charges** - The town incurred and paid late charges to vendors. Paying invoices late results in misusing public funds and creates an atmosphere that the town is unable to pay its bills or manage town resources entrusted by its taxpayers.

Recommendation: Management should consider establishing a biweekly payment schedule that will ensure all bills are paid timely. In addition, we suggest that a list of all unpaid bills, including the invoice amount, invoice date, and due date be provided to the mayor and aldermen at each regular board meeting.

### **Gasoline and Diesel**

Controls over gasoline purchases and diesel usage need to be improved. Good business practices require that management implement controls to ensure that only town vehicles and equipment receive fuel, adequate records are maintained, and usage is reasonable.

**Gasoline Purchases** - Management does not perform a written analysis of the reasonableness of gasoline purchased.

Recommendation: Management should:

- Require that all gasoline charge/purchase tickets (submitted by employees) contain the (1) date of purchase; (2) vehicle odometer reading; (3) number of gallons purchased; (4) price per gallon; and (5) description of the town vehicle/equipment receiving the gasoline
- Require the town clerk to prepare a monthly summary by vehicle/equipment (using the charge tickets) that provides the dates, gallons purchased, miles driven, and the calculated miles per gallon (for those vehicles that have odometers)
- Analyze the monthly summary and assess whether the number of gallons received, miles traveled, and miles per gallon are reasonable

**Diesel Usage** - The town's diesel pump is not equipped with a meter, therefore, management is unable to measure or monitor the reasonableness of diesel usage.

Recommendation: Management should do the following:

- Authorize the purchase and installation of a pump meter.
- Require the preparation of a daily log for recording diesel dispensed from the tank. The log should include the date, number of gallons dispensed, pump meter readings, vehicle odometer readings (when applicable), and signature of the person receiving the diesel.
- Designate an employee to reconcile daily the number of gallons dispensed with the pump meter readings.
- Require the town clerk to prepare a monthly summary by vehicle/equipment (using the daily logs) that provides the dates, gallons purchased, miles driven, and the calculated miles per gallon (for those vehicles that have odometers).
- Analyze the monthly summary and assess whether the number of gallons received, miles traveled, and miles per gallon are reasonable.

### **Capital Assets**

Controls over capital assets of the town need to be improved. The town does not perform an annual physical inventory of its capital assets, assets are not tagged for identification purposes, and the detailed listing of capital assets has not been updated with transactions (i.e., purchases and dispositions) occurring in the current fiscal year.

Recommendation: For proper controls, management should ensure that the town's capital assets are tagged and inventoried at least annually and that the detailed list is updated for additions/purchases and deletions/sales during the fiscal year.

### **Customer Utility Accounts**

Controls over customer utility accounts need to be improved.

**Customer Balances Not Reconciled** - The accounts receivable balance in the accounting system (general ledger) is not being reconciled with the customer balances in the Utility Billing System (subsidiary ledger). The monthly reconciliation of these two independent records is very important and essential for a good system of controls over customer utility account balances.

For example, at May 31, 2008, the accounts receivable balance in the general ledger was \$118,959 and the balance in the subsidiary ledger was \$138,440, an unexplained difference of \$19,481.

Recommendation: Management should immediately resolve the unexplained difference at May 31, 2008. Any adjustments necessary should be reviewed and approved (in writing) by management. In the future, the town clerk or contract accountant should reconcile these two separate records on a monthly basis and resolve any differences timely.

**Past Due Customer Balances** - The town is not consistently terminating/cutting off utility services on customers that have past due balances. For example, on June 24, 2008, there were 68 customers with past due balances totaling \$9,595 who were continuing to receive utility services.

The continued operation of the utility system and the quality of service provided to customers depends on the town collecting for the services it provides. Continuing to provide services to customers after the cut-off date affects the quality of services provided and jeopardizes the continued operation of the utility system. In addition, giving free service violates Louisiana's constitution (Article VII, Section 14 of the Louisiana Constitution of 1974).

Recommendation: Management should:

- Develop and adopt a written cut-off policy that requires all customer accounts to be collected on a timely basis or services will be terminated
- Review the monthly accounts receivable aging report to ensure that the cut-off policy is strictly enforced and that services are promptly terminated on all customers, including employees, who have not paid their bill by the cut-off date
- Monitor compliance of all customers that have entered into a *Utility Payment Plan Agreement* with the town and terminate services on those customers who have not complied with the payment terms

- Take aggressive action, including legal action when necessary, to collect all delinquent accounts

**Meter Deposit Balances Not Reconciled** - The town’s liability for repayment of customer meter deposits recorded in the general ledger is not reconciled with the cash maintained in restricted bank accounts or with the meter deposits amounts recorded in the Utility Billing System (subsidiary ledger). Management of the town has a fiduciary responsibility to properly account for customer meter deposits.

There was no explanation for the differences among the following three balances at May 31, 2008:

Restricted Bank Accounts	General Ledger	Utility Billing System
\$45,235	\$56,378	\$56,012

Recommendation: Management of the town should determine its liability for customer meter deposits and ensure that sufficient monies are on deposit in the restricted bank accounts. Any adjustments/transfers necessary should be reviewed and approved (in writing) by management. Thereafter, on a monthly basis, the town clerk (or contract accountant) should reconcile the balance in the general ledger with the bank balances and with the individual customer deposit balances recorded in the Utility Billing System. Any difference should be resolved in a timely manner.

### **Payroll and Personnel**

Our assessment of payroll and personnel revealed control weaknesses and a matter that is contrary to state law.

**Compensation of Municipal Officers** - The board of aldermen did not by ordinance fix the compensation of the mayor, aldermen, clerk, and police chief as required by state law (R.S. 33:404.1).

Recommendation: The board of aldermen should comply with state law and by ordinance fix the compensation of all municipal officers of the town.

**Leave Recordkeeping** - The town did not maintain adequate records to support vacation and sick leave taken by employees. Without maintaining accurate records, management cannot ensure that leave privileges are reasonable and not being abused.

Recommendation: Management should require that leave slips/forms be completed by employees for all leave used (approved by supervisors) and ensure that leave balances are accurately updated each pay period.

**Personnel Records** - Standard employment information and forms were not maintained on all town employees. Our assessment revealed that employee files did not always contain the following records:

- Written authorization of pay rates
- Form W-4 - Federal Withholding Allowance Certificate
- Form L-4 - Louisiana Employee Withholding Exemption Certificate
- Form I-9 - Employment Eligibility Verification (applicable to employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service)

Recommendation: Management should ensure that all personnel files are updated to include authorized pay rates and the appropriate tax and employment forms.

### **Traffic Tickets/Citations**

Our assessment of traffic tickets/citations revealed control weaknesses and a matter that is contrary to state law.

**Accounting for Tickets** - The town was not accounting for the numerical sequence of traffic tickets. Without accounting for the numerical sequence of tickets, there is no way to determine whether citations were issued, lost, or voided. Proper accounting for tickets is important to help ensure (1) fines are collected or appropriate action is taken for nonpayment; (2) compliance with relevant Louisiana laws; and (3) town funds are not misappropriated.

Recommendation: Management should require ticket books to be issued to police officers only after the previously issued book has been accounted for and all issued citations have been received from the police officer. The numerical sequence of all citations issued and the final disposition of those citations should be accounted for on at least a monthly basis. We suggest that the town consider using a computer application/program to help account for tickets and track to their final disposition.

**Cash Collections** - Police department personnel collect cash (fines and bond monies) during non-business hours.

Recommendation: Management should prohibit police department personnel from collecting monies of the town. However, should management deem it necessary for police personnel to continue collecting payments, management should strengthen controls over the current collection process. Upon collection, the cash should be placed under lock (e.g., drop box) for which police personnel do not have the key/combination. The next business day, the clerk (or assistant clerk) should be responsible for retrieving and verifying the cash to the amounts recorded in the receipt book.

**Traffic Violations Not Reported** - The town was not reporting traffic violations to the Louisiana Department of Public Safety (DPS) as required by law. R.S. 32:393C(1)(b) requires the town to report all traffic violations, except parking violations, to DPS not later than 30 days after the date of such person's conviction and sentencing or the final disposition of the case.

Recommendation: The town should immediately comply with state law and report all traffic violations to DPS.

### **Mayor's Court**

Our assessment of mayor's court revealed certain matters that are contrary to state law.

**Court Records** - The mayor's court docket did not always reflect the final disposition of tickets/cases and there were no written minutes of court proceedings. R.S. 33:442 requires the mayor to keep a perfect record of all cases tried.

Recommendation: The mayor should comply with state law and keep a perfect record of all cases tried.

**Special Court Costs** - The town did not remit special court costs to entities as required:

1. *Local Law Enforcement Training and Assistance Program* - Article 887.E of the Louisiana Code of Criminal Procedure requires the mayor to assess \$2 to each person convicted of a misdemeanor or town ordinance and to remit these costs (less 2% withheld by the town as an administrative fee) to the Louisiana Commission of Law Enforcement and Administration of Criminal Justice.
2. *Trial Court Case Management Information System Plan* - Article 887.F of the Louisiana Code of Criminal Procedure requires the mayor to assess \$1 (\$2 for municipalities with a population greater than 2,000) to each person convicted of a misdemeanor or town ordinance and to remit these costs to the state treasury on or before the tenth of each month.
3. *Traumatic Head and Spinal Cord Injuries Services* - R.S. 46:2633 requires \$5 to be assessed for each reckless driving or speeding offense that results in conviction. This cost should be remitted to the state treasury within 30 days after collection.

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

### **Fidelity Bond Insurance**

The town's fidelity bond did not include insurance coverage on police dispatchers who collect bond monies and misdemeanor (e.g., disturbing the peace) fines during non-business hours. A fidelity bond provides insurance reimbursement on losses caused by the dishonest acts (e.g., theft) of bonded employees.

Recommendation: Management should ensure that the town has fidelity bond coverage on all employees, including dispatchers, who have access to monies of the town.

### **Confiscated Evidence**

The town's police department did not maintain an inventory listing of confiscated evidence (e.g., weapons). Failure to maintain control over evidence increases the risk that evidence will be stolen, lost, or disposed of improperly.

Recommendation: The police chief should perform a physical inventory of the evidence and ensure that inventory records are prepared and maintained that document the date confiscated, tag number, description of the evidence, name of the individual from whom confiscated, reference to the arrest report, and final disposition.

We also suggest that a policy be established as to the period of time that evidence should be maintained and when a destruction order (or an order to return the evidence to the lawful owner) should be obtained from the court/judge and district attorney. After the policy is approved, a destruction order should be obtained for evidence held that exceeds the policy period. A document from the law enforcement agency that destroys the evidence (the town's police officers should be prohibited from destroying evidence) should be maintained that includes the date, location, items destroyed, and signature of the persons destroying and witnessing the destruction.

### **Minutes**

Minutes of the board meetings were not published as required by Louisiana law. R.S. 43:143 requires the board minutes to be published in the town's official journal/newspaper.

Recommendation: Management should ensure that minutes and other official proceedings of the board are published in accordance with law and that newspaper clippings are maintained as evidence.

### **Vehicle Decals**

We observed two town vehicles that were not marked with an insignia/decal containing the name of the town as required by Louisiana law. R.S. 49:121 requires town vehicles to have inscribed, painted, decaled, or stenciled on the outside door on each side of the vehicle, an insignia containing the name of the town.

Recommendation: Management should ensure that all town vehicles are properly identified with appropriate decals in accordance with state law.

### **Contracts**

The town did not have written contracts/agreements for its contracted legal and accounting services. Good business practices require that contracted services of the town be evidenced in writing and include the specific deliverables and payment terms.

Recommendation: All agreements for services (professional or otherwise) with third parties should be in the form of a written contract. The mayor or town clerk should monitor each contract to ensure that services received by the town comply with the terms and conditions of the contract.

### **Records Retention Schedule**

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

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

### **Computer Backup and Disaster Recovery Plan**

Recommendation: We recommend that the town clerk perform a daily backup of computer data/files and secure the backup at an off-site location. In addition, we recommend that management prepare a written disaster recovery/business continuity plan and to test/revise the plan on an annual basis. Having a 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 disaster, fire, or terrorist attack.

## Summary of Audit Findings



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SUMMARY OF AUDIT FINDINGS

The following represents a summary of the audit findings reported in the September 30, 2007, audited financial statements (reported by the town's independent auditor) and the disposition of those findings based on our inquiries and general observations as of June 24, 2008. Management's response is presented in Appendix A.

<b>September 30, 2007, Audit Findings</b>	<b>Disposition as of June 24, 2008</b>
The town failed to comply with its gas and sewer bond agreements with the United States Department of Agriculture by failing to collect sufficient funds for debt service requirements.	<u>Partially Resolved.</u> The debt related to the gas bond has been paid. Although the payments on the debt related to the sewer bond is current, the town has not made the required deposits into the Reserve Fund and the Depreciation and Contingency Fund. (See finding, <i>Noncompliance With Bond Requirements.</i> )
The town's accounting functions were not adequately segregated.	<u>Unresolved.</u> The town clerk performs accounting duties/functions without supervisory review. (See finding, <i>Segregation of Accounting Duties.</i> )

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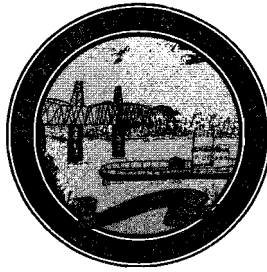
## Management's Response



MAYOR  
Pamela H. Cannatella

TOWN COUNCIL  
Pete Antie  
Marshall Bertrand  
Veronica LeBlanc  
Denise Oliney Rose  
Christine Vaughn

TOWN CLERK  
Jessica R. Landry



## TOWN OF MELVILLE

P O. Box 268  
Melville, LA 71353-0268  
(337) 623-4226  
Fax: (337) 623-3620

ASSISTANT TOWN CLERK  
Decole McKeel

TOWN ATTORNEY  
Dejean, Mouret & Mouret

C.P.A. / AUDITOR  
Kolder, Champagne,  
Slaven & Company

November 7, 2008

Mr. Steve Theroit  
Legislative Auditor  
State of Louisiana  
1600 North Street  
Baton Rouge, LA 70806

Dear Mr. Theroit:

The Town of Melville, Louisiana respectfully submits the following corrective action plan in response to your office's audit findings.

### **The Town's written policies and procedures are not complete**

While the Town of Melville does not have written policies and procedures, our staff does have a verbal understanding of our policies. Management understands the importance of written policies and procedures and will work to develop, adopt and implement policies and procedures.

### **Deficit Spending in General Fund**

Since taking office in 2007, management has increased revenue and reduced expenses in many areas. Management monitors monthly financial statements and continues to look for more ways to reduce expenses and generate revenue.

### **Equity Decreasing in Utility Fund**

The Town of Melville has been awarded a loan/grant by USDA Rural Development to upgrade the sewer system. When this upgrade is complete, repairs will be reduced, thereby reducing operating expenses. The town will also increase monthly sewer billing rates which should help reverse the decreasing equity of the utility fund.

*"Atchafalaya River Catfish Capital of Louisiana"*

### **Noncompliance with Ethics Plan**

The Town of Melville did exceed the \$400 monthly limit on several occasions. However, many months the town was well below the \$400 limit and the town never exceeded the yearly limit of \$4,800 set by the town council. Management has filed all outstanding quarterly reports with the Louisiana Board of Ethics and will continue to file on a quarterly basis.

### **Budget Not Adopted by Ordinance**

The Town of Melville has always adopted/amended its budget by Resolution as recommended by our accounting firm. In the future the Town of Melville will adopt/amend its budget by Ordinance as required.

### **Noncompliance with Bond Requirements**

During the previous administration the Town of Melville had fallen behind on their USDA Bond requirements. In 2003, USDA gave the Town of Melville permission to take all the monies out of their Reserve and Depreciation & Contingency Funds to bring the principal and interest funds up to date. The Town of Melville is making monthly payments directly to USDA through electronic funds transfers. Due to the financial condition of the town, there were never sufficient monies to fund the Reserve and Contingency & Depreciation funds until recently. These accounts are currently being funded on a monthly basis.

USDA Rural Development recently awarded the Town of Melville a loan/grant to upgrade the town's sewer system. The remaining balance of the current Sewer Bond will be paid off and rolled over into the new Sewer Bond at a lower interest rate. The Town of Melville will increase the monthly sewer billing rates to properly fund the Principal & Interest, Reserve, and Depreciation & Contingency Funds.

### **Segregation of Accounting Duties**

Management will continue to research ways to segregate duties with the limited number of employees available. Currently our accounting firm oversees/reconciles several responsibilities performed by the town clerk.

### **Purchase Order System**

Management will implement a basic purchase order system and require supporting documentation to be attached to the invoice and payment.

### **VISA Credit Card Charges**

While descriptions were written on charge receipts, management understands that these descriptions were not easily identifiable to everyone. Management will use purchase orders in the future to more clearly identify the purpose of the charges.

### **Late Charges**

The Town of Melville will make every effort to avoid paying late charges. The town clerk does provide list of unpaid bills by vendor, date and amount to the Mayor and Council members in their folders for each monthly meeting. In the future the town clerk will give a report on monthly billing and past due invoices at the town meeting.

### **Gasoline Purchases**

Management does not perform a *written analysis* on a monthly basis but does review all the gas purchase tickets. Purchase tickets include date purchased, vehicle description, odometer reading, number of gallons purchased, price per gallon and person making purchase. Management does a periodic analysis of miles driven and calculates mpg per vehicle.

### **Diesel**

Management is aware of the liability of not having a meter on the diesel fuel tank but has decided the benefit of a meter will not offset the cost. Management has put into place the following policy in to deter misuse of town property: The diesel tank is in a locked fenced area with the key kept in the clerk's office and the maintenance supervisor must approve all diesel fuel being dispensed.

### **Capital Assets**

The Town of Melville has a limited number of capital assets. Management will prepare a detailed inventory list and estimated value.

### **Customer Utility Accounts: Customer Balances Not Reconciled**

Management will work with the town's accounting firm to resolve the unexplained difference on May 31, 2008. The town clerk is working with the accounting firm on a monthly basis to reconcile this account.

### **Customer Utility Accounts: Past Due Customer Balances**

Management will develop and adopt a written cut-off policy. Management is working with customers to collect past due accounts and will continue to monitor customers who have entered into a Utility Payment Plan to make sure payments are made.

### **Customer Utility Accounts: Meter Deposit Balances Not Reconciled**

Management will conduct an audit of the meter deposits to resolve the un-reconciled difference in the account balances. In the future the town clerk or asst. clerk and accounting firm will reconcile these accounts on a monthly basis.

**Payroll and Personnel: Compensation of Municipal Officers**

The town council will fix, by ordinance, the compensation of all municipal officers of the town.

**Payroll and Personnel: Leave Recordkeeping**

Management will review records to make sure all leave slips are correctly recorded. Management will request police personnel leave slips from the Chief of Police.

**Payroll and Personnel: Personnel Records**

Management will ensure that all personnel files are updated to include the appropriate tax and employment forms.

**Traffic Tickets/Citations: Accounting for Tickets**

The Mayor will work with the Chief of Police to ensure that all tickets are accounted for. The town has started using an Excel program to help account for tickets and track their final disposition.

**Traffic Tickets/Citations: Cash Collections**

The mayor will work with the Chief of Police to reduce the collection of cash during non-business hours. The town will purchase a locking drop box where monies can be deposited overnight and retrieved by the town clerk during business hours. The town clerk will reconcile monies from the drop box with police fines receipt book.

**Traffic Tickets/Citations: Traffic Violations not Reported**

Management will ensure that all traffic violations are reported to DPS within 30 days after the date of conviction.

**Mayors Court: Court Records**

The mayor will ensure that records of all cases tried are recorded properly.

**Traffic Tickets/Citations: Special Court Costs**

The mayor will ensure that all special court costs are remitted to the appropriate agencies.

### **Fidelity Bond Insurance**

Management has included the Chief of Police in their insurance coverage. The town will research costs to include dispatchers.

### **Confiscated Evidence**

The Chief of Police will perform a physical inventory of the evidence and ensure that all inventory records are prepared and maintained to document the date confiscated, tag number, description of evidence, name of individual from who confiscated, reference to the arrest report and final disposition.

### **Minutes**

Management will ensure that a summary of the board meetings and other official proceedings of the board are published in accordance with state law and newspapers clippings will be maintained.

### **Vehicle Decals**

Decals have been placed on all vehicles except the Chief of Police's car.

### **Contracts**

Management will ensure that the town has written contracts for services provided by third parties and monitor those contracts to ensure that services are provided.

### **Records Retention Schedule**

The town has developed and submitted a records retention schedule to the state archivist and is awaiting approval of that plan.

### **Computer Backup and Disaster Recovery Plan**

The town has purchased an external hard drive for backups and the town clerk and/or asst. clerk will perform daily backups of computer data/files and secure one copy in the towns safe and secure one at an off-site location. Management will work with the town council to prepare a disaster recovery/business continuity plan.

With Regards,



Pamela H. Cannatella  
Mayor