

TOWN OF RINGGOLD



ADVISORY SERVICES REPORT
ISSUED MAY 17, 2006

**LEGISLATIVE AUDITOR
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May 17, 2006

HONORABLE BENJAMIN E. PLUNKETT, MAYOR,
AND MEMBERS OF THE TOWN COUNCIL
Ringgold, Louisiana

We applied our *Checklist of Best Practices in Government* in providing advisory services for the Town of Ringgold's business office. Attachment I contains our recommendations resulting from our assessment of the procedures and practices of the town's business office. Management's response is presented in Appendix A.

The Louisiana State Police is currently investigating possible shortages in the town's "third-party collections" program. The scope of our advisory services did not include this program.

Our recommendations are intended to improve controls over financial operations, provide advice in implementing good business practices, and ensure compliance with state laws. However, management of the town should consider the costs of implementing our recommendations compared to the benefits they will provide. This assessment is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards; therefore, we are not offering an opinion on the town's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

RLT:GM:JSI:ss

[RINGGOLD]

Recommendations

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

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

Business Office Operations

We recommend that the town contract with an outside accountant to work each month with the town clerk in performing certain monthly tasks to ensure that all financial matters are being done each month (e.g., preparing monthly financial statements with budget comparisons and reconciling all bank statements). In addition, a contract accountant would incorporate checks and balances for certain business operations.

Because of limited financial resources, only two employees are available (town clerk and water clerk) to handle all business operations for the town. Also, during the past year, four different individuals have filled the water clerk position which has required the town clerk to spend additional time training new employees. Having just two employees manage all business operations has resulted in various financial matters not being done timely or not done at all (e.g., see recommendations for "Reconciliation of Bank Statements," "Financial Statements," "Capital Assets," and "Traffic Tickets and Town Summonses").

Written Procedures

We recommend that formal written procedures be prepared for the various business functions of the town and that management consider cross-training the water clerk for other tasks, especially processing payroll. Formal written office procedures ensure a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and ensure the procedures followed meet management's expectations. Also, written procedures aid in the continuity of operations and for cross-training of staff.

There are no written procedures for the following:

1. Preparing, adopting, monitoring, and amending the budget
2. Ensuring that bank balances and investments are adequately secured
3. Processing, reviewing, and approving disbursements
4. Processing payroll

5. Recording, tagging, and safeguarding capital assets
6. Storing, issuing, and accounting for traffic tickets and citations
7. Preparing customer water/sewer bills
8. Collecting and depositing receipts (utilities, ad valorem taxes, permits, et cetera)

Signatory Authority for Checks

We recommend that the town clerk's authority to sign checks be terminated and that the mayor and mayor pro-tem, with an alternate council member, be the only authorized check signers for the town. This will strengthen controls over cash since it is not practical to have an adequate system of checks and balances due to the limited number of employees.

Bank Statements

We recommend that the mayor receive the monthly bank statements directly (unopened) from the bank and that he review them for any unusual disbursements and that deposits appear reasonable. This procedure will strengthen controls over cash since it is not practical to have an adequate system of checks and balances because of the limited number of employees. After the mayor's review, the bank statements should be given to the town clerk for her to perform the bank reconciliations.

Reconciliation of Bank Statements

We recommend that all bank reconciliations be prepared within 10 business days after the statements are received from the bank. The mayor should review the completed reconciliations to ensure that they are done timely, that outstanding checks appear reasonable (none over 90 days old) and that there are no unusual reconciling items.

Reconciling the bank balances with the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the town (an essential process in ensuring complete and accurate monthly financial statements); (2) checks are clearing the bank in a reasonable time; (3) reconciling items (errors, unrecorded deposits and checks, et cetera) are appropriate and are being recorded; and (4) the reconciled cash balances agree to the general ledger cash balances. In addition, Louisiana Revised Statute (R.S.) 10:4-406(d) (2) allows the town 30 days to examine bank statements and canceled checks for unauthorized signatures or alterations. After 30 days, the town is precluded from asserting a claim against the bank for unauthorized signatures or alterations.

Our visit on February 17, 2006, revealed that most of the bank statements had not been reconciled for several months. However, on our follow-up visit on March 10, 2006, the town clerk was up-to-date on reconciling all bank accounts, except for the payroll account.

Financial Statements

We recommend that monthly financial statements, to include budget-to-actual comparisons, be prepared and presented to the mayor and council members. The council's review of the financial statements should be reflected as an item on the monthly agenda and all discussions should be documented in the minutes. Without monthly financial statements the council members can not effectively exercise their fiduciary responsibilities of managing the town's fiscal operations and monitoring the budget.

Capital Assets

We recommend that the town prepare a detailed list of all capital assets it owns, tag the assets, and conduct an annual physical inventory. R.S. 24:515(B)(1) requires the town to maintain records of all land, buildings, improvements other than buildings, equipment, and any other capital assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost. Good internal controls over capital assets require that (1) detailed asset records be current; (2) every asset includes a tag identifying it with a number that can be cross-referenced to the detailed asset records; and (3) a physical inventory be conducted at least on an annual basis.

The town's asset listing was not complete as it did not include the date the asset was acquired, the cost of the asset, and the location of the asset. Also, the assets were not tagged. The December 31, 2004, auditor's report included a finding related to this matter.

Cash Collected for Warrants

We recommend that cash be deposited into the town's bank account when a bond is posted for an arrest warrant. Currently, cash is kept in the town safe during the day and held by the bank at night/weekends in the overnight cash bag (the cash is not deposited with the bank). Although the town does not usually hold a large amount of cash for these bonds (ranges from \$100 to \$400 at any given time), it is important to provide adequate safeguards for this money.

The December 31, 2004, auditor's report included a management letter comment related to this matter.

Payroll

We recommend that the town:

1. Ensure that any future Individual Retirement Account (IRA) for part-time employees is set up with New York Life within 30 days after the employee signs up. Also, any employee contributions to the IRA should be remitted to New York

Life monthly to ensure that the town does not incur a possible liability to employees for lost earnings on their contributions.

Our visit on February 17, 2006, revealed that this finding, included in the December 31, 2004, auditor's report, was not resolved. However, on our follow-up visit on March 10, 2006, the town clerk had resolved this matter.

2. Make payments for employee state income taxes withheld to the Louisiana Department of Revenue instead of the Louisiana Department of Labor. This matter was not corrected as of our visit on March 10, 2006. Also, the December 31, 2004, auditor's report included a finding related to this matter.
3. Include the supplemental pay received by the town's police officers in the calculations for federal and state withholding taxes as required by R.S. 33:2218.4.C. This matter was not corrected as of our visit on March 10, 2006. Also, the December 31, 2004, auditor's report included a finding related to this matter.
4. Consider paying all town employees every two weeks (some employees are paid weekly). The current method requires the town clerk to prepare a payroll every week. This procedure will be more efficient and provide more time for the town clerk to perform other town duties.
5. Consider training the water clerk as a back-up for processing payroll (see recommendation for "Written Procedures").

In addition, we recommend that the mayor review the payroll register to ensure that each person paid is actually a town employee and that the rate of pay and hours worked appear reasonable. The review should be done before signing the payroll checks. This procedure will strengthen controls over payroll since it is not practical to have an adequate system of checks and balances because of the limited number of employees.

Water Department

1. Meter Deposits - We recommend that the meter deposit bank balance, meter deposit detail listing, and the general ledger meter deposit account liability balance be reconciled and, once reconciled, that the reconciliation be performed each month. As of February 28, 2006, the meter deposit bank balance was \$37,759; the balance of the meter deposit detail listing was \$21,297; and the general ledger meter deposit liability account balance was \$30,081 (these all should be the same amount). The December 31, 2004, auditor's report included a finding related to this matter.
2. Accounts Receivable - We recommend that the monthly water bills be recorded as an accounts receivable in the accounting records. Currently, the town is not recording the accounts receivable which prevents the reconciliation of the detail customer listing to the

accounting records (this reconciliation is a control feature as these two should agree at all times). The December 31, 2004, auditor's report included a finding related to this matter.

3. Cut-off Policy - We recommend that the town (a) enforce its written cut-off policy to ensure that all delinquent accounts are collected on a timely basis or that service is discontinued; (b) require the mayor to review the accounts receivable aging report at least monthly to ensure compliance with the cut-off policy; and (c) take aggressive action to collect delinquent amounts, including legal action when necessary.

As of February 23, 2006, the amount of delinquent water fees totaled \$9,576. Continuing to provide services after the cut-off date and not actively trying to collect delinquent account balances are prohibited by Louisiana's constitution [Article VII, Section 14(A) of the Louisiana Constitution of 1974].

4. Units of Water Produced - We recommend that the units of water produced be reconciled monthly with the units consumed (billed) to customers. Reconciling production with units consumed would provide information relating to significant leaks in the water lines, inaccurate meters or meter readings, and unauthorized or non-metered water usage.

Ad Valorem Taxes

We recommend that ad valorem taxes assessed be recorded as an accounts receivable in the accounting records. Currently, the town is not recording the accounts receivable and this procedure prevents reconciling the detail listing by property owner to the accounting records (this reconciliation is a control feature as these two should agree at all times).

Gasoline and Diesel Pumps

Good controls over gasoline/diesel require that only town vehicles receive fuel, the supporting documentation for fuel usage identifies the vehicle and includes the odometer readings and pump meter readings, and the supporting documentation is reviewed promptly for reasonableness (number of gallons dispensed, miles traveled, and miles per gallon).

We recommend that the town:

- Maintain separate fuel logs for recording gasoline and diesel dispensed from the town pumps
- Designate a town employee as the "pump attendant" to dispense the fuel during a designated time (e.g., every morning from 7:00 to 7:30) and record the appropriate information in the fuel logs
- Include in the fuel logs the date, number of gallons dispensed, pump meter readings, vehicle odometer readings (when applicable), and signature of the person receiving the fuel

- Reconcile the number of gallons dispensed with the pump meter readings daily
- Prepare a monthly analysis or summary by vehicle that includes, at a minimum, the number of gallons dispensed, miles traveled, and miles per gallon (for those vehicles that have odometers)
- Require the mayor and board to review the analysis monthly to determine for each vehicle that the dates of use are reasonable, and the number of gallons received, miles traveled, and miles per gallon are reasonable

Although the town has a gasoline fuel log for the police department and one for the water/streets department, the logs do not have a place for the pump meter reading or the signature of the person receiving the fuel. In addition, having two separate logs for gasoline makes it difficult to reconcile the number of gallons dispensed with the pump meter readings. Also, for the water/streets department fuel log that we reviewed (February 2006), there were erroneous odometer readings and we were unable to determine if all gasoline dispensed was included on the fuel log because pump meter readings were not recorded. The police department did not complete its fuel log for gasoline dispensed during February 2006.

Traffic Tickets and Town Summonses

We recommend the following relating to traffic tickets/town summonses and the *Ticket Tracker* software:

1. Include the *Ticket Tracker* software on both the police department and town clerk computers and link the two computers
2. Require the police chief to enter the ticket numbers and the police officer name in the *Ticket Tracker* program when a book of tickets/summonses is issued to a police officer
3. Require the police chief to enter the information from the citations (date issued, name of offender, and violation) returned by police officers
4. Restrict the police chief's access rights to the *Ticket Tracker* program to the information contained in numbers 2 and 3 previously listed.
5. Allow the police chief "read rights" to all other fields in the *Ticket Tracker* program
6. Allow the town clerk "read rights" to the police chief's fields
7. Require the police chief and town clerk to account for the numerical sequence of all citations issued and the final disposition of those citations monthly
8. Require the town clerk to report monthly all appropriate traffic violations to the Louisiana Department of Public Safety (DPS) as required by R.S. 32:393C(1)(b)

Accounting for the numerical sequence of the traffic tickets/citations is the key controlling factor. Without accounting for the numerical sequence, there is no way to determine whether citations were issued or tickets were lost or voided.

The police chief is manually accounting for all tickets that he issues to his police officers and he manually records the information on the issued citations. However, the tickets are not entered in the *Ticket Tracker* program until the citation is issued and no controls are in place to ensure that the issued citations are entered in the *Ticket Tracker* program. The current procedure makes it difficult to account for the numerical sequence of the tickets. In addition, traffic tickets are not reported to DPS. Failure to report these violations to DPS results in inaccuracies in the offenders' driving records and is in violation of state law.

The December 31, 2004, auditor's report included a finding that management was not adequately accounting for traffic tickets and traffic citations were not reported to DPS.

Disaster Recovery Plan/Business Continuity

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

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Management's Response



Town of Ringgold
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Benjamin E. Plunkett
Mayor

JoAnn Basinger
Clerk

Lawson C. Bradley
Chief of Police

COUNCILMEN

Bobby Guin
John Hamilton
Alan Clayborn
Lloyd Scott
Jerry Thomas

Management's Response

As we discussed during your visits to the Town of Ringgold, we have had many changes in our operations during the last two years. We have been working very hard to catch up and improve many of the operations of our local government.

Most of the recommendations that you gave were already completed when you came back to Ringgold to visit with us. At this time we are up to date on our bank statement reconciliations. Payments for employee state income taxes withheld are being sent to the correct department. (Errors in this were due to the computer being set up incorrectly.)

In regard to training the water clerk as a back-up for processing payroll, we will do this as soon as we have trained her in her duties as water clerk. At the present time we are still a part-time clerk short, therefore we have to do the best we can at the present.

You recommended that the mayor review the payroll register to ensure that each person is paid correctly. A payroll register has always been presented to the mayor or mayor pro tempore with the payroll checks when they are presented for signatures. Also, the town clerk never signs any checks until the other authorizing person has approved the payments by signing the checks. This practice applies to all checks written, whether for payroll or accounts payable. We also have a finance committee who approves all accounts payable before the checks are written.

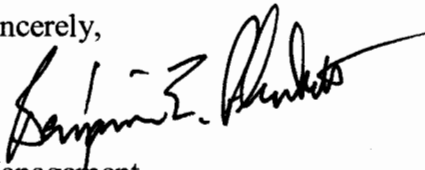
In regard to the issues with the water department, we have a new water clerk at this time who is trying very hard to learn all the procedures of the water department. The cut-off policy is being enforced in a timelier manner. We hope to have all the other findings resolved in a very short time.

We have implemented measures to have better control over the gasoline and diesel fuel pumps. A fuel log was already in place, but it is now being enforced by use of an on/off switch located in the water department office.

As we stated when you were here, Ringgold is a small town with very limited income. We have to hire the best we can and do the best we can with limited resources. We are trying very hard to comply with all recommendations that we can feasibly comply with.

Thank you for your suggestions and recommendations. Also thank you for understanding that we have come through many changes during the last two years and that we are striving to better ourselves and to help our community to grow and prosper.

Sincerely,

A handwritten signature in black ink, appearing to read "Benjamin E. Pinkett". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Management