

TOWN OF JONESBORO
JONESBORO, LOUISIANA

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen Town
of Jonesboro, Louisiana

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the engagement 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Due to the nature and quantity of our audit findings, we were not able to accept written representations from management as required by generally accepted auditing standards. Additionally, management elected to omit Management's Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements, and the disclosures required by accounting principles generally accepted in the United States of America.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on the financial statements referred to in the first paragraph.

TOWN OF JONESBORO

Jonesboro, Louisiana

Independent Auditor's Report on Financial Statements – 2018

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the information listed below to supplement the basic financial statements.

- Management's Discussion and Analysis
- Budgetary Comparison Information
- Schedules of Employer's Share of Net Pension Liability
- Schedules of Employer Contributions to Retirement Systems

Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management chose not to present Management's Discussion and Analysis. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, it is inappropriate to and we do not express an opinion on the required supplementary information referred to above.

Other Information

We were engaged to conduct an audit for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jonesboro's basic financial statements. The Schedule of Compensation Paid Councilpersons and the Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, it is inappropriate to and we do not express an opinion on the schedules referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2020, on our consideration of the Town of Jonesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an engagement in accordance with *Government Auditing Standards* in considering the Town of Jonesboro's internal control over financial reporting and compliance.

BOSCH & STATHAM, LLC



Ruston, Louisiana
April 2, 2020

Town of Jonesboro
Jonesboro, Louisiana

Statement of Net Position
As of June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 406,620	\$ 28,093	\$ 434,713
Investments	-	34,340	34,340
Accounts receivable	190,677	74,009	264,686
Inventory	972	25,621	26,593
Cash and equivalents - restricted	-	659,789	659,789
Capital assets (net of accumulated depreciation)	1,717,940	6,917,924	8,635,864
Total Assets	<u>2,316,209</u>	<u>7,739,776</u>	<u>10,055,985</u>
Deferred Outflows of Resources			
Pension	560,138	122,151	682,289
Total Deferred Outflows of Resources	<u>560,138</u>	<u>122,151</u>	<u>682,289</u>
Liabilities			
Accounts payable	44,201	53,012	97,213
Cash overdraft	71,022	94,766	165,788
Payroll liabilities	33,836	-	33,836
Customer meter deposits	-	182,294	182,294
Current portion of long-term liabilities	-	31,059	31,059
Noncurrent portion of long-term liabilities	1,673,287	2,444,066	4,117,353
Total Liabilities	<u>1,822,346</u>	<u>2,805,197</u>	<u>4,627,543</u>
Deferred Inflows of Resources			
Pension	133,946	12,361	146,307
Total Deferred Inflows of Resources	<u>133,946</u>	<u>12,361</u>	<u>146,307</u>
Net Position			
Net investment in capital assets	1,717,940	4,435,564	6,153,504
Restricted	705,241	182,294	887,535
Unrestricted	(1,503,128)	426,511	(1,076,617)
Total Net Position	<u>\$ 920,053</u>	<u>\$ 5,044,369</u>	<u>\$ 5,964,422</u>

Town of Jonesboro
Jonesboro, Louisiana

Statement of Activities
For the Year Ended June 30, 2018

Expenses	Major Funds			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary government						
Governmental activities						
General government	\$ 867,748	\$ 324,124	\$ 556	-\$ (543,068)	\$ -	-\$ (543,068)
Fire	438,413	-	100	- (438,313)	-	(438,313)
Police	529,163	52,712	-	- (476,451)	-	(476,451)
Sanitation	127,604	-	-	- (127,604)	-	(127,604)
Highways and streets	1,262,255	-	-	- (1,262,255)	-	(1,262,255)
Total governmental activities	3,225,183	376,836	656	(2,847,691)	-	(2,847,691)
Business-type activities						
Water and sewer	1,640,619	880,822	-	-	(759,797)	(759,797)
Total primary government	\$ 4,865,802	\$ 1,257,658	\$ 656	-\$ (2,847,691)	-\$ (759,797)	-\$ (3,607,488)
General Revenues						
Taxes:						
Property taxes, levied for general purposes				314,714	-	314,714
Sales taxes				1,767,511	-	1,767,511
Franchise taxes				161,963	-	161,963
Other taxes				1,931	-	1,931
Licenses				87,793	-	87,793
Intergovernmental				90,494	-	90,494
Investment earnings				693	-	693
Rental income				(14,902)	-	(14,902)
Other revenue				56,752	60,027	116,779
Operating transfers				(423,696)	423,696	-
Total general revenues and transfers				2,043,253	483,723	2,526,976
Change in net position				(804,438)	(276,074)	(1,080,512)
Net position - June 30, 2017				1,724,494	5,320,444	7,044,938
Net position - June 30, 2018				\$ 920,056	\$ 5,044,370	\$ 5,964,426

Town of Jonesboro
Jonesboro, Louisiana

Balance Sheet - Governmental Funds
As of June 30, 2018

	Special Revenue Funds			Total	
	General Fund	Fire Ad Valorem Tax	Street Ad Valorem Tax		Street Sales Tax
Assets					
Cash and equivalents	\$ 342,681	\$ -	\$ -	\$ 63,939	406,620
Accounts receivable	114,156	-	-	76,521	190,677
Inventory	972	-	-	-	972
Total Assets	<u>457,809</u>	<u>-</u>	<u>-</u>	<u>140,460</u>	<u>598,269</u>
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	\$ 44,201	\$ -	\$ -	\$ -	44,201
Cash overdraft	-	23,808	47,214	-	71,022
Payroll liabilities	33,836	-	-	-	33,836
Total Liabilities	<u>78,037</u>	<u>23,808</u>	<u>47,214</u>	<u>-</u>	<u>149,059</u>
Fund balances:					
Nonspendable, reported in:					
Special revenue fund	27,813	-	-	-	27,813
Restricted, reported in:					
Special revenue fund	-	-	-	140,460	140,460
Unassigned, reported in:					
General revenue fund	351,956	(23,808)	(47,214)	-	280,934
Total Fund Balances	<u>379,769</u>	<u>(23,808)</u>	<u>(47,214)</u>	<u>140,460</u>	<u>449,207</u>
Total Liabilities and Fund Balances	<u>\$ 457,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,460</u>	<u>598,266</u>

Town of Jonesboro
Jonesboro, Louisiana

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of June 30, 2018

Total Fund Balances at June 30, 2018 - Governmental Funds (Statement C)	\$	449,207
<p>Total Net Position reported for governmental activities in the Statement of Net Position (Statement A) are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.		1,717,940
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Net pension liability		(1,673,287)
Deferred outflows of resources		560,138
Deferred inflows of resources		(133,946)
		(133,946)
Net Position at June 30, 2018	\$	920,052

Town of Jonesboro
Jonesboro, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds			Total
	General Fund	Fire Ad Valorem Tax	Street Ad Valorem Tax	
Revenues				
Taxes:				
Ad valorem tax	\$ 126,839	\$ 114,475	\$ 73,399	- \$ 314,713
Franchise tax	161,963	-	-	161,963
Sales tax	883,754	-	-	883,758 1,767,512
Other tax	1,931	-	-	1,931
Licenses and permits	87,793	-	-	87,793
Operating grant	556	100	-	656
Intergovernmental	90,494	-	-	90,494
Fines, forfeitures, and court costs	52,662	-	-	52,662
Rent, royalty, and commission	(14,902)	-	-	(14,902)
Charges for services	324,174	-	-	324,174
Miscellaneous	14,540	-	-	14,540
Total revenues	1,729,804	114,575	73,399	883,758 2,801,536
Expenditures				
Current:				
General government	583,178	-	-	583,178
Public safety				
Police	529,163	-	-	529,163
Fire	389,298	-	-	389,298
Streets	1,221,042	-	-	1,221,042
Sanitation	127,604	-	-	127,604
Capital outlay	5,940	-	-	5,940
Total expenditures	2,856,225	-	-	- 2,856,225
Excess (deficiency) of revenues over (under) expenditures	(1,126,421)	114,575	73,399	883,758 (54,689)

Town of Jonesboro
Jonesboro, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds			Total	
	General Fund	Fire Ad Valorem Tax	Street Ad Valorem Tax		Street Sales Tax
Other financing sources (uses)					
Interest earnings	6	-	-	686	692
Proceeds from the sale of fixed assets	3,820	-	-	-	3,820
Operating transfers	1,310,886	(136,009)	(140,653)	(1,457,920)	(423,696)
Total other financing sources (uses)	<u>1,314,712</u>	<u>(136,009)</u>	<u>(140,653)</u>	<u>(1,457,234)</u>	<u>(419,184)</u>
Net changes in fund balances	188,291	(21,434)	(67,254)	(573,476)	(473,873)
Fund balances - June 30, 2017	<u>191,479</u>	<u>(2,374)</u>	<u>20,040</u>	<u>713,935</u>	<u>923,080</u>
Fund balances - June 30, 2018	<u>\$ 379,770</u>	<u>\$ (23,808)</u>	<u>\$ (47,214)</u>	<u>\$ 140,459</u>	<u>\$ 449,207</u>

Town of Jonesboro
Jonesboro, Louisiana

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Funds Balances to the Statement of Activities
For the Year Ended June 30, 2018

Total net change in Fund Balances - Governmental Funds (Statement E)	\$	(473,874)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets capitalized over their estimated useful lives as depreciation expense. This is the amount by which capital outlay differs from depreciation for the period.

Depreciation		(164,853)
Capital outlay		5,940
Net pension liability decrease (increase)		<u>(171,653)</u>
Change in net position of governmental activities (Statement B)	\$	<u><u>(804,440)</u></u>

Town of Jonesboro
Jonesboro, Louisiana

Statement of Net Position - Proprietary Fund
As of June 30, 2018

	Proprietary Fund - Enterprise Funds
	Utility Fund
Assets	
Current Assets:	
Cash and equivalents	\$ 28,093
Accounts receivable	74,009
Inventory	25,621
Total Current Assets	<u>127,723</u>
Noncurrent Assets:	
Cash and equivalents - restricted	659,789
Investments - restricted	34,340
Capital assets (net of accumulated depreciation)	6,917,924
Total Noncurrent Assets	<u>7,612,053</u>
Total Assets	<u>7,739,776</u>
Deferred Outflows of Resources	
Pension	<u>122,151</u>
Total Deferred Outflows of Resources	<u>122,151</u>
Liabilities	
Current Liabilities:	
Accounts payable	53,012
Cash overdraft	94,766
Current portion of long-term liabilities	31,059
Total Current Liabilities	<u>178,837</u>
Current liabilities payable from restricted assets:	
Customer meter deposits	182,294
Long-Term Liabilities:	
Long-term liabilities	<u>2,444,066</u>
Total Liabilities	<u>2,805,197</u>
Deferred Inflows of Resources	
Pension	<u>12,361</u>
Total Deferred Inflows of Resources	<u>12,361</u>
Net Position	
Net investment in capital assets	4,435,564
Restricted	182,294
Unrestricted	426,511
Total Net Position	<u>\$ 5,044,369</u>

Town of Jonesboro
Jonesboro, Louisiana

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2018

	Proprietary Fund - Enterprise Funds
	Utility Fund
Operating Revenues	
Charges for services	\$ 880,822
Miscellaneous income	54,175
Total operating revenues	<u>934,997</u>
Operating Expenses	
Personnel services	437,074
Supplies	118,252
Utilities	156,517
Repairs and maintenance	227,331
Contractual services	33,700
Miscellaneous	390,945
Depreciation	276,800
Total operating expenses	<u>1,640,619</u>
Operating Income (Loss)	(705,622)
Non-operating Revenues (Expenses)	
Miscellaneous revenue	5,852
Total non-operating revenues (expenses)	<u>5,852</u>
Income (loss) before transfers	(699,770)
Transfers	423,696
Total transfers	<u>423,696</u>
Change in net position	(276,074)
Total Net Position - June 30, 2017	5,320,444
Total Net Position - June 30, 2018	\$ <u>5,044,370</u>

Town of Jonesboro
Jonesboro, Louisiana

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2018

	Proprietary Fund - Enterprise Funds
	Utility Fund
Cash flows from operating activities	
Cash received from customers	\$ 776,909
Cash payments to suppliers for goods and services	(719,251)
Cash payments to employees for services	(374,886)
Net cash provided by (used for) operating activities	<u>(317,228)</u>
Cash flows from non-capital financing	
Transfers from other funds	423,696
Other expense	(45,715)
Net cash provided by (used for) non-capital financing activities	<u>377,981</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(3,063)
Other revenue	5,852
Net cash provided by (used for) capital and related financing activities	<u>2,789</u>
Cash flows from investing activities	
Net increase (decrease) in cash and cash equivalents	63,542
Cash and cash equivalents - June 30, 2017	<u>624,340</u>
Cash and cash equivalents - June 30, 2018	<u>\$ 687,882</u>
Reconciliation of operating income to net provided by operating activities	
Operating income	\$ (705,622)
Adjustments	
Depreciation	276,800
Net changes in assets and liabilities	
Accounts receivable	42,350
Inventory	4,740
Customers' security deposits	16,140
Accounts payable	(7,861)
Current increase (decrease) in pension liability	56,225
Net cash provided for (used for) operating activities	<u>\$ (317,228)</u>

Town of Jonesboro
Jonesboro, Louisiana

Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budget - Original	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes:			
Ad valorem tax	\$ 125,250	\$ 126,839	\$ 1,589
Franchise tax	125,000	161,963	36,963
Sales tax	850,000	883,754	33,754
Other tax	14,025	1,931	(12,094)
Licenses and permits	29,625	87,793	58,168
Operating grant	7,800	556	(7,244)
Intergovernmental	64,625	90,494	25,869
Fines, forfeitures, and court costs	2,000	52,662	50,662
Rent, royalty, and commission	17,950	(14,902)	(32,852)
Charges for services	63,900	324,174	260,274
Miscellaneous	500	14,540	14,040
Total revenues	<u>1,300,675</u>	<u>1,729,804</u>	<u>429,129</u>
Expenditures			
Current:			
General government	786,470	583,178	203,292
Public safety			
Police	338,425	529,163	(190,738)
Fire	332,950	389,298	(56,348)
Streets	1,186,350	899,384	286,966
Sanitation	193,500	127,604	65,896
Capital outlay	-	327,598	(327,598)
Total expenditures	<u>2,837,695</u>	<u>2,856,225</u>	<u>(18,530)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,537,020)</u>	<u>(1,126,421)</u>	<u>410,599</u>

Town of Jonesboro
Jonesboro, Louisiana

Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budget - Original	Actual	Variance - Favorable (Unfavorable)
Other financing sources (uses)			
Interest earnings	500	6	(494)
Proceeds from the sale of fixed assets	-	3,820	3,820
Operating transfers	830,000	1,310,886	480,886
Total other financing sources (uses)	<u>830,500</u>	<u>1,314,712</u>	<u>484,212</u>
Net changes in fund balances	(706,520)	188,291	894,811
Fund balances - June 30, 2017	191,479	191,479	-
Fund balances - June 30, 2018	<u>\$ (515,041)</u>	<u>\$ 379,770</u>	<u>\$ 894,811</u>

Town of Jonesboro
Jonesboro, Louisiana

Budgetary Comparison Schedule - Fire Ad Valorem Tax
For the Year Ended June 30, 2018

	Budget - Original	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes:			
Ad valorem tax	\$ 90,000	\$ 114,475	\$ 24,475
Operating grant	300	100	(200)
Miscellaneous	5,400	-	(5,400)
Total revenues	<u>95,700</u>	<u>114,575</u>	<u>18,875</u>
Expenditures			
Current:			
Public safety			
Fire	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,700</u>	<u>114,575</u>	<u>18,875</u>
Other financing sources (uses)			
Operating transfers	(90,000)	(136,009)	(46,009)
Total other financing sources (uses)	<u>(90,000)</u>	<u>(136,009)</u>	<u>(46,009)</u>
Net changes in fund balances	5,700	(21,434)	(27,134)
Fund balances - June 30, 2017	<u>(2,374)</u>	<u>(2,374)</u>	<u>-</u>
Fund balances - June 30, 2018	<u>\$ 3,326</u>	<u>\$ (23,808)</u>	<u>\$ (27,134)</u>

Town of Jonesboro
Jonesboro, Louisiana

Budgetary Comparison Schedule - Streets Ad Valorem Tax
For the Year Ended June 30, 2018

	Budget - Original	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes:			
Ad valorem tax	\$ 90,000	\$ 73,399	\$ (16,601)
Total revenues	<u>90,000</u>	<u>73,399</u>	<u>(16,601)</u>
Expenditures			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,000</u>	<u>73,399</u>	<u>(16,601)</u>
Other financing sources (uses)			
Operating transfers	(90,000)	(140,653)	(50,653)
Total other financing sources (uses)	<u>(90,000)</u>	<u>(140,653)</u>	<u>(50,653)</u>
Net changes in fund balances	-	(67,254)	(67,254)
Fund balances - June 30, 2017	<u>20,040</u>	<u>20,040</u>	<u>-</u>
Fund balances - June 30, 2018	<u>\$ 20,040</u>	<u>\$ (47,214)</u>	<u>\$ (67,254)</u>

Town of Jonesboro
Jonesboro, Louisiana

Budgetary Comparison Schedule - Streets Sales Tax
For the Year Ended June 30, 2018

	Budget - Original	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes:			
Sales taxes	\$ 825,000	\$ 883,758	\$ 58,758
Total revenues	<u>825,000</u>	<u>883,758</u>	<u>58,758</u>
Expenditures			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>825,000</u>	<u>883,758</u>	<u>58,758</u>
Other financing sources (uses)			
Interest earnings	-	686	686
Operating transfers	(700,000)	(1,457,920)	(757,920)
Total other financing sources (uses)	<u>(700,000)</u>	<u>(1,457,234)</u>	<u>(757,234)</u>
Net changes in fund balances	125,000	(573,476)	(698,476)
Fund balances - June 30, 2017	<u>713,935</u>	<u>713,935</u>	<u>-</u>
Fund balances - June 30, 2018	<u>\$ 838,935</u>	<u>\$ 140,459</u>	<u>\$ (698,476)</u>

Town of Jonesboro
Jonesboro, Louisiana

Schedule of Employer's Share of Net Pension Liability
Municipal Employees Retirement System
For the year ended June 30, 2018

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.288100%	0.284821%	0.259739%	0.325444%
Employer's proportionate share of the net pension liability (asset)	\$ 1,205,244	\$ 1,167,399	\$ 927,828	\$ 835,235
Employer's covered employee payroll	\$ 523,205	\$ 508,788	\$ 443,307	\$ 530,325
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	230.36 %	229.45 %	209.30 %	157.49 %
Employer's proportion of the net pension liability (asset)	62.49 %	62.11 %	66.18 %	73.99 %

The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Jonesboro
Jonesboro, Louisiana

Schedule of Employer's Share of Net Pension Liability
Municipal Police Employees Retirement System
For the year ended June 30, 2018

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.060220 %	0.049137 %	0.035852 %	0.028929 %
Employer's proportionate share of the net pension liability (asset)	\$ 525,737	\$ 460,552	\$ 280,860	\$ 180,981
Employer's covered employee payroll	\$ 179,772	\$ 137,645	\$ 95,903	\$ 81,307
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	292.45 %	334.59 %	292.86 %	222.59 %
Employer's proportion of the net pension liability (asset)	70.08 %	66.04 %	70.73 %	75.10 %

The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Jonesboro
Jonesboro, Louisiana

Schedule of Employer's Share of Net Pension Liability
Firefighters' Retirement System
For the year ended June 30, 2018

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.059320%	0.077495%	0.078851%	0.076682%
Employer's proportionate share of the net pension liability (asset)	\$ 340,036	\$ 506,887	\$ 425,569	\$ 341,228
Employer's covered employee payroll	\$ 138,515	\$ 174,733	\$ 167,572	\$ 155,770
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	245.49 %	290.09 %	253.96 %	219.06 %
Employer's proportion of the net pension liability (asset)	73.55 %	68.16 %	72.45 %	76.02 %

The amounts presented have a measurement date of the previous fiscal year end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Jonesboro
Jonesboro, Louisiana

Schedule of Employer Contributions
Municipal Employees Retirement System
For the year ended June 30, 2018

	2018	2017	2016	2015
Contractually required contribution	\$ 150,404	\$ 119,029	\$ 100,486	\$ 87,553
Contributions in relation to contractually required contribution	150,404	119,029	100,486	87,553
Contribution deficiency (excess)	-	-	-	-
Employer's covered payroll	\$ 607,693	\$ 523,205	\$ 508,788	\$ 443,307
Contributions as a percentage of covered employee payroll	24.75 %	22.75 %	19.75 %	19.75 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Jonesboro
Jonesboro, Louisiana

Schedule of Employer Contributions
Municipal Police Employees Retirement System
For the year ended June 30, 2018

	2018	2017	2016	2015
Contractually required contribution	\$ 63,029	\$ 57,078	\$ 40,605	\$ 30,209
Contributions in relation to contractually required contribution	63,029	57,078	40,605	30,209
Contribution deficiency (excess)	-	-	-	-
Employer's covered payroll	\$ 204,970	\$ 179,772	\$ 137,645	\$ 95,903
Contributions as a percentage of covered employee payroll	30.75 %	31.75 %	29.50 %	31.50 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Jonesboro
Jonesboro, Louisiana

Schedule of Employer Contributions
Firefighters' Retirement System
For the year ended June 30, 2018

	2018	2017	2016	2015
Contractually required contribution	\$ 38,082	\$ 34,975	\$ 47,615	\$ 49,015
Contributions in relation to contractually required contribution	38,082	34,975	47,615	49,015
Contribution deficiency (excess)	-	-	-	-
Employer's covered payroll	\$ 143,703	\$ 138,515	\$ 174,733	\$ 167,572
Contributions as a percentage of covered employee payroll	26.50 %	25.25 %	27.25 %	29.25 %

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Town of Jonesboro
Jonesboro, Louisiana

Schedule of Compensation Paid Councilpersons
For the year ended June 30, 2018

	2018
Devin R. Flowers	\$ 6,000
Nia E. Johnson	6,000
Janet Martin	6,000
Robbie A. Siadek	6,000
Aaron Stringer	6,000
	\$ 30,000

Town of Jonesboro
Jonesboro, LouisianaSchedule of Compensation, Benefits and Other Payments to Agency Head
For the year ended June 30, 2018

James Bradford Mayor		
Salary	\$	60,000
Reimbursements		<u>1,122</u>
	\$	<u>61,122</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Board of Aldermen
Town of Jonesboro, Louisiana

We were engaged to audit, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Jonesboro's basic financial statements and have issued our report thereon dated April 2, 2020. Our report disclaims an opinion on such financial statements because, due to the nature and quantity of our audit findings, we were unable to accept management's representation letter.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the Town of Jonesboro, we considered the Town of Jonesboro's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Jonesboro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Jonesboro's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2018-001 through 2018-003, 3018-005 through 2018-009, 2018-013 through 2018-019, 2018-022, 2018-023).

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Town of Jonesboro, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-004, 2018-010 through 2018-013, 2018-017 through 2018-023. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Town of Jonesboro's Response to Findings

Town of Jonesboro's response to the findings identified in our engagement is described in the accompanying schedule of findings and responses. Town of Jonesboro's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

TOWN OF JONESBORO

Jonesboro, Louisiana

Independent Auditor's Report Required by GAGAS - 2018

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BOSCH & STATHAM, LLC



Ruston, Louisiana

April 2, 2020

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report disclaims an opinion on the Town's financial statements as a whole.
2. Seventeen material weaknesses were disclosed by the audit of the financial statements.
3. Twelve instances of noncompliance material to the financial statements of the Town of Jonesboro were disclosed in the audit of the financial statements.
4. No management letter was issued.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2018-001 Cash Receipt Books Not Properly Maintained

First reported

2015

Type

Material Weakness

Condition

In 2015, prenumbered cash receipts were not used in order. During the year ended June 30, 2016, new ticket books were purchased and clerks were instructed to use them in order. We were better able to perform a test to account for receipt numbers. However, we noted eight receipt numbers that we could not account for. We selected twenty-five receipt numbers and attempted to trace them to deposits. We were only able to trace nine out of twenty-five receipts to deposits posted in the accounting system. We were unable to complete the test because the deposit summary does not list individual receipts. The deposit summary lists totals for each type of collection such as fines.

During the year ended June 30, 2017, we found that the deposit summary had not been revised to provide a proper audit trail. We did not select a sample from the receipt books. We did select twenty-five tickets from the tickets issued by the police department during the year. Fifteen of the twenty-five tickets were paid. We were unable to trace four of the payments to a summary.

During the year ended June 30, 2018, we were again unable to trace receipts to deposit documentation because personnel do not document which receipts are included in the daily deposits. We noted the daily sheet is attached to a report from the utility software showing what amount was collected that day and that amounts for water and sewer matched the daily sheet. However, we could not verify that amounts collected for the general fund were accurate. Per our understanding of policies and procedures, cashiers complete a daily cash count of their drawer. However, we noted that those sheets do not match the total daily deposit sheet. We noted for later periods, receipts were being copied and attached to daily sheets to support for the balances. During our testing, we noticed one receipt was issued out of order, and the white copies of receipts were not retained for several voided receipts.

Criteria

Basic internal control procedures for cash receipts include:

1. Using a prenumbered receipt book in order.
2. Notating in the books which receipt numbers were included in which deposit.
3. Retaining all copies of any voided receipts.

Cause

The auditor was unable to determine the cause of the condition.

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Effect

Cash receipts may be misclassified causing a misstatement in the financial statements. The Town is at risk for fraud.

Recommendation

Our 2015 recommendation read:

1. Receipt book purchases should be documented.
2. Receipt books should be numbered when they are received from the vendor.
3. A log book should be maintained to record who each book is issued to.
4. Clerks should use the receipts in order.
5. All copies of any voided receipts should be retained.
6. Notation should be made as to the deposit date and deposit amount for each receipt (or series of receipts as long as all receipts are included in a deposit).
7. The Town Clerk should review the books periodically to ensure that implemented procedures are being followed.

We recommend that management continue to address the identified issues. We specifically recommend that the system for summarizing daily receipts be modified to ensure that a cash receipt can be easily traced from the receipt book to the deposit. We recommend listing individual receipt numbers and amounts on the daily summary including a total for each fund for each revenue account.

We have no further recommendations.

Management's Response

See management's corrective action plan.

2018-002 Liability for Customer Deposits Exceeds Restricted Cash

First reported

2015

Type

Material Weakness

Condition

As of June 30, 2018, the liability for customer deposits per the general ledger, \$182,294, exceeds the cash held in restricted bank accounts by \$74,281. The liability per the meter deposit report from the billing software is \$238,087.

Criteria

Customer deposits are not available for spending.

Cause

The auditor was unable to determine the cause of the condition. It appears that there was an \$82,366 deduction in 2011 but the reason is unknown.

Effect

The required funds have not been separated from the operating account.

Recommendation

We recommend that management transfer funds to match the liability as soon as possible.

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Management's Response

See management's corrective action plan.

2018-003 Utility Fund Accounts Receivable Includes Bad Debts

First reported

2015

Type

Material Weakness

Condition

Historically, though amounts reported in financial statements were adjusted down to the estimated collectible amount, the subsidiary records were not written down. The total of the subsidiary record at June 30, 2018 was \$398,801. The fiscal advisor adjusted the amount in the control accounts to \$99,665 (sum of garbage \$25,656, sewer \$23,602 and water \$50,407). The report we were given from the billing software did not total the aging amounts.

In 2015, we selected a sample of ten balances out of approximately 300 balances to test for subsequent payment. Out of the ten sample items, four had been paid at the time of our fieldwork. We then selected amounts greater than \$75 for testing. We looked at thirteen of the accounts that had balances in excess of \$75. Out of those thirteen, two had been paid at the time of testing. One of those thirteen was a commercial account with a disputed balance of \$62,307. No allowance has been recorded. During this testing, we noted that the billing system presented balances as current that were not current. Many times, the balances were more than a year old.

In 2016, we selected a sample of 33 balances out of the balances in the "over 90" column to test for subsequent payment. Out of the 33 sample items, two were credit balances, one was under a payment plan, and one had paid \$18,600 out of \$50,155 at the time of our fieldwork. This account was disputed. The \$18,600 was a negotiated payment.

In 2017, we selected a sample of ten balances from the accounts receivable trial balance as of June 30, 2017. None of the balances were paid as of April 11, 2018.

In 2018, we selected a sample of ten balances from the accounts receivable trial balance as of June 30, 2018. As of February 5, 2019, eight balances had been written off and two balances were still unpaid. The two unpaid balances were current at June 30, 2018 but would have been more than six months old at the time of the audit.

Criteria

Proper internal control requires that procedures be in place to ensure that the subsidiary ledger is accurate, and balances presented in the financial statements are properly valued.

Cause

We do not understand the cause.

Effect

Receivables and revenue may be overstated.

Recommendation

We recommend that management create a reasonable timeline to work to clean up the subsidiary ledger. It seems that adjustment entries could be recorded in each account that has been determined to be uncollectible. Even though the account balance would be adjusted to zero and the account made inactive, the account would still contain the history of transactions should the Town need to access it.

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Management's Response

See management's corrective action plan.

2018-004 Noncompliance with Public Bid Law

First reported

2015

Type

Noncompliance

Condition

During our fiscal year 2015 test of disbursements, we noted one disbursement out of twenty-five disbursements that appeared to have required compliance with the Public Bid Law. The disbursement was for fuel. We noted no bids obtained. The Town spent over \$50,000 for fuel during the fiscal year. No bid was obtained for fiscal year 2016 purchases either.

During 2017, the Town advertised for fuel bids but not until May 25, 2017 and June 1, 2017. The minutes of the June 13, 2017 meeting indicate no bids were received. The Town's fuel purchases for the year ended June 30, 2017 totaled \$44,449.

During the audit for fiscal year 2018, the Town advertised for fuel bids. The Town Clerk asserted that no bids were received. However, we noted no discussion in the minutes to indicate that the Board was involved in the decision to advertise or that it was advised of the lack of bids.

Criteria

Louisiana Revised Statute 38:2212.1 states in part, "A.(1)(a) All purchases of any materials or supplies exceeding the sum of thirty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised, and no such purchase shall be made except as provided in this Part. (b) However, purchases of ten thousand dollars or more, but less than thirty thousand dollars, shall be made by obtaining not less than three telephone or facsimile quotations. A written confirmation of the accepted offer shall be obtained and made a part of the purchase file. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded in the purchase file." The statute also states in part, "C.(1) Whenever a public entity desires to purchase technical equipment, apparatus, machinery, materials, or supplies of a certain type and such purchases are clearly in the public interest, the public entity may specify a particular brand, make, or manufacturer in the specifications let out for public bid as provided by this Part. If a particular brand, make, or manufacturer is specified, the model or catalog number also shall be specified. (2) Wherever in specifications the name of a certain brand, make, manufacturer, or definite specification is utilized, the specifications shall state clearly that they are used only to denote the quality standard of product desired and that they do not restrict bidders to the specific brand, make, manufacturer, or specification named; that they are used only to set forth and convey to prospective bidders the general style, type, character, and quality of product desired; and that equivalent products will be acceptable."

Louisiana Revised Statute 42:20, part A states, "All public bodies shall keep written minutes of all of their open meetings. The minutes to be kept by the legislature and legislative committees and subcommittees shall be governed by the provisions of R.S. 42:21. The minutes of all other public bodies shall include but need not be limited to: (1) The date, time, and place of the meeting. (2) The members of the public body recorded as either present or absent. (3) The substance of all matters decided, and, at the request of any member, a record, by individual member, of any votes taken. (4) Any other information that the public body requests be included or reflected in the minutes."

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Cause

Bids had not been obtained for fuel in previous years. Management in office during fiscal year 2018 believed that bids were not required because the vendor owns the fuel pumps that are on Town property. Management compared prices paid for refilling the pumps compared to local filling stations and found the prices paid to be lower.

The auditor was unable to determine the cause of the other conditions.

Effect

It appears that the Town did not comply with state law. The Town may have paid more for fuel.

Recommendation

We recommend that management ensure that the public bid law is followed when making any purchases. In unusual circumstances, legal counsel should be consulted. If considered necessary, an Attorney General opinion should be requested.

Management's Response

See management's corrective action plan.

2018-005 Failure in Internal Control Over Purchasing

First reported

2016

Type

Material Weakness

Condition

We haphazardly selected twenty-five disbursements for testing. We recorded the following exceptions:

1. One out of twenty-five disbursements did not match supporting documents.
2. Fifteen out of twenty-five disbursements did not include evidence that two or more people were involved in the purchase.

Additionally, excluding certain types of transactions and certain recurring transactions, we selected disbursements that were greater than \$9,999 for a total of fifteen disbursements. We recorded the following exceptions:

1. Thirteen disbursements should have included documentation of the receipt of goods or services. Three out of thirteen did not include such evidence.
2. One out of fifteen disbursements did not include documentation that the purchase was properly authorized.
3. Four out of fifteen were not properly posted.
4. We were unable to inspect the cleared image of the cancelled checks as the Town Clerk did not submit all of the bank statements to us. We submitted a list of required data in advance of the fieldwork date. We worked at Town Hall for a solid week. The Town Clerk was absent and unavailable due to alleged medical leave during our fieldwork during which time her office remained locked and reportedly inaccessible by anyone, even the current Mayor. She did not attempt to submit the statements to us for inspection until late in the afternoon on the fifth day as we were packing up to leave.

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Criteria

Basic internal control procedures include: 1) Requiring a purchase order prior to incurring expenses on behalf of the Town and 2) Requiring signatures to document goods or services were received. The Town's purchasing policy requires: 1) Purchase orders to be obtained with the Mayor's signature and filed with the invoice and 2) Invoices to be signed by a responsible employee.

Cause

The auditor was unable to determine the cause of the condition.

Effect

The Town did not comply with its own policies. Unauthorized purchases could be made. The Town could pay for goods or services that it did not receive.

Recommendation

We recommend:

1. That employees be reminded of the policies and their purposes.
2. That employees be notified that policies will be enforced.
3. That checks to vendors are not prepared or signed if the documentation is not appropriate.
4. That employees be instructed to appropriately prepare for and respond to audit requests.

Proper internal control includes the environment, risk assessment, information and communication, and monitoring. It is imperative that all employees who are involved in purchasing in any manner believe that management expects the policies to be followed.

Management's Response

See management's corrective action plan.

2018-006 Customer Refunds Not Reflected in the Billing System

First reported

2016

Type

Material Weakness

Condition

This condition was reported as a management letter comment in 2015. During 2015 the billing system and the accounting system showed deposits of \$162,855 and \$143,296, respectively. The amount of total additions to deposits was only slightly different between the two systems. We noted eight refunds that were not reflected in the billing system.

As of June 30, 2016, the accounting system showed deposits of \$151,911 while the billing system showed \$208,905. We selected thirteen meter deposit refunds from the accounting system. We searched for the deposits on the meter deposit schedule produced by the billing system. Five of the thirteen deposits were still reflected on the schedule indicating the refunds had not been posted to the billing system.

As of June 30, 2017, the accounting system showed deposits of \$166,153 while the billing system showed \$211,595. We selected five meter deposit refunds with fiscal year 2017 dates from the accounting system. We searched for the deposits on the meter deposit schedule produced by the billing system. All five deposits were still reflected on the schedule indicating the refunds had not been posted to the billing system.

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

As of June 30, 2018, the accounting system showed deposits of \$182,294 while the billing system showed \$238,087. We selected five meter deposit refunds with fiscal year 2018 dates from the accounting system. We searched for the deposits on the meter deposit schedule produced by the billing system. All five deposits were still reflected on the schedule indicating the refunds had not been posted to the billing system.

Criteria

Basic internal control procedures include reconciling subsidiary accounts to control accounts in a timely manner.

Cause

See other findings internal control.

Effect

The subsidiary ledger does not support the liability account in the accounting system. Customers could receive refunds for amounts already refunded. The Town is susceptible to fraud.

Recommendation

In 2015, our recommendation read:

We recommend that management oversee a project to clean up the customer deposit records in the billing system. Refunds posted in the accounting system for at least the period from July 1, 2014, through the present should be traced to the billing system. An adjustment should be made to the billing system records to reflect refunds where necessary. After that period is researched and the resulting adjustments are made, management should continue the research until the difference between the accounting system and the billing system is minimal. Management should ensure that employees understand the appropriate procedures to be followed when a deposit is refunded either to pay the customer's final bill or directly to the customer.

We have no additional recommendations.

Management's Response

See management's corrective action plan.

2018-007 Overtime Pay

First reported

2016

Type

Material Weakness

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Condition

The payment of overtime appears to be excessive.

During fiscal year 2016, the Town paid employees for overtime hours a total of \$151,838 versus \$109,059 in fiscal year 2015. The following is a summary by department of those costs:

<u>Department</u>	<u>Hours</u>	<u>Amount</u>
Administration	691.65	\$16,998
Public Works	5,998.93	93,779
Police	866.33	16,491
Fire	1,291.00	24,570
Total	<u>8,847.91</u>	<u>\$151,838</u>

During fiscal year 2017, the Town paid employees for overtime hours a total of \$136,764 versus \$151,838 in 2016. The following is a summary of those costs:

<u>Department</u>	<u>Hours</u>	<u>Amount</u>
Administration	406.67	\$9,992
Public Works	5,547.87	85,737
Police	806.58	15,309
Fire	1,348.00	25,725
Total	<u>8,109.12</u>	<u>\$136,763</u>

During fiscal year 2018, 43 out of approximately 68 employees were paid overtime. Typically, an employee's annual hours would be 2,080 calculated as 40 hours per week times 52 weeks; however, 6 employees were paid for greater than 2500 hours for the year. For 12 employees, overtime was greater than 20% of their regular salary. For 2 employees of the Water/Sewer Department, overtime pay represented 52% (\$18k over \$35k) and 53% (\$16k over \$31k) of their regular salaries. Overtime pay increased from \$113,000 in 2017 to \$144,000 in 2018. Of total overtime, \$77,000 was paid to public works employees.

Criteria

Overtime pay is generally limited to those instances when it is imperative that work be performed outside of regular work hours. Basic internal control practices include requiring pre-authorization to work overtime and monitoring of overtime costs by a supervisory employee to minimize it where possible.

Article VII Section 14 of the Louisiana Constitution states in part, "Prohibited Uses. Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Except as otherwise provided in this Section, neither the state nor a political subdivision shall subscribe to or purchase the stock of a corporation or association or for any private enterprise."

Cause

The auditor was unable to determine the exact cause of the condition. Controls are not sufficiently designed to prevent the costs. Reasons given to the auditor by management for some of the overtime hours include: water and sewer repair emergencies, the need to enter meter readings manually, and the need to work early or late to review time sheets to submit them to the payroll clerk on time. We received multiple complaints by multiple sources alleging that water department employees intentionally delay some repairs until the weekend to increase their overtime pay.

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Effect

The Town may have paid more than necessary to provide services because hours did not need to be paid at overtime rates or the work did not need to be performed after hours. Excessive amounts of overtime cost generally mean that the staff is too small, there are inefficiencies, and/or there is abuse and/or fraud.

Recommendation

We recommend that management evaluate payroll costs in relation to work loads and needs. Controls should be revised to ensure that overtime is authorized before it is incurred and approved before it is paid. Supervisors should ensure that work is properly prioritized to prevent employees from working overtime unless it is necessary. Additionally, we recommend that management consider using seasonal and part-time workers. These workers would earn at regular rates as opposed to 150% of regular pay rates.

Management's Response

See management's corrective action plan.

2018-008 Utility Billing Procedures

First reported

2016

Type

Material Weakness

Condition

For the fiscal year 2017 audit, procedures we performed included the following:

- We inquired of the Town Clerk, various employees, vendors, and customers regarding meter reading and billing procedures. We were told by multiple sources that the meters are not read and that bills arrive too late for customers to pay on time.
- We selected a sample of four meters to locate and read to compare to the last billed reading. We read three out of four meters. Town employees could not locate the fourth meter. None of the three readings were consistent with the previous billed readings. One of the four meters was for a commercial lawn watering system, yet the billed consumption has not fluctuated since January 2016. Beginning May 1, 2014, the customer was billed 110,000 gallons for three months, 117,000 for one month, 108,000 for one month, 106,000 for two months, 105,000 for two months, 100,000 for five months, 102,000 for four months, 103,000 for two months, then 102,000 from January 1, 2016 through April 1, 2018 (28 months).
- We inspected the meter reader's records. He records readings in a notebook. It appeared that readings are only documented for cutoffs and similar situations, not for regular readings. There are approximately 2,000 customers on the system. It seems that it would be physically impossible for one person to read the meters in time to submit the readings to the Clerk to be entered for billing.
- We reviewed selected customer account histories. We noted that the billed consumption was the same for many months and sometimes years.
- The Town Clerk demonstrated how she fills out a screen in the billing software to enter a reading for every customer in the system. This task was given as a significant reason given for the Clerk's need for overtime. However, sources tell us that the outsourced billing service can bill the previous reading by instruction alone. Entering the amounts for every customer does not appear to be necessary.

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- We noted through interviews with various customers and others that bills were often mailed to customers after the standard billing date. Management blamed the outsourced billing service. It appears that the fault lies with the Town not notifying the outsourced billing service to proceed with billing in a timely manner. This seems especially odd since none of the meters are being read. We were initially told that meters were being read manually. Later we were told that the meters were being read on a rotation basis whereby all meters were read every couple of months. The Town Clerk ultimately admitted that the meters were not being read and that the Mayor was aware that they were not being read.

For the fiscal year 2018 audit, the results were much the same. We again received allegations that meters are not read, customers are billed the same amount month after month, and bills are mailed too late for timely payments. Our inspection of account histories and the results of other procedures are consistent with these allegations.

Criteria

Policies and procedures for utility billing should ensure that customers are billed for the services they use at authorized rates.

Article VII Section 14 of the Louisiana Constitution states in part, “Prohibited Uses. Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Except as otherwise provided in this Section, neither the state nor a political subdivision shall subscribe to or purchase the stock of a corporation or association or for any private enterprise.”

Cause

The auditor was unable to determine the cause of the condition. The Town has invested in a system that would read the meters electronically in a short amount of time. While the Town was under Fiscal Administration, the Fiscal Administrator was systematically updating meters that were not working with the automated reader. Had the process been continued, it seems most if not all of the meters could now be read electronically. It appears that this process would have taken an hour or two at most.

Effect

The Town cannot be billing for actual usage. This could result in under or overbilling customers and over or understating the Town’s revenue. The billing process may be taking longer than necessary which may be costing the town in payroll expenses.

Recommendation

We recommend that management form a committee, perhaps including one or more Board members, to evaluate the process and determine whether meters are being read properly and customers are being billed properly. We recommend that none of the persons that are currently involved in the system be solely responsible for the project. We recommend that a plan be devised to update the remaining meters to be read by the electronic reading system. We recommend that the entire project be completed within a year.

Management’s Response

See management’s corrective action plan.

2018-009 Timekeeping Procedures

First reported

2016

Type

Material Weakness

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Condition

During the audit of the 2017 fiscal year, we selected for testing twenty-five employees from the pay period of January 19, 2017 through January 25, 2017. We noted the following:

1. The supervisor's approval was not documented for two out of twenty-five time/attendance records.
2. Three out of twenty-five paychecks included the use of accrued leave. One of three time/attendance records did not include evidence of a supervisor's approval of leave used.

During the audit of the 2016 fiscal year, we noted the following issues that also occurred in the test period referred to above:

1. No form or incomplete overtime form supporting overtime paid
2. No lunch breaks recorded
3. Clocking in and out and the exact same time everyday
4. Manual entries on time/attendance records of employees who use a clock

During the audit of the 2018 fiscal year, we selected for testing the period from June 14, 2018 to June 20, 2018, a pay period in the last month of the fiscal year. The time period was selected for the purpose of determining the most current state of the payroll processing system. We selected twenty-five employees for testing ensuring that at least one employee was selected from each department. The following is a summary of results:

1. One employee left in November 2017. Attendance was documented for the remaining 24 employees tested.
2. For 13 out of 24 employees tested, the supervisor's signature was not present on the attendance record.
3. During the test period, 7 out of 24 employees were paid overtime. The supervisor's signature was not present to approve the overtime for 4 out of 7 employees.

Criteria

Basic practices include procedures to ensure that time/attendance records supporting paychecks are accurate, reviewed, and approved. Town policies should be enforced to include completely and accurately preparing required forms. All state and federal laws and regulations related to payroll should be adhered to. Manually entering time for employees using a time clock should be infrequent.

Article VII Section 14 of the Louisiana Constitution states in part, "Prohibited Uses. Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Except as otherwise provided in this Section, neither the state nor a political subdivision shall subscribe to or purchase the stock of a corporation or association or for any private enterprise."

Cause

The auditor was unable to determine the exact cause for all aspects of the condition. It appears that the various supervisors are not consistent in enforcing policies or reviewing time reports. This lack of concern for policy may have come from an inappropriate control environment more commonly known as the tone at the top.

Effect

Employees could be over or underpaid due to error, abuse or fraud.

Recommendation

We recommend that management ensure that supervisors and employees are properly trained and reminded of policies and procedures. Employees and supervisors should be told that payroll will not be processed without proper documentation.

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Management's Response

See management's corrective action plan.

2018-010 Noncompliance with Budget Act

First reported

2016

Type

Noncompliance

Condition

Management did not submit to the auditor a 2017-2018 budget. We received a 2018-2019 budget that included a column for the 2017-2018 audit. The budget included a budgeted deficit fund balance for the General Fund. We noted no amendments and no ordinance evident in the Board minutes.

General Fund expenditures exceeded budgeted expenditures by \$484,212 or 58%.

Fire Ad Valorem Tax Fund operating transfers exceeded budget by 51%. There were no other expenditures or other uses. The fund ended the year with a deficit balance of \$23,808.

Street Ad Valorem Tax Fund revenues were 18% below budgeted revenues. Actual transfers out were 56% above budgeted transfers. There were no other expenditures or other uses. The fund ended the year with a deficit balance of \$47,214.

Street Sales Tax Fund transfers out were 108% (\$757,920) above budgeted transfers. There were no other expenditures or other uses. The fund ended the year with a fund balance of \$140,459.

Criteria

Section 406 of the Lawrason Act, states in part, "A. (3) Any act of the Board of Aldermen which would provide for the appropriation of funds, the incurrence of debt, or the issuance of bonds or other evidences of indebtedness shall be by ordinance."

Section 1313 of the Budget Act also states in part, "The chief executive or administrative officer shall retain and file certified copies of the adopted budget, budget adoption instrument, duly authorized budget amendments, and copies of supporting schedules and correspondence related to the budget at the domicile of the governing authority."

Louisiana Revised Statute 42:20, part A states, "All public bodies shall keep written minutes of all of their open meetings. The minutes to be kept by the legislature and legislative committees and subcommittees shall be governed by the provisions of R.S. 42:21. The minutes of all other public bodies shall include but need not be limited to: (1) The date, time, and place of the meeting. (2) The members of the public body recorded as either present or absent. (3) The substance of all matters decided, and, at the request of any member, a record, by individual member, of any votes taken. (4) Any other information that the public body requests be included or reflected in the minutes."

Cause

The auditor was unable to determine the cause of the condition.

Effect

The Town's budget file does not clearly demonstrate the Town's compliance with the Budget Act. Controls did not operate effectively to prevent noncompliance.

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Recommendation

We recommend that management consult with the Town Attorney to revise procedures to ensure that the Town complies with laws affecting the budget process.

Management's Response

See management's corrective action plan.

2018-011 Failure to Publish Minutes

First reported

2016

Type

Noncompliance

Condition

For the fiscal year ended June 30, 2016, the Town did not publish Board of Aldermen minutes in the official journal for a period of several months. The June 2015 minutes were published July 23, 2015. We noted no other minutes published from July 23, 2015 through June 30, 2016.

The minutes for meetings held between July 19, 2016 and September 12, 2017 were published November 16, 2017. We did not receive evidence that minutes for later meetings for the audit year had been published as of February 2019, the time of fieldwork.

Criteria

Louisiana Revised Statute 42:20 states, "Written minutes A. All public bodies shall keep written minutes of all of their open meetings. The minutes to be kept by the legislature and legislative committees and subcommittees shall be governed by the provisions of R.S. 42:21. The minutes of all other public bodies shall include but need not be limited to: (1) The date, time, and place of the meeting. (2) The members of the public body recorded as either present or absent. (3) The substance of all matters decided, and, at the request of any member, a record, by individual member, of any votes taken. (4) Any other information that the public body requests be included or reflected in the minutes. B.(1) The minutes shall be public records and shall be available within a reasonable time after the meeting, except where such disclosures would be inconsistent with R.S. 42:16, 17, and 18, or rules adopted under the provisions of R.S. 42:21. (2) If the public body has a website, the public body shall post on its website a copy of the minutes made available pursuant to Paragraph (1) of this Subsection and shall maintain the copy of those minutes on the website for at least three months after the posting. If the public body is required to publish its minutes in an official journal, the public body shall post its minutes on its website as required by this Paragraph within ten days after publication in the official journal. If the public body is not required to publish its minutes in an official journal, the public body shall post its minutes on its website as required by this Paragraph within a reasonable time after the meeting. The inability of the public to access the public body's website due to any type of technological failure shall not be a violation of the provisions of this Chapter."

Louisiana Revised State 43:144 states, "Penalty for failure to have proceedings published. The official of any municipal corporation, police jury, or school council by law responsible for the preparing and recording of the official proceedings who, within twenty days from the date of any meeting at which the official proceedings were had, wilfully neglects or fails to furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication, shall be fined not less than twenty-five dollars nor more than five hundred dollars, or be imprisoned for not less than ten days nor more than six months, or both."

Cause

See finding 2018-015.

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Effect

The Town did not comply with state law concerning minutes.

Recommendation

We recommend that management review policies and procedures to ensure that policies and procedures are adequately designed and monitored to prevent noncompliance.

Management's Response

See management's corrective action plan.

2018-012 Late Filing of Police Supplemental Pay Reports

First reported

2017

Type

Noncompliance

Condition

For fiscal year 2017, four out of twelve police supplemental pay warrants were signed after the tenth of the month following the reporting period. For fiscal year 2018, neither the date of the signatures nor the filing dates were documented for two out of twelve months. The majority of the reports appeared to have been obtained from the Louisiana Supplemental Pay office because the Town Clerk did not have copies on file.

Criteria

LRS 40 :1667 through 40:1667.9 provides for supplemental pay. The warrant required submitted to the Louisiana Department of Public Safety & Corrections, Public Safety Services states that it is due to the Department by the tenth of the month following the paid month.

Cause

The auditor was unable to determine the cause for the delays.

Effect

The Town is not in compliance with state law as it relates to police supplemental pay.

Recommendation

We recommend that management design and implement procedures to ensure that requirements relating to supplemental pay are met.

Management's Response

See management's corrective action plan.

2018-013 Financial Statements Issued After Due Date

First reported

2016

Type

Material Weakness, Noncompliance

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Condition

The audit report was submitted after the statutory due date.

Criteria

State law requires the Town to submit to the Louisiana Legislative Auditor audited financial statements within six months of year end or December 31, 2018.

Cause

See other findings. The audit report was delayed by the following:

- Accounting records were not properly maintained.
- The outside accountant was not asked to monitor bookkeeping during the year to confirm that all transactions had been entered, that bank accounts had been reconciled, and to check for bookkeeping errors.
- The outside accountant was not able to work at Town Hall on year-end adjustments in the time frame he had scheduled. The Town Clerk had not completed her work to allow him to complete his work.
- Once the outside accountant could begin his work, he found incomplete bookkeeping and errors.
- The above delays caused scheduling conflicts for the outside accountant and auditor. Both firms were booked for other engagements. The firms had to work on the town's books and audit as their schedules permitted. In an attempt to make progress, as our schedule permitted, we began completing procedures before the books were adjusted to their final state and before the financial statements were available. Only a limited amount of work can be completed before the books are available. The financial statements did not become available until October 2019.
- Information obtained from procedures performed indicated a higher risk of material misstatement and noncompliance with laws, regulations, and contracts than initially assessed. Additional procedures had to be performed.

Effect

When an entity is late filing its report, the entity is placed on the LLA's noncompliance list. Being placed on the list results in an entity receiving no funds from the State until the entity is removed from the list. Management cannot work in a timely manner to resolve internal control deficiencies and noncompliance with laws, regulations, contracts, and grants identified by the auditor.

Recommendation

We recommend the following:

1. Implement recommendations in other findings.
2. Clearly communicate proper lines of authority and responsibility to all employees.
3. Ensure that the internal control system design includes proper monitoring, supervision, and review and ensure that such monitoring, supervision, and review is taking place.
4. Ensure that management is present and actively monitoring operations and supervising employees.
5. Engage the outside CPA to monitor accounting monthly to ensure that proper accounting and control procedures are followed.
6. Ensure that the outside CPA is allowed access to complete year-end adjustments and submit data to the auditor by August 31st each year.

Management's Response

See management's corrective action plan.

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2018-014 Financial Statements Not Provided to Board of Aldermen

First reported

2017

Type

Material Weakness

Condition

Monthly financial statements were not submitted to the Board of Aldermen during the year ended June 30, 2018.

Criteria

Proper internal controls and LLA Best Practices include review of financial statements by management and the governing board.

Cause

Management did not properly utilize the services of the outside accountant to ensure that monthly procedures were followed to ensure that all transactions were entered into the accounting system and reconciled to supporting documents such as bank statements. Without these procedures, accurate financial statements cannot be produced and provided to management and the Board of Aldermen.

The Town Clerk is responsible for reconciling bank accounts. During fiscal year 2018, only 1 out of 12 bank reconciliations were performed timely. In some instances, reconciliations were completed more than 4 months after the bank statement date.

During fiscal year 2018, we noticed that deposits were not posted in a timely manner which means the bank accounts could not be reconciled in a timely manner. The Town Clerk is also responsible for preparing deposit documentation and submitting the documentation to the bookkeeper for posting. Town procedure is to prepare, deposit, and post deposits daily. According to the bookkeeper, the deposit information was often not submitted to her on a timely basis. Therefore, deposits and transfers between bank accounts were often not recorded for weeks at a time. The software and documentation appear to corroborate the bookkeeper's assertion. The software documents when transactions are entered and by whom regardless of the effective date that is entered. For example, in the General Fund, according to the software, some deposits were entered as follows:

- July 13, 2017 – by the bookkeeper – seven deposits with dates ranging from June 28, 2017 through July 12, 2017
- October 4, 2017 – by the bookkeeper – seven deposits with dates ranging from September 25, 2017 through September 27, 2017
- November 28, 2017 – all except one were entered by the Town Clerk - thirty-five deposits with dates ranging from November 4, 2016 through September 9, 2017
- February 5, 2018 – by the bookkeeper – twenty-nine deposits with dates ranging from December 15, 2017 through February 1, 2018
- February 15, 2018 – all except two were entered by the Town Clerk - thirty deposits with dates ranging from September 22, 2017 through February 12, 2018
- April 26, 2018 – thirty-four deposits with dates ranging from July 2016 to June 2017
- May 10, 2018 – twenty deposits with dates ranging from November 2017 to January 2018

Deposits for the last few months of the fiscal year were entered timely.

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Effect

Management and the Board of Aldermen have not been able to fulfill their responsibility to oversee the Town's finances.

Recommendation

We recommend that the Town utilize the outside accountant to ensure that financial statements are provided to management and the Board of Aldermen. We recommend that the accountant be allowed to perform the following procedures on a monthly basis:

- Confirm that all deposits have been made and recorded
- Confirm that bank reconciliations have been performed for all bank accounts
- Agree other asset and liability accounts to supporting documentation
- Review the general ledger for accounting errors and make adjustments as needed
- Read financial statements produced from the accounting system and make any changes needed

Management's Response

See management's corrective action plan.

2018-015 Failure in Multiple Elements of Internal Control

First reported

2017

Type

Material Weakness

Condition

The performance of our audit procedures and statewide agreed-upon procedures included the following:

- Observance of management and employees
- Interviews of elected officials, management, employees, citizens, vendors, and contractors
- Analytical Reviews
- Tests of transactions

From these procedures, we identified deficiencies and/or weaknesses in all of the components of internal control:

- Control environment
- Risk Assessment
- Information and communication
- Monitoring
- Control activities

Evidence obtained from the above procedures indicated the following specific issues:

- Overall lack of communication and, sometimes, animosity between officials, between departments, and between employees
- Mayor and Town Clerk are often absent from Town Hall
- Town Clerk is often behind closed doors when she is present at Town Hall

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Criteria

Local governments typically use the Green Book as a model for internal control. Per <https://www.gao.gov/greenbook/overview>, "Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. *Standards for Internal Control in the Federal Government*, known as the "Green Book," sets the standards for an effective internal control system for federal agencies."

The Town is subject to the Lawrason Act found in LRS 33:321-463. The Act stipulates that the Council or Board of Aldermen has legislative powers and the Mayor is the Chief Executive Officer. The Clerk's duties, per the Act, include keeping the minute book, maintaining custody of the town seal, maintaining the court docket, and maintaining and preserving other books and records.

Cause

We were unable to identify the cause of the condition.

Effect

We identified the following effects from the above described condition:

- The absence of management creates an environment ripe for abuse and fraud. For example, multiple sources (officials, employees, citizens, and vendors) reported that employees are often parked/idle in town vehicles for extended periods of time during work hours. We received multiple complaints that the phone at the public works department often goes unanswered. We received multiple complaints that employees use town equipment for personal uses. Also see the other findings, including, but not limited to, excessive overtime.
- Poor communication limits the ability of employees to perform their assigned duties. It is necessary to communicate information and transfer data and documents among departments to ensure that transactions are properly initiated, authorized, documented, and recorded. For example, we noted that the bookkeeper responsible for processing payroll and accounts payable and posting deposits has difficulty getting properly completed time/attendance and leave records, purchase orders, invoices, and deposit information from other employees. Also, the police chief moved the collection of fines from town hall to the police department due to failures reported in the fiscal year 2016 audit report.
- The fiscal advisor (accountant) was unable to fully adjust balances due to time constraints and lack of cooperation from the Town Clerk. Unidentified differences are posted to miscellaneous income or expenditure/expense accounts.
- Unadjusted amounts on the trial balance prepared by the fiscal advisor do not agree to the trial balance produced by QuickBooks at Town Hall. This indicates that employees changed QuickBooks after it was submitted to the fiscal advisor for year-end adjustments.
- Bank reconciliations were not timely or accurate.
- Many transactions were not posted during the year.
- As of June 30, 2018, there were cash overdrafts in the Fire Ad Valorem and Utility Funds of \$23,858 and \$94,766, respectively.
- Grant documents and many bank statements were not provided to us or not provided in a timely manner. Though we requested data in advance and worked at Town Hall for a solid week, the Town Clerk did not attempt to submit to us some bank statements until the evening of the fifth day as we were packing up to leave.
- We were unable to trace payments totaling \$4,871 from Louisiana's OSRAP website to the general ledger.
- Other revenue per utility billing reports could not be reconciled to the adjusted trial balances.
- We were unable to explain material variances from expectations in revenue and expenditures/expenses.
- All or a majority of the other findings are caused by this condition or are related to this condition.

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Recommendation

We recommend that an intentional effort be made to ensure that the Town's internal control system is properly designed, implemented, and monitored. We previously recommended that the Town utilize its outside accountant or CPA firm to monitor the accounting and reporting function. The firm could also assist in evaluating and adjusting the internal control system and perhaps testing the system to ensure that it is functioning as designed.

Management's Response

See management's corrective action plan.

2017-016 Lack of Segregation of Duties in Collections

First reported

2017

Type

Material Weakness

Condition

During the years ended June 30, 2017 and 2018, some employees performed incompatible duties. The Town Clerk received collections from the cashiers, prepared the deposits, took the deposit to the bank, and prepared the daily summary of collections at town hall. The tax collector prepared tax bills, collected tax payments, posted tax payments in the tax software, and managed the tax sale. Additionally, during the year, due to a fiscal year 2016 audit finding, the police chief moved collections of fines from town hall to the police department. A better segregation of duties is achieved when collections are at town hall since the police department writes citations and accounts for citation numbers.

We did not identify any control activities that mitigated the risk increase caused by the lack of proper segregation of duties.

Criteria

Paragraph 10.13 of the Green Book reads in part (emphasis added), "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process. Management considers the need to **separate control activities related to authority, custody, and accounting of operations** to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk."

Cause

The Town Clerk assumed her duties due to lack of available personnel to assign selected duties to. The tax collector collected tax payments because she believed it helped her ensure an accurate accounting. The police department collected payments of fines due to the police chief's concern about collections issues highlighted in the fiscal year 2016 audit.

Effect

Improper segregation of duties without compensating controls gives one individual too much power and thus increases the risk for fraud, waste, and abuse.

Recommendation

Our 2017 recommendation read as follows:

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Our recommendation in the finding regarding failure to produce financial statements could also address the lack of segregation of duties. The outside accountant's role could include monitoring of these activities. However, we recommend that cashiers at town hall be responsible for all collections.

Current management has asserted that the accountant will be taking over some of the duties such as posting deposits, paying vendors, and processing payroll.

Management's Response

See management's corrective action plan.

2018-017 Utility Accounts of Employees and Officials Paid Late

First reported

2017

Type

Material Weakness, Noncompliance

Condition

The utility accounts of two supervisory employees were allowed to remain open in spite of a lack of payment.

The first employee did not make payment on his account from March 3, 2017 to December 22, 2017, when he paid the entire balance of \$712.52. A check was issued to this employee on December 22, 2017, for \$931.83, for eighty vacation hours.

The second employee was first billed on February 1, 2017, but did not make a payment until January 4, 2018, when he paid the full balance of \$860.10. A check was issued to this employee on December 27, 2017, for \$960.00, with a memo that read, "REPAIRED WATER LEAKS, WATER WELLS, &...". This check was written outside of the payroll system, as if the employee was an independent contractor. An invoice supporting this check indicates the work was performed during June and July 2017, when the employee was briefly retired. This employee is also the subject of finding 2017-019.

Additionally, though her account was current at year end, the Town Clerk, who is responsible for overseeing the utility billing and collection, was charged seven penalties during the year for late payment. Several other officials and key employees were charged one or more penalties during the year, indicating their payments were received past the due date. It appears that penalties were often not charged to employees and officials even if their payments were late.

Criteria

Article VII Section 14 of the Louisiana Constitution states in part, "Prohibited Uses. Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Except as otherwise provided in this Section, neither the state nor a political subdivision shall subscribe to or purchase the stock of a corporation or association or for any private enterprise."

Cause

We did not identify the cause of the condition.

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Effect

In failing to collect balances owed by employees to the Town, the Town loaned funds to the employees in violation of the Constitution. Additionally, failing to collect from any individual or company who owes the Town is reducing the Town's ability to provide services.

Recommendation

We recommend that the Town ensure that its written policy for terminating services and collecting payments is appropriately designed and implemented.

Management's Response

See management's corrective action plan.

2018-018 Employee Paid as Contract Labor

First reported

2017

Type

Material Weakness, Noncompliance

Condition

The water department supervisor filed retirement papers with a retirement date of May 31, 2017 and was issued a check from the Municipal Employees Retirement System of Louisiana representing a refund of his contributions and forfeiture of the employer matching contributions. The employee was rehired July 3, 2017. On December 22, 2017, the employee received a nonpayroll check for \$960.00 for 80 hours of work he performed in June and July 2017, when he was officially retired.

Criteria

LRS R.S. 42:1121 provides that a former public employee is prohibited for two years following termination of their public employment from:

- Assisting persons, for compensation, in any transaction, or making an appearance in connection with a transaction involving their former agency in which they participated at any time during their public employment; and
- Rendering any services which they rendered during their employment on a contractual basis to, for, or on behalf of their former agency.

Additionally, Internal Revenue Service Regulations prohibit the classification of an employee as an independent contractor. Taxes are not withheld, and employer payroll taxes are not paid on payments to contractors.

Cause

We did not identify the cause of the condition.

Effect

The employee and the Town appear to have violated the Louisiana Code of Governmental Ethics and IRS regulations concerning the classification of employees. The Town could be liable for payroll taxes that should have been paid on the compensation to the employee.

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Recommendation

We recommend that management consult legal counsel on corrective action.

Management's Response

See management's corrective action plan.

2018-019 Certificate of Deposit Cashed Without Board of Aldermen Approval

First reported

2017

Type

Material Weakness, Noncompliance

Condition

Management cashed a Street Sales Tax certificate of deposit and deposited the proceeds of \$265,479 in the General Fund. We noted no Board of Aldermen approval either in the 2017-2018 budget or in the minutes of meetings.

Criteria

The transfer of such a large sum of money should have been approved by the Board of Aldermen. The use of the funds in the General Fund may not be in accordance with the tax proposition approved by the voters.

Cause

We have concern that the Town is overspending and experiencing problems with cash flow due to conditions mentioned in other findings. When deposits are not posted timely and bank reconciliations are not performed timely, management cannot know how much cash is available to spend.

Effect

Management may be spending funds that the Board of Aldermen intended to remain intact. The Town may have violated the tax proposition.

Recommendation

We recommend that the Town consult legal counsel and take appropriation action.

Management's Response

See management's corrective action plan.

2018-020 Louisiana Compliance Questionnaire Not Properly Executed

First reported

2018

Type

Noncompliance

Condition

The Town Clerk submitted the Louisiana Compliance Questionnaire without signatures or approved Board Resolution.

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
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Criteria

Louisiana Audit Law gives the Louisiana Legislative Auditor the authority to impose certain requirements on local governments. Via the Louisiana Governmental Audit Guide, the Town is required to submit to the auditor at the beginning of the audit a completed and signed Louisiana Compliance Questionnaire accompanied by a resolution of the Board.

Cause

The cause is unknown. However, see other findings.

Effect

The Town did not comply with the Louisiana Governmental Audit Guide.

Recommendation

We recommend that the Town Clerk review the requirements and ensure that future questionnaires are properly executed.

Management's Response

See management's corrective action plan.

2018-021 Board Meeting Minutes Were Not Properly Prepared or Retained

First reported

2018

Type

Noncompliance

Condition

No minutes were available for meetings that appeared to be held on August 27, 2018 and December 28, 2017. Minutes were sometimes too vague. For example, the minutes may mention that someone was hired but not state who or for how much. There were numerous errors in other minutes. For example, for one meeting, a Councilperson was listed as present AND absent. For other meetings, an ordinance was listed by number with no copy or description in the minutes.

Criteria

Louisiana Revised Statute 42:20 states, "Written minutes A. All public bodies shall keep written minutes of all of their open meetings. The minutes to be kept by the legislature and legislative committees and subcommittees shall be governed by the provisions of R.S. 42:21. The minutes of all other public bodies shall include but need not be limited to: (1) The date, time, and place of the meeting. (2) The members of the public body recorded as either present or absent. (3) The substance of all matters decided, and, at the request of any member, a record, by individual member, of any votes taken. (4) Any other information that the public body requests be included or reflected in the minutes. B.(1) The minutes shall be public records and shall be available within a reasonable time after the meeting, except where such disclosures would be inconsistent with R.S. 42:16, 17, and 18, or rules adopted under the provisions of R.S. 42:21. (2) If the public body has a website, the public body shall post on its website a copy of the minutes made available pursuant to Paragraph (1) of this Subsection and shall maintain the copy of those minutes on the website for at least three months after the posting. If the public body is required to publish its minutes in an official journal, the public body shall post its minutes on its website as required by this Paragraph within ten days after publication in the official journal. If the public body is not required to publish its minutes in an official journal, the public body shall post its minutes on its website as required by this Paragraph within a reasonable time after the meeting. The inability of the public to access the public body's website due to any type of technological failure shall not be a violation of the provisions of this Chapter."

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JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Cause

The cause was not identified.

Effect

The Town did not fully comply with the stated requirements. The minutes do not contain a complete accurate audit trail. Minutes are a significant source of audit evidence.

Recommendation

We recommend that management review policies and procedures to ensure that policies and procedures are adequately designed and monitored to prevent noncompliance.

Management's Response

See management's corrective action plan.

2018-022 Failure to Properly Prepare Bank Reconciliations and Failure to Submit to the Auditor, Records Including Bank Statements and Bank Reconciliations

First reported

2018

Type

Material Weakness, Noncompliance

Condition

See other findings. Bank reconciliations were not prepared in a timely manner. Bank reconciliations contained material stale and invalid reconciling items. Several bank reconciliations and bank statements were not submitted to us in a timely manner for audit.

Criteria

The Louisiana Audit Law states in part (emphasis added):

"LRS 24§513. Powers and duties of legislative auditor; audit reports as public records; assistance and opinions of attorney general; frequency of audits; subpoena power

A.(1)(a) Subject to Paragraph (3) of this Subsection, the legislative auditor shall have authority to compile financial statements and to examine, audit, or review the books and accounts of the state treasurer, all public boards, commissions, agencies, departments, political subdivisions of the state, public officials and employees, public retirement systems enumerated in R.S. 11:173(A), municipalities, and all other public or quasi public agencies or bodies, hereinafter collectively referred to as the "auditee". The scope of the examinations may include financial accountability, legal compliance and evaluations of the economy, efficiency, and effectiveness of the auditee's programs or any combination of the foregoing. In addition to the authority granted above, the legislative auditor shall have access to and be permitted to examine all papers, books, accounts, records, files, instruments, documents, films, tapes, and any other forms of recordation of all auditees, including but not limited to computers and recording devices, and all software and hardware which hold data, is part of the technical processes leading up to the retention of data, or is part of the security system. This access shall not be prohibited by Paragraph (3) of this Subsection.

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JONESBORO, LOUISIANA**

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E. In the performance of his duties as herein stated, the legislative auditor, or any member of his staff designated by him, shall have the power to inspect and to make copies of any books, records, instruments, documents, files, films, tapes, and other forms of recordation, including but not limited to computer and recording devices, of the auditee. He may call upon the auditee and any of its officials and staff for assistance and advice, and such assistance shall be given through the assignment of personnel or in such other manner as necessity requires.

H.(1) All auditees and their officials and staff are hereby directed to assist the legislative auditor in his work and to furnish such information, reports, aid, services, and assistance as may be requested, all without any cost or charge. It shall be the duty of the attorney general and the local district attorney to give assistance to the legislative auditor. The attorney general shall render his opinion in writing on any subject requested by the legislative auditor.

(2)(a) Each auditee shall designate an individual who shall be responsible for filing annual financial reports with the legislative auditor and shall notify the legislative auditor of the name and address of the person so designated.

(b) A governmental entity that provides funding to a quasi public agency or body shall notify each such quasi public agency or body of the requirements of this Paragraph.

I. The authority granted to the legislative auditor in this Section to examine, audit, inspect or copy shall extend to all books, accounts, papers, documents, records, files, instruments, films, tapes, and any other forms of recordation, including but not limited to computers and recording devices, whether confidential or otherwise. However, the legislative auditor shall comply with any and all restrictions imposed by law on documents, data, or information deemed confidential by law and furnished to the legislative auditor.

Cause

See other findings.

Effect

The Town appears to have violated the Louisiana Audit Law. The Law includes the following:

“K. Whoever violates the provisions of this Section shall be fined not more than one thousand dollars and shall be deemed guilty of malfeasance and gross misconduct in office, and shall be subject to removal.”

The Town has been placed on the noncompliance list and will receive no funds from the State until the report is submitted.

Recommendation

See 2018-013

Management’s Response

See management’s corrective action plan.

2018-023 Failure to Provide Grant Files to the Auditor

First reported

2018

Type

Material Weakness, Noncompliance

**TOWN OF JONESBORO
JONESBORO, LOUISIANA**

**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Condition

In advance of the beginning of the audit, we submitted to management a detailed request for data that listed that would be required for audit. We scheduled fieldwork with management. We explained via our engagement letter and other communications that timely, accurate, and complete responses to auditor requests for data and information is crucial to the audit process being effective and efficient.

We never received grant files for audit.

Criteria

See 2018-022. Louisiana Audit Law requires the Town to respond to the LLA and the auditor. Grant agreements require that audits be completed in accordance with the Louisiana Audit Law.

Cause

See other findings.

Effect

We were unable to complete audit procedures on grant revenues and expenditures and on compliance.

Recommendation

See other findings. We recommend that management ensure records are properly maintained and retained and timely submitted to auditors.

Management's Response

See management's corrective action plan.

TOWN OF JONESBORO
JONESBORO, LOUISIANA

SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
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C. STATUS OF PRIOR YEAR FINDINGS AND COMMENTS

2017-001 Cash Receipt Books Not Properly Maintained

Initial Year of Reporting

2015

Status

The finding is repeated. See Finding 2018-001.

2017-002 Bank Account Required by Debt Agreement Not Fully Funded

Initial Year of Reporting

2015

Status

The finding is resolved.

2017-003 Liability for Customer Deposits Exceeds Restricted Cash

Initial Year of Reporting

2015

Status

The finding is repeated. See Finding 2018-002.

2017-004 Utility Fund Accounts Receivable Includes Bad Debts

Initial Year of Reporting

2015

Status

The finding is repeated. See Finding 2018-003.

2017-005 Noncompliance with Public Bid Law

Initial Year of Reporting

2015

Status

The finding is repeated. See Finding 2018-004.

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SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
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2017-006 Failure in Internal Control Over Purchasing

Initial Year of Reporting

2016

Status

The finding is repeated. See Finding 2018-005.

2017-007 Customer Refunds Not Reflected in the Billing System

Initial Year of Reporting

2016

Status

The finding is repeated. See Finding 2018-006.

2017-008 Overtime Pay Appears to be Excessive

Initial Year of Reporting

2016

Status

The finding is repeated. See Finding 2018-007.

2017-009 Utility Billing Procedures

Initial Year of Reporting

2016

Status

The finding is repeated. See Finding 2018-008.

2017-010 Timekeeping Procedures

Initial Year of Reporting

2016

Status

The finding is repeated. See Finding 2018-009.

2017-011 Noncompliance with Budget Act

Initial Year of Reporting

2016

Status

The finding is repeated. See Finding 2018-010.

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SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
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2017-012 Failure to Publish Minutes

Initial Year of Reporting

2016

Status

The finding is repeated. See Finding 2018-011.

2017-013 Late Filing of Police Supplemental Pay Reports

Initial Year of Reporting

2017

Status

The finding is repeated. See Finding 2018-012.

2017-014 Financial Statements Issued After Due Date

Initial Year of Reporting

2017

Status

The finding is repeated. See Finding 2018-013.

2017-015 Financial Statements Not Provided to Board

Initial Year of Reporting

2017

Status

The finding is repeated. See Finding 2018-014.

2017-016 Failure in Multiple Elements of Internal Control

Initial Year of Reporting

2017

Status

The finding is repeated. See Finding 2018-015.

2017-017 Lack of Segregation of Duties in Collections

Initial Year of Reporting

2017

Status

The finding is repeated. See Finding 2018-016.

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**SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS
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2017-018 Utility Accounts of Employees and Officials Paid Late

Initial Year of Reporting

2017

Status

The finding is repeated. See Finding 2018-017.

2017-019 Employee Paid as Contract Labor

Initial Year of Reporting

2017

Status

The finding is repeated. See Finding 2018-018.

2017-020 Certificate of Deposit Cashed without Board Approval/Use of Proceeds May Violate Tax Proposal

Initial Year of Reporting

2017

Status

The finding is repeated. See Finding 2018-019.

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Town of Jonesboro
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Town of Jonesboro (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

We obtained and inspected the written policies and procedures. We observed the following.

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

The policy includes all of the requirements.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The 2011 policy mentions the preparation of purchase orders and states "the clerk is to verify" a purchase in compliance with the Public Bid Law. The 2016 Personnel Policies and Procedures including the 2018 revision also mentions purchase orders stating they must be used for all purchases and approved by the Mayor. Neither policy discusses how purchases are to initiated or how vendors are added.

- c) **Disbursements**, including processing, reviewing, and approving

The 2011 policy discusses the reviewing and approving of disbursements but not the processing.

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Independent Accountant's Report on SAUPs – 2018

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The only collections policy that was noted was within the Customers Billing Policy. It includes the receiving and recording of collections but does not address the preparation of deposits or management's actions to ensure completeness.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Both the 2016 policy and its 2018 revision state who is to approve leave. Neither policy discusses the processing, reviewing, or approving of time/attendance records, including overtime.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

The 2011 policy contains the types of services, the need for legal review, and the approval process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

The 2011 policy contains controls in place, the documentation required, and the monitoring of the card usage. The policy simply states the card is "only for Town travel business."

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The 2018 revision of the 2016 policy found in the Employee Handbook contains all of the required elements.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

The policy does not contain the required elements.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Town does not have a debt service policy.

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Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

We requested the board minutes for the fiscal period. We noted the minutes for one meeting referenced approval of minutes for a special meeting that we did not receive minutes for. We could not locate the minutes for this meeting in the official minute book.

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

We observed that the board met at least monthly.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

We did not observe any reference to or copy of monthly budget-to-actual comparisons on any funds.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

We obtained the prior year audit report and observed a positive unrestricted fund balance in the general fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of accounts was not provided by management. We used the listing provided in the prior year to select the accounts for testing. We selected one month for testing and were able to obtain the reconciliations for three of the five accounts. We were not able to obtain the bank statements for any of the selected accounts.

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- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

None of the selected reconciliations were prepared within two months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

None of the reconciliations included evidence of review by another party.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

None of the reconciliations showed evidence of research into stale items outstanding for more than 12 months.

Collections

4. Obtain a listing of deposit sites¹ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

We requested a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash). No list was submitted to us. We observed one deposit site, town hall.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

We requested a listing of collection locations and management's representation that the listing was complete. We did not receive a listing. We observed two collection locations: Town Hall and the Police Department. We randomly selected one collection location for testing and requested written policies and procedures relating to employee job duties.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

We observed that employees that are responsible for cash collections do not share cash drawers/registers.

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- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Employees responsible for collecting cash are not responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employees responsible for collecting cash are not responsible for posting collection entries to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

We noted no employee is reconciling cash collections to the general ledger.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
We requested bond/insurance documentation. We noted the insurance does not list specific employees who collect cash. The policy indicates that the policy is a "Public Officials Errors & Omissions" policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day)². *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3. However, management did not submit all of the bank statements to us. We only received bank statements for 3 of 10 deposit dates. We obtained supporting documentation for those 3 deposits.

- a) Observe that receipts are sequentially pre-numbered.

We noted receipts were sequentially pre-numbered for 2 of the 3 deposits tested. A receipt was not issued for one of the deposits, because the check was mailed in.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

We traced sequentially pre-numbered receipts to the deposit slip for the 3 deposits tested without exception.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

For the 3 deposits tested, we traced the deposit slip total to the deposit per the bank statement and noted no exceptions.

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- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

We noted 2 of 3 deposits tested were deposited within one day of collection. One deposit was a check that was mailed in. The receipt date was not documented.

- e) Trace the actual deposit per the bank statement to the general ledger.

We noted all 3 deposits tested agreed to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

We were unable to obtain a listing of locations that process payments for the fiscal period. Based on our past experience with the entity, we concluded that there was only one location.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

We were unable to obtain a listing of those employees involved with non-payroll purchasing and payment functions. From past experience, we prepared a list. We obtained an understanding of job duties from discussion with the employees.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We noted at least two employees are involved in initiating a purchase request, approving the purchase, and placing an order/making the purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

We noted at least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

We noted the employee responsible for processing payments is able to add/modify vendor files, and there is no other employee responsible for periodically reviewing changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

We noted the employee responsible for signing checks gives those checks back to the employee responsible for processing payments to be mailed.

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10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

From QuickBooks, we exported a check detail excluding payroll transactions and requested management's representation that the listing is complete. We randomly selected 5 disbursements for testing and obtained available documentation.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Four out of five disbursements matched the related invoice.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Four out of five disbursements were not supported by documentation of proper segregation of duties.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

We were unable to obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period. We exported a report of expenses by vendor from the accounting software. We identified a Walmart account but were unable to determine how many cards were attached to the account.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

We selected one Walmart statement and obtained available documentation.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

We did not observe any evidence that the statement and supporting documentation was reviewed and approved.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

We noted no finance charges or late fees on the statement selected.

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13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

We selected all 10 transactions on the statement.

One out of 10 transactions was not supported by itemized receipts.

Eight of 10 transactions were not supported by documentation of the business purpose.

None of the transactions tested were charges for meals.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

We were unable to obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. We created a list from the check detail in the accounting software and randomly selected 5 reimbursements. We obtained available documentation.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Four out of five reimbursements were based on per diem rates that did agree, or come in below amounts set by the United States General Services Administration.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Three reimbursements were based on actual costs and were supported by original itemized receipts.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

We noted each reimbursement was supported by documentation of the business/public purpose, and meal charges reimbursed did contain documentation of the individuals participating.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We noted each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

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Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

We did not receive a listing. We received copies of various contracts that we used as the listing. We randomly selected 5 contracts to test.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

We did not identify any contracts in our sample that were subject to the Louisiana Public Bid Law.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

We did not identify any contracts in our sample that were subject to the Louisiana Public Bid Law.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

We noted no contracts in the sample that were amended.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We randomly selected one payment from the fiscal period for each of the 5 contracts, obtained the supporting invoices, compared the invoices to the contract terms, and compared the invoices and related payment to the terms and conditions of the contract. Three invoices and related payments did not appear to agree to the contract terms.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Management did not submit a listing to us. We prepared a list from the accounting software. We randomly selected five employees and obtained the related documentation. We agreed the paid rates to the authorized rates for all five employees.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

We randomly selected one pay period during the fiscal period and obtained the available documentation for the pay period.

TOWN OF JONESBORO

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- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We observed that four out of five employees documented their daily attendance and leave. One of the selected employees was not employed during the testing period.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

We observed the supervisor's approval for three of the four employees.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

We inspected the leave records for the employees tested. There was no leave taken or accrued during the period.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Management did not provide a listing of employees receiving termination payments.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

We did not obtain a representation. See the auditor's report on the financial statements.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

We obtained the ethics documentation from management for the five selected employees/officials.

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

We observed two of the five employees did not have documentation for the one-hour ethics training. We observed that training for another two out of five employees occurred after this fiscal year end.

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- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

We did not observe any documentation demonstrating each employee/official verified through signature that he or she has read the entity's ethics policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Management did not provide a listing.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Management did not provide a listing. We selected one bond to test based on prior year data. We inspected the debt covenants and obtained the supporting documentation. One payment was issued two days late. The reserve fund, depreciation fund, and short-lived asset fund are fully funded. The sinking fund was not fully funded.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management did not provide a listing of misappropriations.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed the required notice posted at the cashier's window in Town Hall as well as on the "Government" tab of the Town's website.

Exceptions

We did not obtain management's representations. See the auditor's report on the financial statements. We issued a disclaimer of opinion because we cannot accept management's representations.

Written Policies and Procedures - Some policies have not been adopted and implemented. Some policies do not contain all of the suggested elements.

Board or Finance Committee - We did not receive minutes for all meetings. We did not observe evidence that the board was receiving or reviewing budget to actual comparisons.

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Bank Reconciliations - Management did not provide a listing of bank accounts. We did not receive some of the requested bank reconciliations or bank accounts. None of the inspected bank reconciliations were prepared within two months of the related statement closing statements. None of the inspected reconciliations included evidence that another party reviewed the reconciliations or that stale items were researched.

Collections - Management did not provide a list of deposit sites or collection locations. We noted no documented reconciliation of receipts to the general ledger. We did not receive some of the bank statements, so we were unable to complete all of the procedures. Receipt dates are not documented when payments are mailed in.

Non-Payroll Disbursements - Management did not submit a list of disbursement locations or a listing of employees involved with nonpayroll purchasing and payment functions. The employee responsible for processing payments is able to add/modify vendor files. We noted no employee or official that is responsible for reviewing changes to vendor files. The employee responsible for processing payments is also responsible for mailing checks after they are signed. One out of five disbursements did not match the related invoice/support. For four out of five disbursements, the support did not include evidence of documentation of proper segregation of duties.

Credit Cards/Debit Cards/Fuel Cards/P-Cards - Management did not submit a listing of cards. The statement we inspected did not include any evidence that the statement and supporting documentation was reviewed and approved. One out of ten transactions on the statement was not supported by itemized receipts. Eight out of ten transactions did not include documentation of the business purpose.

Travel and travel-related Expense Reimbursements - Management did not submit a listing.

Contracts - Management did not submit a listing. Three invoices did not appear to agree to the contract terms.

Payroll and Personnel - The supervisor's approval was not documented for one of four employees tested. Management did not provide a listing of termination payments.

Ethics - For two out of five employees, no documentation was provided for training. Training for two out of five employees was completed after this fiscal year. Management did not submit any documentation that employees/officials verified through signature that they had read the entity's ethics policy.

Debt Service - Management did not provide the listings. One debt service payment was issued two days late. The sinking fund was not fully funded.

Other - Management did not provide a listing of misappropriations.

TOWN OF JONESBORO

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Independent Accountant's Report on SAUPs – 2018

Management's Response

Management of the Town is evaluating the results and will act as deemed necessary.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana

April 2, 2020



Town of Jonesboro

Mayor Leslie Thompson
Ph: 318-259-2385
Fax: 318-259-4177

P.O. Box 610
128 Allen Avenue
Jonesboro, Louisiana 71251

March 27, 2020

To whom it may concern:

Attached hereto are the Town of Jonesboro' Management's Responses to the 2017 -2018 Audit findings.

Thank you,

Mayor L. Thompson

"This institution is an equal opportunity provider"



Town of Jonesboro
Managements Response to 2017-2018 Audit Findings

1. **2018-001** Cash Receipt Books Not Properly Maintained

We have taken the following measures to rectify the findings:

- Will begin using pre-numbered receipt books for deposits
- Will keep log of what receipt books are issued to whom

2. **2018-002** Liability for Customer Deposits Exceeds Restricted Cash

The following measures have been or are being implemented:

- Deposit amount requirements change periodically. One clerk is now assigned to look back at all customers deposits over the years to determine amount of deposit which should be in account. Once this is completed, we will calculate all customer deposits and separate them from the deposit accounts to be held in a restricted account. Funds will be transferred to match the liability as soon as realistically possible.

3. **2018-003** Utility Fund Accounts Receivable Includes Bad Debts

The following measures have been or are being implemented:

- All bad debts have been cleared up.
- An in-depth discussion seeking council approval and detailing the need to purchase more accurate electronic meters has been held at several council meetings. Awaiting approval to move forward.
- At least 80% of the current meters are faulty (not working) or cannot be located. To more accurately bill customers, we certainly need to implement the new electronic metering system.
- The utility supervisor has been assigned the task of identifying outstanding debts.
- We are reviewing the turn off and refund policy as it relates to customer deposits and how to handle refunds. Some considerations are:
 - Engaging a debt collection agency to handle unpaid bills
 - When turned off for non-payment, after 30 days, customer will be refunded any remaining balance of deposit after having been applied to balance due. This process will require new deposit and starting as new customer should they want to turn services back on and will eliminate bad debts being carried on the books. Adjustment entries will be recorded in each account determined uncollectible.

4. **2018-004** Non-compliance with Public Bid Law

- Will put bids for regular services and items (gasoline) on the council's agenda in May of each year, send items out for bid through the approved bid process and vote on bids in the annual June council meeting. This will insure that all items which are or should be bided annually will not be overlooked and that the Town is in step with LRS 38:2212.1.

5. **2018-005** Failure in Internal Control Over Purchasing

The following measures have been or are being implemented:

- In August of 2020, a Compliance Officer was hired to oversee the purchase process.
- A requisition is required before purchases are made and purchase orders are required on all purchases.
- Quarterly staff meetings are scheduled to reinforce purpose of policy and to prepare staff for audit readiness.

6. **2018-006** Customer Refunds Not Reflected in Billing System

The following measures have been or are being implemented:

- Hired person in March 2020 to be responsible for insuring customer refunds are properly handled and put into the billing system timely. This insures all information is properly input into the system in a timely manner. We are going back to 2014 (as recommended) in an effort to clean up or to minimize this issue.

7. **2018-007** Overtime Pay

The following measures have been or are being implemented:

- Will hire more qualified part time personnel as needed in effort to reduce overtime.
- All overtime is required to have a documented need and employees will be rotated to work overtime.

8. **2018-008** Utility Billing Procedures

The following measures have been or are being implemented:

- Seeking council approval to order new electronic meters which will make it possible to read ALL meters in the system.
- The third party biller has been notified of when to mail bills so customers will receive them timely.
- Several council meetings have had discussions on the necessity of purchasing electronic meters as current meters are not working. Council's approval is needed to purchase new meters which will increase revenues (when proper readings are taken) and being removed from non-compliance list is necessary to receive needed funding for procurement.
- Most of the current meters are not working and/or are unable to be located.

9. **2018-009** Timekeeping Procedures

The following measures have been or are being implemented:

- Supervisor is signing off on all time sheets before submitting for payment.
- All overtime is being approved before submitting for payment.
- No payroll is being processed without proper documentation.

10. **2018-010** Non-Compliance with Budget Act

The Town of Jonesboro has adopted a budget and procedure policy this year and will consult Town's attorney going forward to insure budget is created within confines of/compliance with Budget Act.

11. **2018-011** Failure to Publish Minutes

The following measures have been or are being implemented:

- After an in-depth discussion with Town's Attorney, all minutes are now being published within the time constraints required by law.

12. **2018-012** Late Filing of Police Supplemental Pay Reports

The following measures have been or are being implemented:

- Town Clerk is handling supplemental pay for all departments. Reports are being submitted timely and copies of submissions maintained in office.
- A Supplemental Pay Policy has been drafted and will be presented to counsel for adoption in May, 2020 to insure compliance and timeliness.

13. **2018-013** Financial Statements Issued After Due Date

The following measures have been or are being implemented:

We rely on an external CPA firm to supply us with financial statements. We are working diligently with them to insure that financial documents provided are both timely and accurate as required for reports, copies to council members and other for other reasons we may need them.

14. **2018-014** Financial Statements not Provided to Board of Aldermen

The following measures have been or are being implemented:

We have engaged an external CPA firm to supply us with monthly financial statements. We are working diligently with them to insure that financial documents are provided both timely and accurately as required for reports, copies to council members, and other reasons we might need them.

15. **2018-015** Failure in Multiple Elements of Internal Control

The following measures have been or are being implemented:

- The lines of communication are open with the following chain of command: Mayor, Mayor's Assistant, Clerk, Tax Collector, Public Works Director, and Fire Chief. All are available to problem solve, answer questions and trouble shoot as necessary.
- Mayor's assistant will stand in on the rare occasion the Mayor is unavailable.
- Department Head Meetings are held every Monday to discuss meaningful ways of moving the Town forward and keeping everyone abreast of critical information for proper management of the Town's business.
- All staff is conscientious of and performing duties for which they were hired and often volunteer to assist in other areas when feasible or necessary as long as this does not violate policy.
- The miscellaneous line item is being eliminated from the budget in all categories.

- Completion of bank reconciliations has been turned over to the external CPA firm.
- Deposits are being completed timely, (on a daily basis) and transactions are posted daily or as they occur.
- The Fire Ad Valorem and Utility Funds will become a budget line item in an effort to reduce the possibility of overdraft.
- All staff in the current administration is committed to being fully compliant and cooperative with auditors.
- Will contact external CPA firm biannually to request observance of internal controls and seek recommendations for implementation of improvements in any areas deemed necessary.

16. **2018-016** Lack of Segregation of Duties in Collections

The following measures have been or are being implemented:

- All monies are currently being collected by cashiers.

Town Clerk reconciles all deposits with the exception of the Police Department. We will be talking to the Town Council about bringing the Police Department collections back to City Hall.

17. **2018-017** Utility Accounts of Employees and Officials Paid Late

The following measures have been or are being implemented:

- Town employees and officials are fully expected to be treated as every other customer in the Customer Billing System of the Town. There are no employee accounts which fall outside of the current policy on payments and disconnection for non-payments.

18. **2018-018** Employee Paid as Contract Labor

The following measures have been or are being implemented:

- No employee is allowed to work in a contractual capacity while still employed or within two (2) years of separation from employment. This is the policy of the current administration which is in keeping with LRS 42:1121

19. **2018-019** Certificate of Deposit Cashed Without Board of Aldermen Approval

The following measures have been or are being implemented:

- The Town is currently requesting regular financial statements indicating fund balances in an effort to prevent overspending. Strict adherence to the policy and procedure for liquidating CD's is being observed and should not be done without Board of Aldermen approval.

20. **2018-020** Louisiana Compliance Questionnaire Not Properly Executed

The following measures have been or are being implemented:

- We will insure timely response to the questionnaire moving forward and comply with proper signatures and resolution.

21. **2018-021** Board Meeting Minutes Were not Properly Prepared or Retained

The following measures have been or are being implemented:

- Board minutes are being published timely in the Town's Journal.
- Full copies of minutes are placed in the minute books and checked for accuracy.
- All signatures are secured on the document as required.
- There are minutes filed in the minute book for all Town Council Meetings of the current administration with proper seals and signatures.

22. **2018-022** Failure to Properly Prepare Bank Reconciliations and Failure to Submit to the Auditor, Records Including Bank Statements and Bank Reconciliations

The following measures have been or are being implemented:

- We have hired an outside CPA firm, (the same firm that was appointed as Fiscal Administrator for the Town) who is doing monthly reconciliations.
- All requests from the auditors will be responded to in a timely manner either by the CPA or the Town Clerk.

23. **2018-023** Failure to Provide Grant Files to the Auditor

The following measures have been or are being implemented:

- Files are organized and filed in a manner which makes them easy to locate.
- Records requested by the Auditor will be provided timely.



Town of Jonesboro

Mayor Leslie Thompson
Ph: 318-259-2385
Fax: 318-259-4177

P.O. Box 610
128 Allen Avenue
Jonesboro, Louisiana 71251

May 7, 2020

To whom it may concern:

RE: SAUP Response

We will take the auditor's comments under advisement and take action as deemed necessary

Thank you.

Sincerely,

Mayor Leslie Thompson