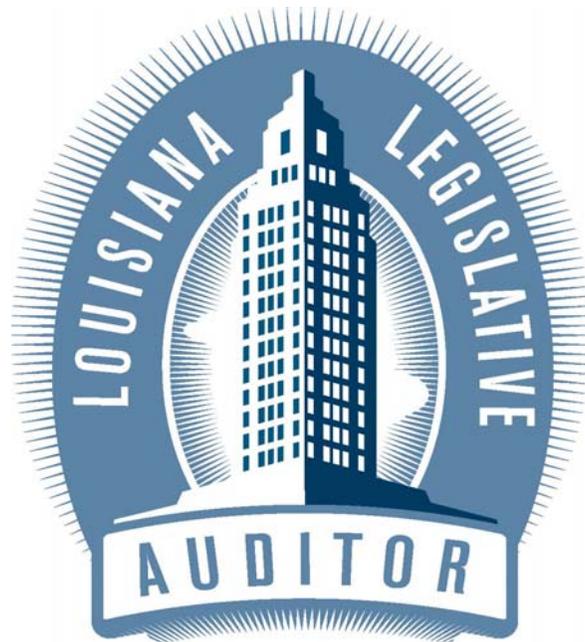


ENGLAND ECONOMIC AND
INDUSTRIAL DEVELOPMENT DISTRICT



ADVISORY SERVICES REPORT
ISSUED SEPTEMBER 19, 2018

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR/
LOCAL GOVERNMENT AUDIT SERVICES**
THOMAS H. COLE, CPA

DIRECTOR OF LOCAL GOVERNMENT SERVICES
BRADLEY D. CRYER, CPA

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

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.40. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 5124 or Report ID No. 70180005 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 19, 2018

Mr. Scott Linzay, Chairman and
Mr. Scott Gammel, Interim Director
England Economic and Industrial Development District
Alexandria, Louisiana

Dear Mr. Linzay and Mr. Gammel:

This report provides the results of our assessment of business and financial areas at the England Economic and Industrial Development District (District) based on certain correspondence that we received regarding the District's operations. Appendix A contains the District's response to this report. I hope this report will benefit you in your decision-making process.

We would like to express our appreciation to the management and staff of the District for their assistance during the preparation of this report.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

ENGLAND2018

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



England Economic and Industrial Development District

September 2018

Audit Control # 70180005

Introduction

The Louisiana Legislative Auditor performed an assessment of business and financial areas at the England Economic and Industrial Development District (District) to address certain correspondence we received regarding the District's operations. During our work, we evaluated certain controls that the District uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. Our procedures were more limited than an audit; therefore, we are not issuing an opinion on the District's financial statements, nor the effectiveness of the District's internal control over financial reporting and compliance.

The District was created as a political subdivision of the state of Louisiana under Revised Statute 33:130.351, *et. seq.* "for the object and purposes of accepting title from the United States of America to any or all real and personal property and improvements included in England Air Force Base and utilizing that and other property, and all assistance available from the United States government and all other sources, to replace and enhance the economic benefits generated by the former air base with diversified activities, including, but not limited to, activities and planned land uses to foster creation of new jobs, economic development, industry, health care, commerce, manufacturing, tourism, relocation of people and businesses to the area, aviation, military, warehousing, transportation, offices, recreation, housing, and conservation, the acquisition of land and improvements, and the construction, operation, and maintenance of facilities, improvements and infrastructure, including buildings, runways, roads, bridges, drainage, and utilities."

Results of Our Procedures

Commercial Lease Management

The District's controls over commercial leases were not strong enough to provide assurance that the District was meeting all elements of its statutory purpose "...to replace and enhance the economic benefits generated by the former air base with diversified activities..." Based on our review of selected lease agreements, we noted that the District did not always (1) formally conduct and document economic analyses to demonstrate that the District approves only those leases that replace or enhance economic benefits for the area impacted by the closure of the air base; (2) maintain documentation showing how lease rates compare to fair market value; or (3) maintain documentation related to commercial lease offers that the District rejected. We also noted that the District allowed its golf course lessee to defer rent payments of \$425,000 until at least 2036, possibly in violation of Louisiana Constitution Article 7, Section 14, which prohibits the loan or donation of public funds.

We recommend that Management:

1. Conduct and document an economic analysis for each new lease prior to approval to demonstrate that the lease will replace or enhance economic benefits for the area impacted by the closure of the air base;
2. Maintain documentation showing whether the District's commercial lease rates are in line with market rates, or if less than market rates, how the contracted rate complies with Louisiana Constitution Article 7, Section 14;
3. Maintain the rejected offers from potential commercial lessees, including documentation of the date of the offer; name and contact information of the lessee; reason for rejection and who approved the rejection; and provide this information to the Board during scheduled meetings;
4. Consult with its legal counsel regarding the legality of amending the golf course contract that resulted in deferred lease payments and take corrective action if necessary and/or request an Attorney General's opinion on this matter; and
5. Update its written policies and procedures to address the recommendations above.

Management responded, in part, "The District concurs with the recommendations to the extent they do not conflict with deed title to Airport property, Federal grant assurances, and/or Federal law." (see Appendix A, page 1).

Movable Property Inventory

The District maintained two different asset listings that were not accurate or complete, including existing property not included on the listings and property that had been disposed of but was still included on the listings. We also noted that appliances and equipment for approximately 170 of the District's residential rental units were not included on the lists. Further, the District assigned property to locations and departments rather than to individuals, thereby making it difficult to hold employees accountable for lost or stolen items. Finally, we noted that the District did not conduct annual physical inventory counts, and written policies and procedures did not include prohibitions against personal use of assets.

We recommend that Management:

1. Conduct a comprehensive physical inventory using the existing asset listings in order to compile a single accurate and complete inventory listing, which should then be continuously updated as assets are acquired or surplus;
2. Require an annual physical inventory of its movable property, reconcile the results to the new single inventory listing, and investigate and resolve differences in a timely manner;
3. Assign assets to individual employees and require employees to complete a transfer form when receiving or returning equipment; and
4. Update its written policies and procedures to address the recommendations above and to include a prohibition against personal use of public assets.

Management concurred with the recommendations and provided plans for corrective action (see Appendix A, page 2).

Crawfish Boil and Holiday Event

In 2017, the District hosted an annual crawfish boil and an annual holiday event at a cost of \$7,150 and \$8,655, respectively. Approximately 560 guests were invited to each event free of charge. Although the District informed us that the purpose of the events was to promote economic development, the District did not provide documentation to demonstrate that these events either currently or previously have resulted in additional economic development commensurate with the amounts spent on the events. Without such documentation, the District may be in violation of Louisiana Constitution Article 7, Section 14, which prohibits the donation of public funds.

In addition, District employees and their spouses are allowed to attend these events free of charge. Although the attendance of some employees may be necessary for the District's economic development efforts, the attendance of employees' spouses is not a valid business purpose. The Attorney General opinioned in *AG Opinion 09-0238* that using public funds to

provide meals for the spouses and/or significant others of employees is improper and is prohibited by the Louisiana Constitution Article 7, Section 14.

We recommend that Management:

1. Document how the annual crawfish boil and holiday event comply with Louisiana Constitution Article 7, Section 14, including an assessment of the public purpose of the expenditures, why the expenditures are not gratuitous, and why management believes that there is a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended (i.e., new economic development). This assessment should be provided to the board for consideration; and
2. Cease the practice of allowing non-essential employees and all spouses to attend these events free of charge. Such a prohibition against the use of public funds for non-public purposes should be included in the District's written policies and procedures.

Management concurred with recommendation #2 and noted that it will consult with legal counsel regarding recommendation #1 (see Appendix A, page 3).

Gas and Diesel Fuel Inventory

The District did not have written policies and procedures addressing the maintenance and usage of fuel for the four fuel tanks at its main office and airfield maintenance building. We also noted that (1) certain fuel tanks and pumps were unlocked, (2) some keys to pumps and fences were unsecured or unrestricted, and (3) certain tanks and pumps did not have fuel meters or logs. Although the District did reconcile fuel purchases to fuel usage, the employee responsible for this function also had access to receive and dispense fuel from tanks at the main office. Finally, we noted that the District was not comparing fuel put into District vehicles to vehicle odometer readings to verify that fuel usage was reasonable.

We recommend that Management:

1. Secure access to all fuel tanks and pumps when not in use, including locking tanks and pumps and requiring limited key access;
2. Install meters on all fuel pumps and document fuel dispensed in a written log, including the date and time the fuel was received; who received fuel; how much fuel was dispensed; the District vehicle/equipment that will be using the fuel; the odometer readings of the District vehicle/equipment that will be using the fuel (where applicable); and the beginning and ending readings of fuel meters;

3. Assign an employee, who does not have access to fuel tanks, to reconcile fuel levels in the tanks to fuel purchases and fuel dispensed per fuel logs, including investigating and resolving any differences;
4. Assign an employee, who does not have access to vehicles, to review the reasonableness of fuel usage for each District vehicle and piece of equipment on a periodic basis, including investigating and resolving any significant differences between expected and actual usage; and
5. Update its written policies and procedures to address fuel inventory, incorporating the recommendations above.

Management concurred with the recommendations and provided plans for corrective action (see Appendix A, page 3).

Billing and Collections

The District had one employee with the ability to generate customer billings for residential and commercial leases; collect customer lease payments; post payments to the billing system; make adjustments to customer accounts; and reconcile daily collection balances to the billing system, which are incompatible functions that potentially allow that one employee to perpetrate and conceal errors or fraud. Also, employees were not documenting the transfer of money from one employee to another for depositing. In addition, we noted that four employees had access to collections in the safe and, at times, the safe was unlocked. Finally, management's approval of adjustments to customer accounts (i.e., credit memos) was not documented, nor was there a periodic reconciliation of approved to posted adjustments.

We recommend that Management:

1. Segregate billing and collection duties to require two or more persons to share duties over billings, collections, account postings, account adjustments, and reconciliations;
2. Require that both employees count cash, checks, and money orders that are being transferred and formally document the transfer on a standard form, including the date of transfer, the amount being transferred, and signatures of both employees;
3. Lock the safe at all times and require the involvement of two employees when the safe is opened, including having both employees sign an access log describing the reason for opening the safe;
4. Document approval of credit memos, including the account to be adjusted; amount of the adjustment; reason for the adjustment; signature of the official approving the adjustment; and the approval date; and

5. Assign an employee without the ability to post credit memos to reconcile approved credit memos to posted adjustments monthly, including investigating and resolving any differences between approved credit memos and posted adjustments.

Management partially concurred with the recommendations and provided plans for corrective action (see Appendix A, page 3).

Credit and Business Account Cards

The District did not have written policies and procedures over the maintenance and usage of credit and business account cards, and its listing of cards was incomplete as it did not contain all 19 of the District's cards (one Visa credit card; three Wal-Mart cards; two Office Depot cards; eight Sam's cards; and five Home Depot cards). We noted that the District did not maintain logs for each card to document which employee checked out the card, when it was checked out and returned, the business purpose for the use of the card, the purchase order relating to the purchase, or the employee issuing the card. Also, employees who maintain custody of the cards are also allowed to reconcile their card's monthly statements to their own supporting documentation, which is an incompatible function.

We recommend that Management:

1. Maintain a listing of all District cards to include card numbers, whether cards are active, employees to whom the cards are assigned, and contact information for the credit issuers;
2. Maintain consistent logs for each card to document which employee checked out the card, when it was checked out and returned, the business purpose for the use of the card, the purchase order relating to the purchase, and the employee issuing the card;
3. Assign an employee who does not have custody of a card to reconcile monthly card statements to supporting documentation, including investigating and resolving any missing or incomplete support;
4. Consider the business need for each card, and eliminate those cards that are unnecessary; and
5. Update its written policies and procedures to address cards, incorporating the recommendations above.

Management concurred with the recommendations and provided a plan for corrective action (see Appendix A, page 4).

Purchasing and Disbursements

District staff did not document approval for all transactions, did not include complete details on some purchase orders, and did not document a clear business purpose for all purchases made.

We recommend that Management:

1. Document written approval for all transactions prior to obligating the District;
2. Document the description and quantity of items approved on purchase orders; and
3. Document a clear business purpose for all purchases.

Management concurred with the recommendations (see Appendix A, page 4).

Travel

The District purchased an airline ticket for the spouse of a board member when the board member travelled to a conference. Although we confirmed that the purchase was reimbursed by the board member, the advance or loan of public funds may be a violation of Louisiana Constitution Article 7, Section 14.

We recommend that Management cease the practice of using public funds for non-public purposes. Such a prohibition should be included in the District's written policies and procedures.

Management concurred with the recommendations and provided a plan for corrective action (see Appendix A, page 4).

Payroll

The District's written policies and procedures require all employees to complete time sheets documenting hours worked and leave taken and require supervisors to review and sign-off on employee time sheets. However, we observed that 16 of the District's 29 employees did not complete time sheets or otherwise certify their hours worked and leave taken.

We recommend that Management comply with its existing written policies and procedures that require all employees to complete time sheets or otherwise certify their hours worked and leave taken. Employees should sign their time sheets and supervisors should review and sign-off as well.

Management concurred with the recommendations and provided a plan for corrective action (see Appendix A, page 5).

APPENDIX A: MANAGEMENT'S RESPONSE



ENGLAND
AUTHORITY

September 7, 2018

Jon W. Grafton
Executive Director

Commissioners:

RAPIDES PARISH
William Barron
Dennis Frazier
Scott Linzay

**CITY OF
ALEXANDRIA**
Curman Gaines
Robert Beck, III
Joc McPherson

**CITY OF
PINEVILLE**
Robbyn Cooper

TOWNS
Richard Bushnell

**CHAMBER OF
COMMERCE**
Mike Johnson
Charles S. Weems, III

AWARDS:

Wildlife Habitat Council
Reuse Award OakWing Project

DOT
F.A.A./DBE Award

E.P.A./DEQ
Ready for Reuse Award

F.A.A.
SWR Airport Safety Award

N.A.I.D.
Facility of the Year

Office of Secretary
of Defense Award for
Base Redevelopment

F.A.A.
LA Airport of the Year

N.A.I.D.
Excellence Marketing Award

N.A.C.O.
Achievement Award

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: England Economic and Industrial Development District
Advisory Service Assistance

Dear Mr. Purpera,

The England Economic and Industrial Development District (England Authority) is in receipt of the revised draft Advisory Services report dated August 29, 2018. We would like to thank your advisory staff for their commitment to assist the England Authority, as well as all local government entities, to improve financial operations and provide recommendations for best practices for effective financial management. The England Authority is, and always will be, dedicated to abide by all State and Federal fiscal control laws.

The England Authority has reviewed the draft advisory services report and submits the following response:

Commercial Lease Management

Informational Paragraph: No comment

Recommendations – All District property that is subject to commercial leasing has been designated by the Federal Aviation Administration as an Airport. Thus, all revenue generated from such leases is airport revenue pursuant to 49 USC 47107 (b). All such revenue can only be used for the capital or operating costs of the airport, the local airport system, or any other local facility that is owned or operated by the person or entity that owns or operates the airport that is directly and substantively related to the air transportation of passengers or property. 49 USC 47133.

Accordingly, all commercial leasing of airport property necessarily serves the substantial economic benefit of maintaining and operating the airport. Further, ancillary economic benefits are created through employment opportunities and tenant expenditures. Moreover, according to the title deeds granted to the Authority, the airport is mandated to make reasonable efforts to make their particular airports as self-sustaining as possible under the circumstances existing at each airport. FAA rules permit leasing at under fair market value under certain circumstances. 49 USC 47107(k)(3). Compliance with these federal rules is required in order to retain the deed to airport property.

It should be noted that the jurisdiction of the District extends to the entire parish of Rapides. The district is legally authorized to acquire property and engage in economic development that would not be part of the airport, nor subject to FAA rules – it simply cannot use airport revenue for such a purpose. To date the District has no such property, but it agrees that its ordinances should clarify this distinction for leasing of non-airport property in the future. Subject to the above, the District concurs with the recommendations to the extent they do not conflict with deed title to Airport property, Federal grant assurances, and/or Federal law.

Movable Property Inventory

Informational Paragraph: No comment

Recommendations

1. Concur with recommendation. An annual inventory of assets will be conducted every year. The two existing asset listings will be consolidated into one master inventory listing.
2. Concur with recommendation. Commercial buildings under lease are inventoried upon execution of a lease and at the termination of that lease. On May 2, 2018 the District invested in a comprehensive tag/barcode system for the Districts movable property. The inventory of all housing unit appliances has been completed. Inventory of all the Districts movable property is ongoing and once complete will be inventoried annually.
3. Concur with recommendation. Transfer forms will be used to convey assets to employees.
4. Concur with recommendation. Employee handbook will be updated to include policy that prohibits the use of EEIDD equipment for personal use.

Crawfish Boil and Holiday Party

Informational Paragraph: No comment

Recommendations

1. Issue will be further investigated by legal counsel to ensure future compliance with Louisiana Constitution Article 7 Section 14
2. Concur with recommendation

Gas and Diesel Fuel Inventory

Informational Paragraph: No comment

Recommendations

1. Concur with recommendation (*Unlocked fuel tanks that were located behind maintenance fences all had locks in place on the day of Advisory Services recommendation*)
2. Concur with recommendation (*Suggested changes in this paragraph were completed on the day of Advisory Services recommendation*)
3. Concur with recommendation. The District will assign an employee who does not have access to the fuel tanks to reconcile fuels levels.
4. Concur with recommendation. The District will assign an employee who does not have access to vehicles to review fuel usage.
5. Concur with recommendation; The District will establish policies in the District's financial policies and procedures handbook that will address fuel inventory issues.

Billings and Collections

Informational Paragraph: No comment

Recommendations

1. Current staff size precludes administration to delegate duties as recommended. The District will continue to assess current procedures, financial procedures and physical surroundings, to limit possible conflict. A staff member not associated with billings, account postings and adjustments has taken control of collections.
2. Agree with recommendation. The use of a standard form to document the transfer of funds will be put in place.
3. Concur with recommendation. The District will install a camera above safe in accounting office.

4. Concur with recommendation
5. Concur with recommendation

Credit Cards

Informational Paragraph: The District only has one credit card that is kept under lock and key by the District's Finance Director. Although the District has several business cards that are required to make purchases at local vendors, the cards are required to have purchase orders assigned to each purchase before utilizing.

Recommendations

1. Concur with recommendation
2. Concur with recommendation
3. Concur with recommendation
4. Concur with recommendation
5. Concur with recommendation. The District will establish a policy in the District's financial policies and procedures handbook that will address credit card use.

Purchasing and Disbursements

Informational Paragraph: No comment

Recommendations

1. Concur with recommendation
2. Concur with recommendation
3. Concur with recommendation

Travel

Informational Paragraph: No comment

Recommendations

The District will cease the practice of prepaying and being reimbursed for non-employee travel. The District will establish policies in the employee handbook that will address non-employee travel.

Payroll

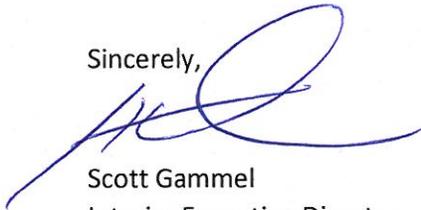
Informational Paragraph: No comment

Recommendations

Concur with recommendation. Time sheets will be completed by employees

The District appreciates the opportunity to respond to the Advisory Services draft report. If you have any question or need further information to complete the final report please do not hesitate to contact us.

Sincerely,



Scott Gammel
Interim Executive Director

cc: England Authority Board of Commissioners
John Ryland, Legal Counsel
Kevin Brown, Finance Director
David Broussard, Economic Development Director