

TOWN OF MADISONVILLE



ADVISORY SERVICES  
PROCEDURAL REPORT  
ISSUED MARCH 13, 2019

**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

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Town of Madisonville

March 2019

Audit Control # 70180064

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## Introduction

The Louisiana Legislative Auditor performed certain procedures at the Town of Madisonville (Town) to address the requirements of Act 774 of the 2014 Regular Legislative Session, as amended. The primary purpose of our procedures at the Town was to assist the Town in evaluating certain controls the Town 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 Town's financial statements nor the effectiveness of the Town's internal control over financial reporting and compliance.

## Results of Our Procedures

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### Follow-up on Prior-year Exceptions

No exceptions were reported in the prior-year agreed-upon procedures report dated December 12, 2017.

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### Current-year Results

#### 1. Written Policies and Procedures

We obtained the Town's written policies and procedures and assessed whether they addressed budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, credit/debit/fuel cards, travel and expense reimbursement, ethics, debt service, capital assets, and traffic tickets.

Results: When we began our testing, the Town only had written policies and procedures for budgeting, receipts/collections, and ethics; however, during the course of our engagement, management drafted policies and procedures to generally address the remaining financial and business functions.

Recommendation: Management should further refine its existing and new written policies and procedures to address (1) how vendors are added to the vendor list;

(2) documentation to be maintained for all bids and price quotes; (3) allowable business uses for credit cards; (4) dollar thresholds by category of expense for travel; (5) actions to be taken if an ethics violation takes place; (6) system to monitor possible ethics violations; (7) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy; and (8) deadlines related to the payment of traffic ticket fines.

Management concurred with the recommendation and provided a plan for corrective action (see Appendix A, page 1).

## **2. Board or Finance Committee**

We obtained and reviewed the board minutes for the fiscal year and assessed whether Town officials discussed key financial information, including budget-to-actual comparisons, at monthly meetings.

Results: Although Town officials represented that the Council discussed key financial information at its meetings, the board minutes did not reflect this discussion.

Recommendation: The Town should prepare more detailed minutes to reflect the discussion of key financial information, including budget-to-actual comparisons.

Management provided a plan for corrective action (see Appendix A, page 1).

## **3. Bank Reconciliations**

We selected two bank accounts, obtained the bank statements and related reconciliations for one month, and assessed whether the bank reconciliations were prepared and reviewed timely by Town officials.

Results: Bank reconciliations were not prepared for accounts with little or no activity. Also, the reconciliation documentation for the remaining accounts did not include the signature/initial and date of the preparer and independent reviewer (i.e. someone who does not handle cash, post ledgers, or issue checks) for us to determine whether the reconciliations were prepared and reviewed timely.

Recommendations: Management should prepare bank reconciliations on all accounts within two months of the related statement closing date, preferably sooner. Also, bank reconciliations should include the signature/initial and date of the preparer and independent reviewer.

Management concurred with the recommendations and provided a plan for corrective action (see Appendix A, page 1).

## **4. Collections**

We interviewed Town employees and observed daily operations to assess whether employee job duties are properly segregated. We also reviewed supporting

documentation for four bank deposits and six utility account adjustments. We only reviewed utility account adjustments that were handled by Town personnel after September 2017 rather than those previously handled by an outside contractor.

Results: We noted that the Town did not have a bond or insurance policy for theft on any employees who had access to cash; collection receipts were not pre-numbered; and two of the six account adjustments were not supported by written documentation as required by policy.

Recommendations: Management should obtain insurance coverage on all employees who have access to cash; require the issuance of standard pre-numbered receipts for all collections; reconcile the sequence of pre-numbered receipts when preparing deposits; and maintain supporting documentation for all account adjustments.

Management concurred with the recommendations and provided a plan for corrective action (see Appendix A, page 1).

## **5. Non-payroll Disbursements**

We interviewed Town employees, observed daily operations, and reviewed documentation supporting general and Gas Authority disbursements. We assessed whether disbursement job duties are properly segregated and disbursements matched the related original invoice/billing statement.

Results: We noted that job duties were not properly segregated between the office employees at town hall. We also noted that supporting documentation for Gas Authority disbursements did not always include evidence of segregation of duties or approval.

Recommendations: Management should strengthen controls over purchasing and payment functions by (1) having at least two employees involved in initiating, approving, and ordering/making purchases; (2) having at least two employees involved in processing/approving payments to vendors and maintaining the vendor files; (3) conducting an independent review of the vendor files to verify that the files are accurate and include only authorized vendors; (4) segregating check preparation from check mailing duties; and (5) documenting evidence of segregation of duties, such as initialing and dating related forms.

Management concurred with the recommendations and provided a plan for corrective action (see Appendix A, page 1).

## **6. Credit Cards**

We selected two Town credit cards and reviewed one monthly statement for each card. We selected six transactions and reviewed the supporting documentation for each transaction.

Results: We noted that management did not document its review of monthly account statements and related supporting documentation. In addition, one credit card included finance charges in the amount of \$8.35.

Recommendations: An official, other than the authorized card holder, should review monthly statements and supporting receipts and document his or her review by initialing and dating the statement. All statements should be paid before the due date to avoid incurring unnecessary finance charges and late fees.

Management concurred with the recommendations and provided a plan for corrective action (see Appendix A, page 1).

## **7. Travel and Expense Reimbursement**

We obtained a listing of all travel and travel-related expense reimbursements during the fiscal year. We selected two reimbursements and reviewed supporting documentation.

Results: We observed that supporting documentation was not reviewed and approved in writing.

Recommendation: We recommend that management maintain written evidence of review and approval on all travel and travel-related expenses by someone other than the person receiving reimbursement.

Management concurred with the recommendation and provided a plan for corrective action (see Appendix A, page 1).

## **8. Contracts**

We obtained a listing of contracts that were initiated or renewed during the fiscal year and selected two contracts. We obtained copies of the contracts and reviewed supporting documentation, including paid invoices.

Results: We did not identify any exceptions for the contracts tested. However, during our work, we noted that management did not have formal written contracts for certain significant vendor arrangements.

Recommendation: We recommend that management update its written policies and procedures to require written contracts for professional services, materials and supplies, leases, and construction activities.

Management concurred with the recommendation and provided a plan for corrective action (see Appendix A, page 1).

## **9. Payroll and Personnel**

We obtained a listing of personnel employed during the fiscal year and selected two employees. We then obtained and reviewed the related pay rates, personnel files, and

attendance documentation for one pay period. We also obtained a listing of employees that terminated during the fiscal year and obtained and reviewed supporting documentation related to termination payment calculations for two employees.

Results: We noted that one of two personnel files did not include authorized pay rates, and both personnel files did not include support for termination payments. Also, time sheets did not include evidence of supervisory review and approval of attendance and leave taken. Further, management disclosed that it was still correcting attendance records and leave balances resulting from system conversion problems during the first half of the fiscal year.

Recommendations: Management should update employee personnel files to include authorized pay rates and termination payment calculations and support. Supervisors should initial and date their review of employee attendance and leave each pay period. Also, management should continue its efforts to correct attendance records and leave balances.

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

## **10. Ethics**

We obtained ethics documentation for two employees and observed whether the documentation provided evidence that each individual completed one hour of ethics training and acknowledged that he/she has read the Town's ethics policy during the fiscal year.

Results: Although the Town maintained documentation that employees received the required ethics training, the Town did not require employees or elected officials to annually attest to having read the Town's ethics policy. However, after the fiscal year, employees were given copies of employee handbooks, which included a section on ethics, and were required to sign a statement attesting that they had read the handbook.

Recommendation: As a best practice, the Town should require all employees and elected officials to sign annual certification forms attesting that they will abide by the Town's ethics policy.

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

## **11. Debt Service**

We obtained supporting documentation for one bond that was outstanding at the end of the fiscal year to confirm that the Town made the required debt service payments.

Results: We did not identify any exceptions.

## 12. Traffic Tickets

We obtained from management a listing of all traffic tickets issued during the fiscal year, selected 10 tickets, and traced to supporting documentation.

Results: Of the 10 tickets we selected, two were identified as voided/damaged. Management could not provide copies of these tickets but did explain that five tickets in the book were damaged by water and thrown away.

Recommendations: Management should maintain copies of all voided/damaged tickets and document in writing why the tickets were voided/damaged.

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

## 13. Municipal Classification

We reviewed the Town's charter, the 2010 federal census results, and other supporting documentation to determine whether the Town of Madisonville is properly classified as a "Town."

Results: Although the Town has adopted a charter, the charter contains those provisions of the Lawrason Act that require the municipality to meet certain population requirements to continue to be classified as a "town." Because Madisonville had only 748 residents as of the 2010 federal census, it appears that it should be classified as a "village" under its charter. During the course of our engagement, Town officials consulted with legal counsel regarding this matter and advised our office that the Town will take the appropriate steps to advise the Governor of the drop in its census population.

Recommendation: Madisonville should advise the Governor of the drop in its census population as required by its charter.

Management responded that the Town has advised the Governor of the drop in population and is awaiting a response from the Governor's office (see Appendix A, page 2).

## 14. Town Charter

We obtained and reviewed certain provisions of the Town's charter relative to approved ordinances, approval of the Town clerk, and labeling Town vehicles.

Results: Although the Town followed the general provisions of the Lawrason Act when advertising and passing its ordinances during the fiscal year, the Town did not follow an additional requirement of its charter, which requires advertising for three weeks in three separate locations after the passage of each ordinance. We also noted that three clerks have been appointed under the current administration; however, the second and third clerks were not approved by the council as required by the Town's charter. Finally, all vehicles that we observed were properly labeled as Town vehicles.



Recommendations: The Town should begin complying with all requirements of its charter regarding advertising for ordinances and appointing officials. Further, the Town should consult with its legal counsel regarding those actions that may be necessary to ratify its past actions.

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

## 15. Capital Assets

We obtained two capital asset listings and reviewed supporting documentation for vehicles and equipment over \$1,000 to determine if inventory counts were performed within the past year.

Exceptions: Although management represented that an annual inventory count was conducted, they could not provide documentation to demonstrate the date of the last inventory count.

Recommendations: The Town should conduct an annual property inventory and should document the results of that inventory, including making necessary adjustments to inventory records.

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

## 16. Other

We inquired of management about any misappropriations of public funds or assets and observed whether the Legislative Auditor hotline was posted on the Village premises and website.

Results: When we began our work, the Town did not have the required hotline notice posted on its premises and website but subsequently corrected the issue.

Management responded that the hotline notice is now posted at Town Hall and the Town's website (see Appendix A, page 2).

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP/aa

TOWNOFMADISONVILLE



## **APPENDIX A: MANAGEMENT'S RESPONSE**



**1. Written Policies and Procedures**

Response:

Agree. We will refine our existing and new written policies and procedures to address the indicated items.

**2. Board or Finance Committee**

Response:

At least two work days prior to Council Meetings, Town Council is provided monthly financial statements that include budget comparisons. Council has an opportunity to ask questions prior to and at Council meetings. If financial information is discussed, meeting minutes will include more detail regarding discussion.

**3. Bank Reconciliations**

Response:

Agree. We will perform bank reconciliations on all accounts within at least 2 months of the related statement closing date. We will also include a signature or initial and date of the preparer and independent reviewer.

**4. Collections**

Response:

Agree. We will obtain insurance coverage on employees, require standard pre-numbered receipts for all collections, reconcile the pre-numbered receipts to deposits and maintain documentation for all account adjustments.

**5. Non-Payroll Disbursements**

Response:

Agree. We will strengthen controls over purchasing and payment functions as recommended.

**6. Credit Cards**

Response:

Agree. An official other than the authorized card holder will review monthly statements and supporting receipts. The review will be documented by initialing and dating the monthly statement. All statements will be paid before the due date to avoid incurring finance charges and late fees.

**7. Travel and Expense Reimbursement**

Response:

Agree. We will maintain written evidence of review and approval as recommended.

**8. Contracts**

Response:

Agree. We will update our written policies and procedures as recommended.

**9. Payroll and Personnel**

Response:

Agree. Management will update employee personnel files to include authorized pay rates and termination payment calculations and support. Supervisors will initial and date their review of employee attendance and leave each pay period by utilizing the Paychex automated approval feature. This feature maintains an audit trail of approvals. Management has completed the correction of attendance records and leave balances.

**10. Ethics**

Response:

Agree. The Town will require all employees and elected officials to sign annual certification forms as recommended.

**11. Debt Service**

Response: None.

**12. Traffic Tickets**

Response:

Agree. We will maintain copies of all voided/damaged tickets as recommended.

**13. Municipal Classification**

Response:

Agree. The Town attorney has advised the Governor of the drop in its population and is awaiting a response from the Governor's office.

**14. Town Charter**

Response: Agreed. The Town shall comply with its Charter regarding the advertising and passing of Ordinances. The Town is presently undergoing a recodification of all of its Ordinances through Municode and shall update its requirements. A Resolution has been submitted to, and approved by, the Council regarding the approval of the appointment of the Clerks and which approval was made retroactive to date of appointment.

**15. Capital Assets**

Response:

Agree. The Town has conducted an annual property inventory but did not document the results of the inventory. The Town will continue to conduct an annual property inventory and will document the results of the inventory, including necessary adjustments to inventory records.

**16. Other**

Response:

Agree. The hotline notice is now posted at Town Hall and the Town's website.