

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2008

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following finding relates to the financial statements and is required to be reported in accordance with *Government Auditing Standards*.

Internal Control-

08-01 Internal Controls Over Program Revenues and Expenditures

Criteria-The Office of Community Services (hereinafter OCS), a component unit of the Police Jury, administers several Federal and State grant programs which are generally expenditure driven. The OCS expends funds for these programs and then sends reports to the various grantor agencies requesting reimbursements. These Federal and State reimbursement requests and the subsequent cash receipts should be closely monitored by the management of OCS and should be reconciled to the general ledger on a monthly basis.

Finding-The general ledgers of the OCS funds are not being reconciled to the requests for funds and management is not monitoring the overall spending levels of the grant programs.

Effect-Several issues arise as a result of this condition as follows:

A) Several of the OCS programs have substantially overspent their program revenues causing material cash overdrafts and fund deficits in the following grant programs-

- 1) Head Start
- 2) OHD Low Income Housing Energy Assistance Program
- 3) DOL Community Services Block Grant
- 4) Child Care Food Program
- 5) Head Start Technical Training & Assistance
- 6) Weatherization Program
- 7) Senior Companion Program
- 8) Summer Feeding Program

The Head Start Programs may be able to recoup some of these funds from future revenue sources, but it will be difficult for the other programs to recoup these deficits.

B) The Natchitoches Parish Police Jury has ultimate financial responsibility for these deficits, and as a result, will have no choice but to transfer cash from the Jury's General Fund to cover them. This condition causes the Jury's general fund revenues to be expended by a component unit of the Jury without prior approval of the Police Jury Members.

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2008

C) The cash of every fund and program of the Natchitoches Parish Police Jury is held in a consolidated cash checking account. When any fund or program incurs a cash deficit, this deficit is automatically covered by the available cash of the other funds and programs of the Jury. This is the case with the cash overdrafts of the OCS funds. However, at December the cash overdrafts of the OCS funds total \$(351,143) and the total operating cash held by the Jury's General Fund is only \$280,837. The cash of all funds and programs of the Jury except for the General Fund are restricted and reserved for specific purposes. Once the cash deficits of the OCS exceed the available cash held by the Jury's General Fund, the restricted and reserved cash of other funds must be used to cover them which is not in accordance with the rules and restrictions of those funds.

D) The consolidated cash account of the Police Jury is held in an interest bearing account. Each fund and program of the Jury is allocated its share of the interest earned from this account. The substantial cash overdrafts of the OCS cause the overall cash balance of the consolidated cash account to be decreased accordingly, and thereby reduces the interest income that would normally be earned by the Police Jury's funds and programs.

Recommendation-The management of the Office of Community Services and the Police Jury should take steps to monitor this situation as soon as possible. The OCS general funds should be reconciled to requests for funds and cash receipts on a monthly basis. The expenditures of the programs of the OCS should be closely monitored weekly to determine that additional deficits are not incurred and that any actions that can be taken to fund these deficits is pursued. The members of the Police Jury should be kept informed of the actions regarding this situation on a monthly basis, and they should be provided with monthly reports showing the cash balances and statements of operations of the OCS programs.

Response-The Natchitoches Parish Police Jury Treasurer will provide a Trial Balance to each Juror, Parish Administrator and OCS required staff by the 10th working day of each month. Presentation of the Trial Balance along with a monthly summary of all deficits within the OCS funds will be presented as an agenda item at the monthly meetings in order to keep members of the Police Jury informed of OCS actions. The Parish Administrator will request the appropriate OCS Staff to be present at the monthly meetings to respond to any inquiries. In addition, the Parish Administrator and Treasurer will assist the OCS staff with the budgeting and reporting requirements for the grants, and review all reports submitted to grantor agencies in order to closely monitor funds.

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2008

08-02 Internal Control Over Federal Financial Reporting

Criteria-The Office of Community Services (hereinafter OCS), a component unit of the Natchitoches Parish Police Jury, administers a Head Start Program, which has been determined to be a major Federal Financial Assistance Program. The OCS should send accurate financial reports to its grantor agency, the Head Start Regional Office in Dallas, Texas, and the Head Start Divisional Office in Rockville, Maryland.

Finding-The Head Start Program has had expenditures in excess of revenues for the past several grant periods, thereby incurring deficit cash balances and deficit fund balances. At the end of each grant period, adjustments and transfers are made moving the deficit balance of the old grant period into the new grant period. The net effect is to decrease the expenditures and increase the cash reported for the grant period that is ending, and to increase the expenditures and decrease the cash for the grant period that is beginning. Once these adjustments and transfers have been made, the general ledger for the Head Start Program for the grant period that is ending reflect less expenditures than have actually been incurred, and the general ledger for the new grant period that is beginning reflect more expenditures than have actually been incurred.

Effect-The Head Start Program requires the OCS to send Federal Financial Report SF 269 to the Regional Office on a semi-annual basis. Since this report is prepared from the general ledgers that have been adjusted to move the deficit from the old grant period to the new grant period, the report does not accurately reflect the expenditures in the grant period in which they have been incurred. However, the Head Start Program also requires the OCS to send Federal Financial Report PSC 272 to the Divisional Office on a quarterly basis. This report is prepared from the overall total Head Start revenues and expenditures on a continuing basis, and it does accurately report the total overall results of the Head Start Program.

Recommendation-The OCS should consult with the Regional Office to discuss this situation and determine how Federal Financial Report SF 269 should be prepared. In addition, the entries and transfers being made to move the deficits from old to new grant periods should be made to accounts titled "Transfer In/Transfer Out" instead of to the various expenditure accounts so that they may be traced and monitored.

Response – The Parish Treasurer along with appropriate Office of Community Service and Head Start staff will consult with the Regional Office to discuss the finding and how to prepare the Federal Financial Report SF 269. The Parish Treasurer will set up an account titled "Transfer In/Transfer Out" to track the entries made to move deficits from old to new grant periods. The Parish Treasurer will also inform the Jury of all transfers.

Natchitoches Parish Police Jury
Schedule of Prior Year Audit Findings
Year Ended December 31, 2008

Internal Control Findings from Prior Year-

07-01 Control Over Financial Reporting

Finding - Office of Community Service funds general ledgers are not being reconciled to cash receipts monthly or to the reports sent for requests of funds.

Current Status – At December 31, 2008, this condition persisted and had worsened.