

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2009

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following findings relate to the financial statements and are required to be reported in accordance with *Government Auditing Standards*.

Internal Control-

09-01 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. On most funds, the OCS expends funds for these programs and then sends reports to the various grantor agencies requesting reimbursements. For other funds, such as the OHD LIHEAP fund, the OCS waits for the receipt of grant funds before disbursements are made. These Federal and State reimbursement requests and the subsequent cash receipts and disbursements should be closely monitored by the management of OCS and should be reconciled to the general ledger on a monthly basis.

Finding – During the year ended December 31, 2009, the OHD LIHEAP fund received \$32,582 in State grant funds which were not requested or expected. The general ledger for the OHD LIHEAP fund had not been reconciled to the requests or receipts for funds, and management was not aware that this error had occurred. At December 31, 2009, these funds were still being held in the OHD LIHEAP fund. The grantor agency has now been contacted, and the subsequent disposition of these funds has not been determined as of the financial statement date.

Effect – Failure to reconcile requests and receipts of grant funds to the general ledger on a timely basis could result in reporting errors or funding errors which would not be detected or corrected on a timely basis.

Recommendation – OHD LIHEAP should be reconciled to requests for funds and cash receipts on a monthly basis.

Response – In the future, payments will be matched to the General Ledger on a monthly basis and if at any time an overpayment is received, a phone call will be made within thirty days. Contact is still being made to the grantor concerning the \$32,582 deposit from 2009. Management will also send an expenditure request with each coding sheet. Therefore, an overpayment should be noticed at the time of deposit.

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2009

09-02 Control over Account Reconciliations

Criteria – In order to make the financial reports as meaningful as possible, a cash reconciliation that reconciles the bank balance to the general ledger should be prepared on a monthly basis to determine that all cash transactions have been properly recorded, to discover bank errors, and help prevent accumulation of errors.

Finding – The Police Jury’s bank statements are accumulated for several months before they are reconciled to the general ledger accounts.

Effect – Failure to prepare cash reconciliations on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Recommendation – We recommend that procedures be implemented to ensure that bank accounts are reconciled on a monthly basis.

Response – The Natchitoches Parish Police Jury will adopt a plan to ensure that bank accounts are reconciled and resolved on a monthly basis to prevent errors and other problems.

09-03 Control over Payroll Reconciliations

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. On most funds, the OCS expends funds for these programs and then sends reports to the various grantor agencies requesting reimbursements. For other funds, such as the OHD LIHEAP fund, the OCS waits for the receipt of grant funds before disbursements are made. These Federal and State reimbursement requests and the subsequent cash receipts and disbursements should be closely monitored by the management of OCS and should be reconciled to the general ledger on a monthly basis.

Finding – Police Jury personnel are not performing reconciliations of payroll functions to the general ledger or to the payroll reports. As part of our auditing procedures, we were able to reconcile the year-end W-2 forms to the general ledger system. However, we were not able to reconcile the W-2’s to the quarterly payroll reports filed with the Internal Revenue Service. Our auditing procedures were not sufficient in scope to determine if the Police Jury has overpaid the Internal Revenue Service, but it appears that this has happened. The amount of this overpayment has not been determined.

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2009

The Police Jury's payroll system is designed to have a separate fund within the general ledger system to record the liabilities and subsequent payment of payroll related expenditures. This fund is not being reconciled back to the various Police Jury funds which have payroll expenditures, and as a result, the correct payroll, payroll tax and retirement expenses are not being allocated to the proper funds on a timely basis.

Effect – Without the performance of these reconciliations of the payroll system, the potential exists for the Policy Jury to overpay/underpay the Internal Revenue Service and the Louisiana Department of Revenue when preparing monthly and quarterly reports, the potential exists for errors to be made in the preparation of employee reports on the annual W-2 forms, and the potential exists for the Policy Jury's financial statements to have misstatements in payroll related expenditures.

Recommendation – We recommend that the Police Jury take steps to ensure that monthly, quarterly and annual payroll reports be reconciled to the general ledger, and that the payroll fund within the Police Jury's general ledger (Fund 004), be reconciled to the related Jury funds each time that payroll is paid.

Response – The Natchitoches Parish Police Jury will implement steps for personnel to ensure that monthly, quarterly and annual payroll reports are reconciled to the general ledger to avoid errors on wages and taxes. Employees will be required to seek advance training on this matter.

Natchitoches Parish Police Jury
Schedule of Prior Year Audit Findings
Year Ended December 31, 2009

Internal Control Findings from Prior Year-

08-01 Internal Controls Over Program Revenue and Expenditures

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.

Current Status – At December 31, 2009, this condition had partially been corrected.

08-02 Internal Control Over Federal Financial Reporting

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.

Current Status – At December 31, 2009, this condition had been corrected.