

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2011

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-

11-01 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. Most programs have a different year end and they do not agree with the Jury’s year end of December 31. In order to accurately report the financial status of each program, a general ledger is provided for each grant year. For example, DOL-Community Service Block Grant’s (hereinafter CSBG) program year is from October 1 to September 30. Thus, a general ledger is provided for transactions occurring in the old grant year from January 1 to September 30 and another for transactions occurring in the new grant year from October 1 to December 31. There is a third general ledger that has no activity as it will be used for a future grant year.

Most OCS programs expend funds and then send 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 to ensure that the funds expended are requested from the grantor agency in a timely manner.

Condition – OCS personnel are not reconciling requests for funds to the general ledgers. As a result, the following OCS funds had deficit balances at December 31, 2011:

CSBG	\$20,365
LIHEAP	15,519
Senior Companion	13,182
RSVP	4,184
Summer Feeding	<u>3,017</u>
Total	<u>\$56,267</u>

Effect – OCS personnel are not including some expenditures in requests for funds nor are they included in the reports to the grantor agency. These programs may have overspent their program revenues which would result in the Natchitoches Parish Police Jury having no choice but to transfer cash from the Jury’s general fund to cover them.

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2011

11-01 Internal Controls over Program Revenues and Expenditures (continued)

Cause – OCS management does not have a sufficient system in place to reconcile requests for funds to the general ledgers nor to monitor program transactions to ensure they are recorded in the proper current general ledger.

Recommendation – The management of the Office of Community Services should take steps to closely monitor the reimbursement requests and the subsequent cash receipts and to ensure that the requests and cash receipts are reconciled to the general ledger on a monthly basis.

Response – The following corrective action will be taken to improve audit-finding 11-01. The Governing Body will have each program supervisor or director to closely monitor their program's reimbursement request and cash receipts, also closely working with the Office of Community Service's Accountant and Natchitoches Parish Police Jury's (NPPJ) financial personnel. Management will develop and implement a system to reconcile request for funds to the general ledger and monitor transactions of all OCS programs.

The corrective action steps for reconciliation are as follows:

- The general ledger reconciliation process will begin with the OCS Accountant collecting all source documents (cash-in distribution forms, invoices, purchase requisitions, in-kind documentation and any other source of cash flows) for each general ledger fund as the data is generated and placing it in a folder marked "unreconciled." Maintaining one folder for each fund. These source documents at month end are used to validate entries to the general ledger.
- OCS Accountant will review the prior month's general ledger reconciliation, checking any items outstanding from the prior month. Review the "unreconciled" item folder and compare each item's posting date, amount and description to the ledger, noting on the ledger that the entry is accurate. Sign or initial each source document and include its posting date to indicate it is correctly reflected on the general ledger. Once each source document has been matched to the ledger, place it in a folder marked "reconciled" for that general ledger account.
- If a source document does not match a general ledger entry, the OCS Accountant will make a note on the item and the ledger and contact the Parish Treasurer for review. Errors may occur when items are posted to the wrong general ledger account or when amounts, dates or descriptions are entered incorrectly. Discrepancies may also arise if a source document arrived too late to be posted to this month's general ledger, or if withdrawals recorded in the general ledger have not been presented for payment. The OCS Accountant will check for entries that may have been recorded twice or for unusual entries or fluctuations in account balances, confirm that duplicate entries are incorrect and request that a correcting entry be prepared, notify the Parish Treasurer and Executive Director of any unusual entries or fluctuations, and collect unreconciled items and place them in next month's "unreconciled" folder.

Natchitoches Parish Police Jury
Schedule of Findings and Questioned Costs-continued
Year Ended December 31, 2011

11-01 Internal Controls Over Program Revenues and Expenditures (continued)

- The Executive Director, OCS Accountant, NPPJ financial personnel and all OCS programs' supervisor and directors will meet monthly to ensure all general ledger entries are accurately reconciled.
- The OCS Accountant will prepare request for reimbursement from the grantor agency per reconciled general ledger and send a copy to the Parish Treasurer.
- The OCS Accountant and Parish Treasurer will begin to analyze all OCS programs sixty to ninety days prior to grants ending to make adjustments needed to current grants ending and new grants beginning.

11-02 Control over Payroll Reconciliations

Criteria – Reconciliations between the general ledger, payroll system and payroll reports should be performed to ensure correct reporting of wages and payroll taxes.

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 unable to reconcile retirement expense reports to the general ledger. Our auditing procedures were not sufficient to determine if the Police Jury overpaid retirement expense, therefore, the amount of this possible overpayment has not been determined.

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 payroll taxes, hospitalization insurance, and retirement expenses when preparing monthly and quarterly reports, and 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 Treasurer is currently developing internal controls to ensure that reconciliation's are performed between the payroll system and general ledger on a timely basis.

Natchitoches Parish Police Jury
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11-03 Control over Permit Collections

Criteria – Deposits should be traceable from the point of receipt to posting to the general ledger. Good cash management requires that cash receipts be deposited in a timely manner.

Finding – Police Jury personnel are not making regular, timely deposits of permit collections nor are they performing reconciliations of permit collections to the general ledger on a timely basis. As a result, we noted a deposit that was recorded in the general ledger months after being received.

Effect – By not making deposits on a timely basis and not performing reconciliations of the permit system to the general ledger, the potential exists for the Police Jury's financial statements to have misstatements in permit revenues.

Recommendation – We recommend that the Police Jury take steps to ensure that monthly reconciliations are performed between the general ledger and the permit system.

Response – The Natchitoches Parish Police Jury Treasurer has implemented new internal controls to ensure that deposits and reconciliation's are being made in a timely manner.

Compliance-

11-04 Compliance with Local Government Budget Act

Criteria – Louisiana Revised Statutes require that the operating budget be amended if actual revenues are less than budgeted revenues by 5% or more and/or actual expenditures exceed budgeted expenditures by 5% or more.

Condition – For the year ended December 31, 2011 actual expenses were more than budgeted expenses by more than 5% for the Library, and the budget was not amended accordingly.

Effect – The budget cannot be used as an effective management tool to control expenditures.

Cause – The Library was over-budget due to failure to budget for parking lot renovation which was in excess of original budget.

Recommendation – We recommend that procedures be implemented to ensure that the budget is amended to comply with the Local Government Budget Act, bearing in mind that the General Fund issue was caused by an auditor adjustment.

Response – Natchitoches Parish Police Jury Treasurer will monitor more closely the amending of budgets to stay within the 5% guidelines.

Natchitoches Parish Police Jury
Schedule of Prior Year Audit Findings
Year Ended December 31, 2011

Internal Control Finding from Prior Year-

10-01 Internal Controls over Program Revenues and Expenditures

Finding – During the year ended December 31, 2011, 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, 2011, 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.

Current Status – At December 31, 2011, similar conditions still exist. See Finding 11-01.

Compliance Finding from Prior Year-

10-02 Compliance with Local Government Budget Act

Finding – Louisiana Revised Statutes require that the operating budget be amended if actual revenues are less than budgeted revenues by 5% or more and/or actual expenditures exceed budgeted expenditures by 5% or more.

Current Status – At December 31, 2011, similar conditions still exist. See Finding 11-03.