

## AGREED-UPON PROCEDURES REPORT

City of Tallulah

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

For the Period July 1, 2018 - June 30, 2019

To City of Tallulah and the  
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by City of Tallulah (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The City's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c. ***Disbursements***, including processing, reviewing, and approving.
  - d. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation)

- e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: We obtained the written policies and procedures of the City of Tallulah. The City's policy manual is directly from the LLA website and has not been customized in any manor by the City. We found the following exceptions: 1(b) Purchasing policy did not address how vendors are added to vendor list. 1(i) The Ethics policy did not address actions to be taken if a violation occurred or the requirement that all employees needed to attest that they have read the ethics policy. 1(j) The City does not have a written Debt Service policy. 1(k) The City does not have a Disaster Recovery/Business Continuity policy.

### **Bank Reconciliations**

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
  - a. Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

- c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained a listing of bank accounts from the City and management's representation that the listing is complete. We selected the main operating accounts and one additional bank account. We also obtained bank statements and reconciliations. When testing criteria 2(a), one of the bank reconciliations did not indicate the date it was reconciled. While performing 2(b), we noted that none of the reconciliation had evidence that they were approved by a member of management/board member. While performing 2(c), there were no reconciling items that were outstanding in excess of 12 months.

### ***Collections (excluding EFTs)***

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3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

Results: We obtained from the City a listing of cash deposit sites and management's representation that the listing is complete.

4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a. Employees that are responsible for cash collections do not share cash drawers/registers.
  - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
  - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: The City has three collection locations, which were all selected for testing. While performing 4(a), we noted that City Hall has one cash drawer. While performing 4(b), we noted that due to a small number of staff, employees who collect payments also reconcile daily cash collections and can make deposits. However, another employee recounts the payments and verifies the deposit. Procedures 4(c) and 4(d) were met without exception.

5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: We noted that employees who are responsible for collecting cash are bonded.

6. Randomly select two deposit dates for each of the five bank accounts selected for procedure #2 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten deposits and:
  - a. Observe that receipts are sequentially pre-numbered.
  - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c. Trace the deposit slip total to the actual deposit per the bank statement.
  - d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100).
  - e. Trace the actual deposit per the bank statement to the general ledger.

Results: Five bank accounts were tested. We noted that three of the accounts did not have detailed sequentially pre-numbered receipts attached to the Daily Deposit Detail Report and therefore we were unable to fully complete procedures 6(a), (b), and (d). While performing procedure 6(d) for the four transactions that had supporting documentation, we noted that three of the deposits were not deposited within one day of collection. The three deposits that had exceptions ranged from eight to twelve days. No exceptions were found in 6(c), or 6(e).

### **Non-Payroll Disbursements**

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7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations (or all locations if less than five).

Results: We obtained from the City a listing of payment processing locations and management's representation that the listing is complete.

8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b. At least two employees are involved in processing and approving payments to vendors.
  - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: The City only has one payment processing location, which was selected for testing. No exceptions were noted during the testing of procedures 8(a), 8(b), or 8(d). We noted during procedure 8(c) that the City Clerk, who is responsible for processing payments, is not prohibited from adding/modifying vendors.

9. For each location selected under #7 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction, and:
  - a. Observe that the disbursement matched the related original invoice/billing statement.
  - b. Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

Results: No exceptions were found as a result of these procedures.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.

11. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b. Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were found as a result of these procedures.

12. Using the monthly statements or combined statements selected above, excluding fuel cards, randomly select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have ten transactions subject to testing).

For each transaction, observe that it is supported by:

- a. An original itemized receipt that identifies precisely what was purchased;

- b. Written documentation of the business/public purpose; and
- c. Documentation of the individuals participating in meals (for meal charges only).

For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: Three credit cards and a total of 14 charges were selected for testing. One charge was missing supporting itemized receipts. None of the charges selected for testing stated the business/public purpose. There were no transactions selected that were related to meals.

### ***Travel and Travel-Related Expense Reimbursement***

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13. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:
- a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of procedures 13a - 13c. We noted that one of the five employees had no evidence that it was reviewed and approved by someone other than the person receiving the reimbursement.

### ***Contracts***

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14. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:
- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

- c. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
- d. Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms contract.

Results: We obtained the City's vendor listing and management's representation that the listing was complete. Five vendors were selected along with a random payment to each vendor. While performing 14(b), we noted that there was no support provided for two of the vendor's contracts to show they had been approved by the Board. No exceptions were found during procedure 14(c) as the supporting documentation for the one change order was provided.

### ***Payroll and Personnel***

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15. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: We obtained a listing of employees and elected officials employed during the fiscal year and management's representation that the listing was complete. We noted that three of the five employees' rates tested did not agree to their personnel files.

16. Randomly select one pay period during the fiscal period. For the five employees/officials selected under #15 above, obtain attendance records and leave documentation for the pay period, and:
  - a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions were found as a result of these procedures.

17. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: We obtained a listing of those employees/officials that received termination payments during the fiscal period, and we obtained management's representation that the list is complete. The management of the City did not provide supporting documentation for the selected termination payments.

18. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: We noted that the payments related to the 457 plan had been late. We also noted that the City owes the Internal Revenue Service for payroll taxes, penalties and interest. We obtained management's representation that all other employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed by required deadlines.

## ***Ethics***

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19. Using the five randomly selected employees/officials from procedure #15 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: We noted during testing that none of the employees had documentation that they had completed the ethics training during the fiscal year or had signature verification that they had read the ethics policy.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation

Baton Rouge, LA  
December 16, 2019



Mr. Daryl Purpera  
Louisiana Legislative Auditor  
1600 N 3<sup>rd</sup> St.  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Statewide Agreed-upon Procedures

The management of City of Tallulah wishes to provide the following responses relative to the results of the 2019 statewide agreed-upon procedures engagement:

1. Policies and Procedures – Management will amend its policies to include the missing elements.
2. Bank Reconciliations - Management will ensure that bank reconciliations are performed timely and include evidence that it was reviewed by a member of management/board member who does not handle cash, post ledgers, or issue checks.
3. Collections - The City will implement procedures to retain pre-numbered receipts and to document the required daily deposit of all City collections. The City will work to make deposits on a timely basis.
7. Disbursements - The City will institute a process where accounts payable vendors are approved by someone other than the City Clerk.
10. Credit Cards - The City will obtain itemized supporting documents for all credit card charges and will document business purpose.
13. Travel - The City will institute procedures for the review of travel reimbursements.
14. Contracts - The City will enact procedures to ensure that written contracts are obtained and will submit the contracts to the City Council for approval.
15. Payroll and Personnel - Management will improve its review process of payroll to ensure that approved pay rates are accurate.
17. Payroll and Personnel - : In the future, when employees are terminated, management will prepare supporting documentation of final termination payments.
18. Payroll and Personnel - : Management will pay retirement contributions on a timely basis in the future.
19. Ethics - Management will require all employees to take the annual ethics training and attest through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Sincerely,



Charles Finlayson  
Mayor