

BAYOU D'ARBONNE LAKE WATERSHED DISTRICT  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED MAY 10, 2017

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

## Bayou D'Arbonne Lake Watershed District



May 2017

Audit Control # 80160202

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## Introduction

The primary purpose of our procedures at the Bayou D'Arbonne Lake Watershed District (District) was to evaluate certain controls the District uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

The District was created under the provisions of Louisiana Revised Statute (R.S.) 38:255 and includes bayous and watersheds located in Lincoln and Union parishes. The District provides for the conservation of soil and water, and the development of the natural resources and wealth of the District for sanitary, agricultural, or recreational purposes to be conducive to public health, utility, or benefit. The board is comprised of seven commissioners appointed by the governor.

## Results of Our Procedures

We evaluated the District's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the District's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, franchise fees, parish support, Department of Transportation and Development funding, contracts, other nonpayroll expenditures, the budget, and ethics.

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## Follow-up on Prior-year Findings

We reviewed the status of the two prior-year findings reported in the agreed-upon procedures report dated July 27, 2016, related to lack of written policies and procedures for the primary financial/business functions of the District, and the lack of management review of bank reconciliations. We determined that management has resolved the prior-year finding relating to bank reconciliations; however, the lack of written policies and procedures finding has not been resolved and is repeated in this report.

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## **Current-year Findings**

### **Lack of Written Policies and Procedures**

The District does not have written policies and procedures for its primary financial and business functions to include those for cash reconciliation, budgeting, revenues and receipts, purchasing, disbursements, contracting, related parties, and ethics. Good internal controls require written policies and procedures to be in place and communicated to all employees to guide staff in their job duties.

The District should develop written policies and procedures for business functions to ensure consistency executing its processes. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

### **Written Contracts Not Obtained**

The District made payments for legal, bookkeeping, and board minutes transcription services during the fiscal year ended December 31, 2016, totaling \$12,800 without obtaining written contracts for these services. Good internal control and good business practices require that agreements between parties should be in writing, signed and dated, and should provide clarity of actions required by both parties.

Failure to formalize a contract or agreement to include all provisions increases the risk of misunderstandings and/or nonperformance of needed services without any protection for the District, including remedies for default.

The District should develop and implement written procedures for processing contracts to ensure that all contracts or agreements for services are written and signed by appropriate persons, and all relevant terms are included. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 2-3).

### **Required Ethics Training Not Completed**

Four of six board commissioners of the District did not complete the annual requirement of one hour of ethics education and training required by R.S. 42:1170 (3)(a)(i). The statute requires that all public servants complete a minimum of one hour of education and training on the Code of Governmental Ethics during each year of their public employment or term of office.

Management should ensure that all commissioners complete the required ethics training annually. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 4-5).

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## **Other Results of Our Procedures**

### **Cash**

The District maintains one operating account, which is used for general operations. A bookkeeper is responsible for writing and mailing vendor checks, reconciling the monthly bank reconciliations, and posting deposits and disbursements into the general ledger. As a mitigating control, a commissioner receives and reviews unopened bank statements. Cash balance totaled \$172,081 at December 31, 2016. We performed procedures to reconcile cash transactions to the District's general ledger and bank statements, evaluated the segregation of duties between bookkeeper and the commissioners, and confirmed the timely preparation of bank account reconciliations. Based on procedures performed, no exceptions were identified.

### **Franchise Fees**

Approximately 52% of the District's revenue collections are franchise fees received from electric companies, including Entergy, Claiborne Electric, and CenterPoint Energy. According to R.S. 38:2558, the District is authorized and permitted to levy and collect from suppliers of electric current, gas, water, butane, or any other utility, a sum not to exceed 5% of gross billings realized by the utility services furnished to any person, corporation, partnership, or association of individuals residing within one mile of the high water line of the watershed district's reservoir. We selected franchise fees received in January 2016, April 2016, May 2016, June 2016, August 2016, November 2016, and December 2016 and traced to supporting documentation such as board ordinance, remittance advice, and copy of payers' checks. We determined the District collected 2% of the gross electricity services provided in accordance with board ordinance and within limits set by statute.

### **Parish Support**

The District also received parish support from the Lincoln Parish Police Jury and the Union Parish Police Jury totaling \$3,600. We selected monies received in January 2016 and traced to supporting documentation, including parish government budget information, remittance advice, and copy of police jury checks. Based on procedures performed, no exceptions were identified.

### **Department of Transportation and Development (DOTD) Funding**

In 2015, the District awarded a contract for repairs to various spillways located in Lincoln and Union parishes funded by the DOTD Capital Outlay Program (Bond Program). In 2016, the District received final reimbursement payments from DOTD totaling \$47,320. We agreed payments to electronic funds transfers made in District's bank account. Based on procedures performed, no exceptions were identified.

### **Contracts**

The District had written contracts in effect for engineering and construction services for the year ended December 31, 2016, totaling \$68,228. We selected contract payments made in February

2016, March 2016, June 2016, August 2016, October 2016, and December 2016 and agreed amounts to contract terms, examined invoices, and evaluated compliance with laws and regulations. Based on procedures performed, no exceptions were identified relating to the engineering and construction services contracts. However, we found the District made payments for legal, bookkeeping, and board minutes transcription services during the year totaling \$12,800 without obtaining written contracts for those services (see Current-year Findings section).

### **Other Nonpayroll Expenditures**

We reviewed the general ledger for any unusual check disbursement transactions for the year ended December 31, 2016, and identified one transaction for \$785. We inquired District personnel and examined the original itemized receipt which was for the establishment of a website for the District. Based on the results of these procedures, no exceptions were identified.

### **Budget**

The District annually adopts a budget by majority vote of its board of commissioners. We confirmed the adoption of the District's 2016 budget and evaluated variances between budgeted amounts and actual revenues and expenditures for reasonableness. We noted an unfavorable variance of 80% in revenues and a favorable variance of 22% favorable in expenditures because the District did not adjust its 2016 budget for the spillway capital outlay project that was substantially completed in the 2015 year.

### **Ethics**

We reviewed documentation to determine if the commissioners completed the annual one hour of ethics education and training required by state law and if the District took appropriate action on any ethic violations reported to the District. We determined four of the six board commissioners did not complete the training (see Current-year Findings section). We also determined there were no ethics violations reported to the District during the 2016 year.

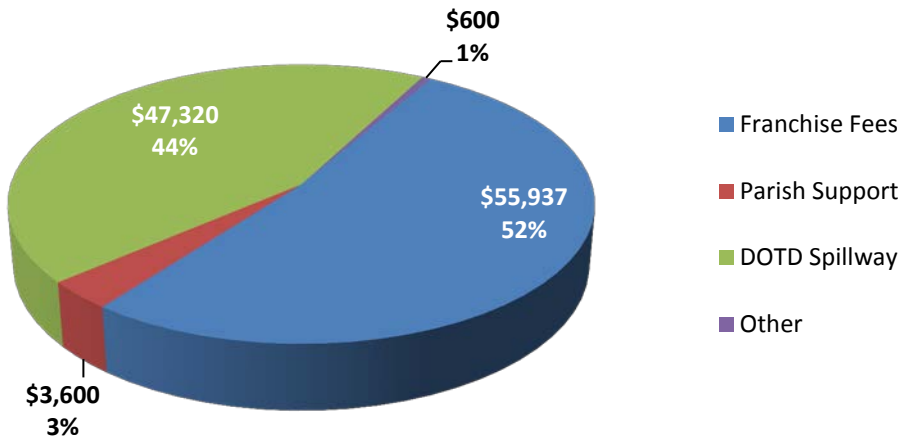
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## **Comparison of Activity between Years**

We compared the most current and prior-year financial activity using the District's general ledger information to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

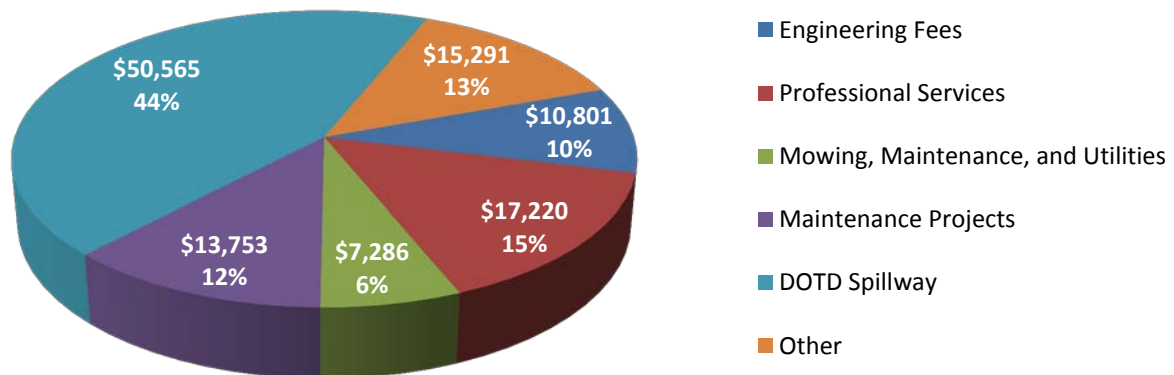
We presented the District's cash basis revenues and expenditures for the year ended December 31, 2016 (see Exhibits 1 and 2), for informational purposes.

**Exhibit 1: 2016 Revenues**  
**Total: \$107,457**



Source: District General Ledger as of December 31, 2016

**Exhibit 2: 2016 Expenditures**  
**Total: \$114,916**



Source: District General Ledger as of December 31, 2016

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

KVL:BAC:BH:EFS:aa

BAYOU D'ARBONNE WATERSHED 2016





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



BAYOU D'ARBONNE LAKE WATERSHED DISTRICT

P. O. Box 696  
Farmerville, LA 71241

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Daryl G. Purpera, CPA, CFE  
Via Hand Delivery to  
Katie Loftin, Senior Auditor  
Louisiana Legislative Auditor

Re: **BAYOU D'ARBONNE LAKE WATERSHED DISTRICT**  
**Lack of Written Policies and Procedures**  
**Official Response**

Dear Mr. Purpera:

Please consider this the official response by the Bayou D'Arbonne Lake Watershed District (the commission thereof being hereinafter referred to as the "Commission") with respect to the above referenced finding. The Commission concurs in said finding.

The Commission addressed corrective action at its April 18, 2017 meeting. The Commission requested David Hopkins, Secretary-Treasurer and Janet Cowart, its bookkeeper to provide procedures currently in use to Bruce Hampton, Commission President, who will then write a policy and procedure and have it approved at the Commission's May, 2017 regular meeting.

Should you have any further questions, please do not hesitate to contact the undersigned.

Sincerely,

BAYOU D'ARBONNE LAKE WATERSHED DISTRICT

BY:   
Bruce E. Hampton, President

BAYOU D'ARBONNE LAKE WATERSHED DISTRICT

P. O. Box 696  
Farmerville, LA 71241

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Daryl G. Purpera, CPA, CFE  
Via Hand Delivery to  
Katie Loftin, Senior Auditor  
Louisiana Legislative Auditor

Re: **Bayou Lake D'Arbonne Watershed District**  
**Written Contracts Not Obtained**  
**Official Response**

Dear Mr. Purpera:

Please consider this the official response by the Bayou D'Arbonne Lake Watershed District (the commission thereof being hereinafter referred to as the "Commission") with respect to the above referenced finding. The Commission concurs in said finding.


The Commission took corrective action with regard to said finding at its April 18, 2017 meeting by adopting the attached policy.

Should you have any further questions, please do not hesitate to contact the undersigned.

Sincerely,

BAYOU D'ARBONNE LAKE WATERSHED DISTRICT

BY: \_\_\_\_\_

  
Bruce E. Hampton, President

BAYOU D'ARBONNE LAKE WATERSHED DISTRICT  
POLICY AND PROCEDURE REGARDING OBTAINING WRITTEN  
CONTRACTS OR GOODS AND SERVICES

Except in case of emergency written contracts shall be obtained for all contracts for goods, materials, equipment and services (including professional services). This policy shall not apply to *de minimis* items such as ordinary office supplies, stamps, etc.

Adopted April 18, 2017

BAYOU D'ARBONNE LAKE WATERSHED DISTRICT

P. O. Box 696  
Farmerville, LA 71241

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Daryl G. Purpera, CPA, CFE  
Via Hand Delivery to  
Katie Loftin, Senior Auditor  
Louisiana Legislative Auditor

Re: **Bayou D'Arbonne Lake Watershed District  
Required Ethics Training not Completed  
Official Response**

Dear Mr. Purpera:

Please consider this the official response by the Bayou D'Arbonne Lake Watershed District (the commission thereof being hereinafter referred to as the "Commission") with respect to the above referenced finding. The Commission concurs in said finding.

The Commission took corrective action with regard to said finding at its April 18, 2017 meeting by adopting the attached policy. Additionally, the undersigned President of the Commission, prior to said meeting notified each commissioner by email with respect to the responsibility to complete said ethics training.

Should you have any further questions, please do not hesitate to contact the undersigned.

Sincerely,

BAYOU D'ARBONNE LAKE WATERSHED DISTRICT

BY:   
\_\_\_\_\_  
Bruce E. Hampton, President

BAYOU D'ARBONNE LAKE WATERSHED DISTRICT  
POLICY AND PROCEDURE REGARDING REQUIRED ETHICS TRAINING

All commission members are required by state law to complete annual ethics training approved by the Louisiana Ethics Board. A reminder shall be listed on each month's agenda under Old and New Business. In order to provide proof thereof, each commissioner shall forward proof thereof to the Secretary/Treasurer and/or the person contracted by the Commission to perform accounting/bookkeeping services in preparation for the annual audit. Every effort should be made to do this on or before November 1 of each calendar year.

Adopted April 18, 2017





## APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Bayou D'Arbonne Lake Watershed District (District) for the fiscal year ended December 31, 2016. Our objective was to evaluate certain internal controls the District uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the District's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. The District's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the District's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the District.
- Based on the documentation of the District's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, franchise fees, parish support, Department of Transportation and Development funding, contracts, other non-payroll expenditures, the budget, and ethics.
- We compared the most current and prior-year financial activity using the District's general ledger and obtained explanations from the District's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the District and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.