



FISCAL REVIEW COMMITTEE

MINUTES

April 7, 2011 at 1:30 p.m.

Senate Committee Room E - State Capitol Building

The items listed on the Agenda are incorporated and considered to be a part of the minutes herein.

MEMBERS PRESENT:

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor (LLA)

Mr. John N. Kennedy
State Treasurer

Mr. Rick McGimsey, Assistant Attorney General
Representing the Attorney General

Mr. Purpera called the meeting to order and asked the secretary to call the roll. All three members were present. The motion by Mr. McGimsey to approve the minutes of the February 25, 2011, meeting passed.

Senator Murray presented a proposed contract to Mayor Leslie Thompson to enter into an agreement with the Legislative Auditor to hire a Chief Financial Officer (CFO) for the Town of Jonesboro. The agreement outlines the scope of responsibilities. Senator Murray stated that when the Mayor agrees to the contract, the Town of Jonesboro will be removed from the non-compliance list, and the Legislative Audit Advisory Council (LAAC) will monitor the progress of the town. Senator Murray said that Representative Ellington and Representative Jim Fannin had been briefed on this agreement and concurred with the arrangement.

Mr. Purpera stated that the Mayor would be allowed to make the decision of who to hire as CFO, but it would be someone mutually acceptable to the Auditor's office and to the Town. Mr. Purpera said the three party agreement is between himself, the Town, and the CPA. The extensive duties of the CFO are outlined in the agreement and require that the CFO reports back to the Auditor biweekly to see that progress is being made. If they do not see progress, that will be reported to LAAC. Senator Murray explained this process would help the Town get its finances in order.

Ms. Joy Irwin, Director of Advisory Services for LLA, stated that Audit Manager Eric Sloan and his staff visited Jonesboro on March 22nd to answer specific questions from the Fiscal Review Committee (FRC) previous meeting. She provided updates on the Town's progress as of March 22nd including installation of Quickbooks, which is not yet being used as their primary program. The Mayor's staff did not have training on the new software yet. Ms. Irwin's staff saw some progress in implementing internal controls but there still remains a long list of internal control problems to be addressed by the CFO. The Town hired a degreed accountant who started on March 9th, but have not hired a CPA yet. The Mayor has had discussions with Tonya Wade, CPA, to train the staff on Quickbooks. Ms. Irwin said there is not currently a job description for the new accountant, Ms. Houston, who is preparing her own job description. She said the bank reconciliations had not been done for several years, and communicated with the Town to send supporting documentation for the master and the payroll bank accounts. The Mayor meets with the

Town Clerk weekly and the Town Council asked the Mayor to ensure the financial oversight is done properly.

Ms. Irwin asked her staff to also look to see if the Mayor had developed a plan for correcting management deficiencies and we have not seen a plan yet. Ms. Irwin said the Town Council has not been receiving financial statements from the Mayor.

Mr. Kennedy questioned how many CPA's have been hired. Ms. Irwin said the town has always had a contract accountant who commits only a few days a month to the town, and an independent auditor who is a CPA, but does not have any other CPAs. Mr. Kennedy shared his concern about tax money paid without proper documentation and invoices not matching up to the checks.

Ms. Irwin said that our bank reconciliations, using the term very loosely compared the books to the bank and we attempted to find causes of the differences between the two. There is a lack of supporting documentation for transactions, as well as entries not made to the accounting system which results in reconciling items. Another issue is the inability to find records. The Town has reorganized the filing system so it has improved and some records have been located.

Mr. Kennedy asked if the CFO will be responsible for gathering the missing information and perform those tasks. Ms. Irwin said the CFO will have to straighten out issues from prior years, address some rather large reconciling items, address the filing systems and the documentation of expenditures, but not sure how far back they will go and how much money will need to be spent to correct those problems. That depends on the resources and what is needed to keep the current posting up to date.

Mr. Kennedy asked Ms. Irwin how long this process would take. Ms. Irwin shared a similar situation when a town hired a full time contract accountant to only clean up the unknown transactions from the prior years, as well as a full time CPA responsible for posting and keeping all transactions current. With both full time CPAs it took approximately six months to reconcile the transactions correctly. Ms. Irwin discussed the availability of CPA firms to handle the task of reconciling past expenditures. Mr. Kennedy stressed the importance of having the reconciliation of the Town's accounts.

Mr. McGimsey questioned the time frame for transitioning to the new Quickbooks. Ms. Irwin said because the numbers are so unreliable the transfer of inaccurate data to another system is problematic, but the Town has made some progress on entering into the new system.

Mr. Purpera reviewed the scope of services of the CFO as outlined in the contract to provide the town with a framework, and make the town accountable to accomplish the corrections necessary. As Senator Murray mentioned if this does not produce what is needed, the town will be placed on the non-compliance list again. The ultimate objective is that the town is accountable and efficient with the use of its funds.

Mayor Leslie Thompson stated at the previous meeting he was instructed in the steps to move in a positive corrected posture, and that four of the items have been completed in the past 30 days. They hired an in house accountant, installed the new software, training planned on that software, and accepted the previous clerk's resignation. Mayor Thompson said he felt very confident in Tonya Wade's knowledge of his Town. He said he was totally cooperative to do all necessary to get the Town back right. Mayor Thompson said that he heard Ms. Irwin state that a lot of invoices are being found, and knows nothing about that, but glad that they are being found. He said the Sheriff's office has begun a criminal investigation of the Town's affairs, and had offered to do anything to expedite the process of the Sheriff.

Mayor Thompson said he spoke with Ms. Wade regarding the agreement already and appreciated Senator Murray and Mr. Purpera putting the agreement together and allowing his town the flexibility to have some input on how and when they get the job done. He said he would meet with his attorney on

Monday and with the Town Council to be sure they have the funds to make it happen, and should be able to get the agreement back to the Mr. Purpera by Friday.

Mr. McGimsey questioned the comment by Ms. Irwin that financial statements were not being given to the council. Mayor Thompson stated that at every council meeting they are provided the revenue statements on an as needed or requested basis, as well as now providing to the council a list of bills paid.

Mr. McGimsey questioned who the city attorney was and if any other counsel is retained by the town. Mayor Thompson said Mr. Stokes is the Town Attorney, but they are considering retaining outside counsel as they move into the court litigation as relates to the search and seizure of the town's records. He believed it may be a conflict of interest for the town's attorney to handle this case and anything that may rise to a criminal nature since he also serves as the Assistant District Attorney, chief prosecutor in the town. McGimsey questioned if he meant the Sheriff's investigation, and if they would have a special meeting to discuss hiring outside counsel. Mayor Thompson said yes, and it would be discussed at a special meeting of the council.

Mr. McGimsey pointed out in the letter dated March 20th to Mr. Purpera, it states that all expenditures are current and paid to date with a few exceptions after the completion of the audit, and questioned where the Town stood on payment of all debts. Mayor Thompson said there are no outstanding expenditures and paid a lot of bills in the past 30 days, in excess of \$100,000, because in their effort to reorganize they found invoices all over the place and contacted the vendors. He said the comment in the letter was to cover him in case there was something he did not know because he did not want to appear to be giving false information. He said there are outstanding projects that had not been paid.

Mayor Thompson said once the audit by the independent auditor was submitted, and the town taken off the noncompliance list, but said not sure if that is how the process works. He questioned if having the report complete would get them off the list even with a disclaimer because he is pretty sure with the numbers being as they are, he is expecting another disclaimer.

Mr. McGimsey asked regarding the open meeting complaint against the Mayor and the Council, and if any steps had been taken to be sure they are in compliance. Mayor Thompson said he received the letter from the Attorney General's office and was in the process of replying to that because he is not aware of any situation where that law has been violated. Mayor Thompson said he served fifteen years as police juror before coming over to the municipality and has enough knowledge to not do that. He said maybe someone saw them together and thought they were talking about town business because they do have the right to mingle but not violate that law. Mr. McGimsey informed Mayor Thompson that if he has any questions regarding the open meeting law, he would be glad to answer the questions or provide you any information to be sure to not have this issue come up. Mayor Thompson said he certainly wants to stay in compliance, but did not think they had violated that law. McGimsey said many times it is a misunderstanding of what occurs in public.

Mr. Purpera said to ensure correctly beginning this process, he wants to be clear what financial statements are to be presented to the board. He said the Mayor must submit accurate financial information including revenues, expenses, budgets and variances of those budgets. Ms. Irwin said the municipalities are advised to present monthly financial statements to the board and not necessarily audited financial statements or compiled financial statements prepared by the CPA, but at least have all revenues and expenditures for that particular municipality or government, compare that to the budgetary amounts that were appropriated by the governing body and show the variance between those two numbers. Ms. Irwin said she heard the Mayor state that he was presenting bills to the council that were paid for the month, but when her staff asked, no evidence was shown that an income statement and comparison to the budget amounts were presented to the council.

Mayor Thompson said they are beginning to generate those types of reports which has the budget and the variances, and brought a copy to show. At the next council meeting the council members will receive these reports that show the amount budgeted for each item, and the amount spent to date, to make sure no violation of the 5% rule.

Mr. Purpera said there will be a specific requirement of the CFO to ensure these financial statements are presented to the board on a routine basis because they need the information to make informed decisions. Mr. Purpera said that we will be looking to see that the requirements of this agreement are truly being met. Mayor Thompson stated that following the advice and recommendations is their intent because they are thankful for getting to this point and at the end of the day should be in much better shape.

Ms. Irwin stated that the financial numbers in the financial accounting system are very unreliable and even if financial reports are being generated by that accounting system, there is question as to whether those numbers are accurate. Mayor Thompson agreed, and stated that is what they are working to correct. He said he is not sure if the starting point would be 2007 or 2009 for the transfer of dollars into the new system, but that they would discuss that at some point. He said whatever the auditor decided, and could be agreed upon to be good numbers is the goal. Mr. Purpera said first get the CFO on board and then decide what is the best course of action and set those priorities from the beginning, and the goal to have a clean audit so the citizens can have the information they need.

Treasurer Kennedy asked Ms. Wade what she had been hired to do for the town, how long she had been there and what the game plan is. Ms. Tonya Wade said she just learned about the contract, but helped to install Quickbooks, and her partner is a Quickbooks advisor who will be advising the Town accountants to learn it. Ms. Wade stated that she is willing to do whatever is needed and has the manpower to do it. With Quickbooks they can make an accountants copy and either go there and review the General Ledger and review all the posting or they can log in from their office to ensure reconciliations are up to date. She said they are waiting for the journal entries from the June 2010 audit from the independent auditors so they can reconcile those bank accounts. As of June 2011, they are preparing the receivables and payable schedules and have all the support ready for the upcoming audit which includes all the debt schedules and any notes that need to be prepared, which includes all bank accounts. She said they have not given the town a specific deadline, but are awaiting this meeting to give deadlines for which funds need to be posted.

Mr. Kennedy asked if she would be involved in reconciling the past banking practices and matching up checks with invoices. Ms. Wade said they have not discussed that yet, because she received a copy that the Legislative Auditor's office had sent to the Town Clerk a couple of days ago, but did not have time to look at it yet.

Mr. Kennedy asked the number of hours anticipated to work for town. Ms. Wade said it would be more in the beginning and plan on two people going at least once a week. Mr. Kennedy asked the number of CPA's in her firm and if experienced in governmental accounting. Ms. Wade said three CPA's and they gave several municipalities in North Louisiana that they audit. Mr. Purpera stated they are looking for a very involved relationship for the CFO for Jonesboro, and if Ms. Wade could not provide that to say so.

Mr. Kennedy said he understands the Mayor would need to discuss the contract with the Town Council, but advised them to study carefully the scope of services by the CFO as prepared by the Legislative Auditor. He said that it is very comprehensive and if the CFO accomplishes them, the Town will start fresh, otherwise, they would be back. He advised the Mayor to seek the counsel of the LLA and find someone who would give it 110% and knows what they are doing and can accomplish all of these requirements.

Mr. Purpera offered the floor for anyone in the audience to speak and no one came forward.

Mr. Kennedy moved to accept the proposal for a contract for a CFO for the Town of Jonesboro, between the Town, the new CFO and the Legislative Auditor. He stated that as Senator Murray presented it is the recommendation of the Legislative Audit Advisory Committee, as well as Representative Fannin and legislators in the affected area. With no objections, the motion was approved by Mr. Purpera, Mr. Kennedy and Mr. McGimsey.

Mr. McGimsey said subject to monitoring this matter, he moved to adjourn at 2:30 p.m. and with no objections, the meeting was adjourned.

APPROVED BY:



DARYL G. PURPERA, LEGISLATIVE AUDITOR
CHAIRMAN

3/26/12

DATE