



FISCAL REVIEW COMMITTEE

MINUTES

October 2, 2012

1:30 p.m.

House Committee Room 3

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)

The Honorable John Kennedy, State Treasurer
Louisiana State Treasurer

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

Mr. Purpera called the meeting to order at 1:33 p.m. with all members represented. The motion by Mr. Kennedy to approve the minutes of the March 26, 2012, meeting passed without objection.

TOWN OF JONESBORO

Mr. Purpera provided an update from the previous meeting of the committee's decision to have the Attorney General pursue appointing a fiscal administrator for the Town of Jonesboro (Town) through the courts. On July 16 and 17, 2012, the Second Judicial District had hearings on this matter and on July 24, Mr. William "Bill" Ryder was appointed as the fiscal administrator for the Town.

Mr. McGimsey introduced Mr. Michael Vallen with the Department of Justice - Attorney General's office as the lead attorney and present to provide any legal information.

Mr. Ryder provided a briefing of his experiences since being appointed and the difficulties of progress because of the Mayor's lack of cooperation. To facilitate his duties, he made five requests for information starting July 30, 2012, on his first day working at the Town Hall, and his last request was on August 26. He did not receive any responses for his requests for information. On August 9th, he met with Mayor Thompson, Mr. David Dill and the Town Clerk. The Mayor asked Mr. Ryder to bring all requests to him for information, but because the Mayor was not at Town Hall most of the time, and his email did not work, nor did he answer his cell phone, so it was difficult to go to him. So Mr. Ryder said he would continue going to the employees for the necessary information. From that point on, the Mayor became even more uncooperative. On September 13, 2012, Mr. Purpera, Mr. Brown and Mr. Ryder met with Mayor Thompson, and two councilmen and in this meeting the Mayor agreed to be more cooperative and since that time has only met once with Mr. Ryder.

Mr. Ryder said that Mayor Leslie Thompson terminated the Town's accountant in early June 2012 because the employee would not follow the Mayor's orders to pay holiday pay to part time employees. As per the Town's policy the accountant was correct. The employees not working 35 hours were not paid holiday pay as per Mr. Ryder because it would be a violation of the handbook policies regarding payroll benefits. He found employees who were not working full time were being paid holiday pay, and receiving all the benefits of health insurance at the Town's expense.

My Ryder requested trial balances from Mr. David Dill and saw many negative figures on the trial balance, not only in the assets and liabilities, but in the revenues and expenses. When he first started working at the town, he asked the town clerk if she could explain the negative balances and she was unable to do so, and felt the balances were improper, but never got back with him on the balances before resigning on August 10, 2012. Mr. Ryder had found questionable investments in the general fund of \$320,359, which did not really exist. Also he found customer deposits which were short by \$80,000 in the meter fund, but the clerk was unable to explain or tell where the money went. When he spoke with the former clerk, she said the money was there years before. Mr. Ryder found numerous bills unpaid, and workmen's compensation debt was \$98,000. The Town had an agreement from 2011 to pay an extra \$10,000 per month, but only one payment has been made on that debt in July 2012. Still owed for July - September about \$60,000 plus the remaining \$88,000 balance. One reason they did not process payments quickly was because the accounts payable clerk was not trained and Mr. Ryder spent a lot of time working with her. He found copies of invoices with no signature or support documentation that he refused to pay without some information. He was told that bank reconciliations were completed as of June 30, 2012, but when he reviewed the general fund found many outstanding checks not cleared and 8 to 10 deposits in transit as far back as May 2011. The clerk could not explain what happened to the deposits totaling \$108,000.

Mr. Ryder found that Mayor Thompson entered into a financial agreement with IPFS Corporation for the property insurance premium. Rather than pay it at one time, the mayor paid it on installments for nine months at 12.25%. Mr. Ryder asked the mayor for a copy of the contract and if he had gone through the State Bond Commission to approve the debt. The mayor did not respond to either request. A representative for IPFS came to Mr. Ryder requesting to be paid, and brought a document that did not have a non-appropriation clause. He found that the mayor had not properly gone through the State Bond Commission. The town attorney told Mr. Ryder to not pay the bill because felt it was improper, so as of that date the town does not have property insurance.

Mr. Ryder requested on his first day a copy of all tax propositions, which should have been very easy to find. He had to get the information from an outside source and found that two tax propositions were ending in 2012. The mayor cancelled their meeting to discuss this on September 10, 2012. The town attorney was not aware of the taxes ending, but he quickly processed the necessary paperwork with the State Bond Commission and hopefully the voters will pass the taxes in December.

Mr. Ryder provided further financial information for the town and requested from the mayor documentation on how he built his budget. The mayor said there was none, and that he used trend analysis. Mr. Ryder explained the issues about the high rise water tank needing maintenance and painting, but no plans had been made for maintenance.

The town clerk resigned on August 10, 2012, and the accounts payable clerk resigned on August 23rd, and no one was left. So Mr. Ryder's priority switched from paying bills and doing a budget and approving bills daily, to trying to find a clerk and accountant. He interviewed a qualified applicant for town clerk and presented the resume to the mayor on August 15th. On September 18th, the mayor finally

called Mr. Ryder back and instructed him to schedule the interview, but the mayor cancelled that interview.

Mr. Ryder received calls from concerned citizens regarding water bills and when he pulled the history saw that the bills jumped very high and had concern over the validity. As per the water consumption reports, 137 dwellings receive water but are not billed. The public works superintendent told him that about 600 meters were bad. He said they will probably have to liquidate CDs to pay the bills.

The town accountant was rehired by Mr. Ryder at the end of August, and the accounts payable clerk returned to work and was catching up processing and entering bills. Ms. Tonya Wade, Chief Financial Officer for the Town, told Mr. Ryder on October 1st that she was cancelling her agreement with the Town to provide assistance and training in the preparation of the financial statements. Mr. Ryder explained that without the mayor's cooperation and assistance everything was taking unnecessarily longer time. The mayor hired a new town clerk without allowing Mr. Ryder to interview her. They cannot prepare a budget on the water and sewer funds because of so many problems, and unable to estimate the revenue.

Mr. Purpera asked if the Town Council was receiving monthly financial reports. Mr. Ryder responded he has not seen that the Council receives any, but the reports would not be correct. They discussed the other findings and the status on the correction of those findings. Mr. Ryder said they were working on June's bank reconciliation, and there were a lot of negative figures in the trial balance.

Mr. Purpera asked why Ms. Wade was cancelling her agreement. Mr. Ryder said that Ms. Wade informed the mayor and Mr. Dill and himself that they were going to accept the audit work if the Town did not hire anyone. Mr. Ryder told them that he was hiring the accountant, and nothing happened, so she cancelled the contract. Mr. Purpera asked since the Town received disclaimers for 2008 - 2011, does Mr. Ryder see an improvement in the town's bookkeeping to the point that a CPA could do an adequate audit. Mr. Ryder responded no.

Mr. Vallen stated that the order appointing Mr. Ryder as a Fiscal Administrator was still in effect. The town did appeal the order at the end of August, and the court consolidated the Town's appeal with another case involving private citizens. Mr. Kennedy asked what recourse if the Town officials do not cooperate with the court order appointing the fiscal administrator. Mr. Vallen responded the Town would be in contempt with either a monetary fine or jail time, but the penalty is at the court's discretion.

Mr. McGimsey questioned the investment mentioned. Mr. Ryder believes it may have been an incorrect entry by the clerk when she tried to remove the investment that she doubled it. Mr. McGimsey asked what is needed to get an accurate budget and how Mr. Ryder could do his job if the mayor will not help. Mr. Ryder responded that the mayor needs to sit down and explain the allocation method because it does not make sense and no one can support or show how they came up with the budget.

Mr. Ryder explained some of the water bill problems and after he spoke with the representative of the computer program Neptune now believes it may be a problem in the software.

Mr. Purpera asked if the Town has qualified employees to handle the finances. Mr. Ryder said he believes the accountant and accounts payable clerk to be qualified. In order to catch up they need assistance. Mr. Purpera said his office started in 2009 assisting the town and concerned about the expense and time invested in this town.

Mayor Leslie Thompson and Mayor Pro Tempore Devin Flowers were representing the Town. Mayor Thompson expressed his frustration that this has been going on a long time and he never does quite good enough. He said he had missed appointments, but not just because he was not available but Mr. Ryder was not available on several occasions as well. He found a town clerk that has qualifications and 30 plus years of experience in accounting. He asked if they have the same goals.

Mr. Kennedy asked the mayor if the \$320,000 investment existed. Mayor Thompson replied that he does not do the books and lost their clerk after Mr. Ryder got to the Town, and guessed the investment was there as long as the CD had been liquidated, which was a year and a half ago. Mr. Kennedy asked if he knows it is on the books. Mayor Thompson pointed out that the committee appointed the fiscal administrator, and looking to make sure he is afforded all the material and records that he needs according to statute, and then looking for him to make the assessment and recommendation.

Mr. Kennedy asked what the investment is doing on the books if it does not exist. Mayor Thompson said he was following the fiscal administrator's lead until finish with this session, and over the last year has been under scrutiny and the Legislative Auditors have been checking their books and records on a monthly basis, and contractually bound with a CFO. Mayor Thompson admitted he was not aware of investment on the books until now, but Mr. Ryder said it was on the books, so trusting what he said. Mr. Kennedy asked what the total operating income per month for the Town was prior to the appointment of the fiscal administrator. Mayor Thompson said the Town had \$320,000 in income and \$290,000 in expenses, before they did away with the police department, and running a surplus and paying their bills. Mr. Kennedy asked for the auditor that worked with the town to come confirm that information. Mr. Eric Sloan, Director of Compliance and Advisory Services, said that was not exactly correct, and according to their analysis, their revenues were not sufficient to cover their expenses. Mr. Kennedy said even though an audit could not be done, they were able to see the revenue and expenses well enough to see their situation.

Mr. Kennedy noted that this has gone on for three years, and asked the mayor to answer the fiscal administrator's allegations with specificity, so he could hear both sides. Mayor Thompson read from page 52 of the audit report that the accounts payable in June 30, 2011, was \$418,000, and available cash was \$978,000. Mr. Kennedy said that was not monthly. Mayor Thompson believes based on the audit report the Town was paying its bills and had a surplus of almost a half million dollars. Mr. Kennedy expressed concern about the issue of people not paying for water, and others bills going up and down, and the mayor borrowing money without approval of the bond commission and paying 12% interest.

Mayor Thompson said it is Mr. Ryder's perception at how he looks at the document because it said financing at the bottom and this insurance policy was only a renewal. He renewed the insurance policy at \$1,800 per month and if you call it borrowing because not paid in lump sum then it is. The insurance was there before he started and they renewed it through a local person with Protective. Mayor Thompson was upset that the representative with Protective went to see Mr. Ryder rather than himself. Mayor Thompson was not aware that he had to get the Bond Commission's approval to make the loan. He said rather not have to borrow money, and they would find insurance that they could pay without the high interest rate.

Mayor Thompson said they have a lot of old problems with the water meters and asked how to fix it. He said that he just found out the day before about 130 people were not paying water bills. The auditors went into the community to ask about the water problems and got the addresses of the houses, and admitted he should have done that. He was frustrated that no one is working together, because all should be trying to reach the same goal. The new system Neptune was put in before he became mayor, and the representative said he has complete faith in that system, but every day there is some problem with the

billing. Then people are looking over his shoulder to see if he is trying to help to steal water, and pretty concerned himself.

Mr. Kennedy expressed concern because cannot determine who is right or wrong, and this issue has become racial and split the community. Mr. Kennedy said he made the motion to have a fiscal administrator appointed and now in the hands of the court, but it sounds like he cannot do his job. Mayor Thompson said he did not believe the court or statute allows for what they have gotten in a fiscal administrator. He said Mr. Ryder spent a month working on the budget but found that is backwards. If he is supposed to be analyzing the financial affairs of the Town, then if he found them to be over extended expenses over revenues then he should offer recommendations. Mayor Thompson said they have a council and a mayor and cannot help that he is the first African American mayor and by law has a group that has the right to make its own budget. But when he is told that he cannot do anything and goes and writes a budget.

Mr. Kennedy said the judge makes that decision and the fiscal administrator is to handle all financial affairs. Mayor Thompson said he would take it to Court of Appeals, since the only recourse they have. Mr. Kennedy commented on the lack of cooperation to find out what is going on with the finances. Mayor Thompson said in his last meeting with Allen Brown and Daryl Purpera, they concluded that Mr. Brown would come to the Town once per week. He welcomed that so they do not have to worry about who is lying but get it done.

Mr. McGimsey asked if the Mayor would agree that without Mr. Ryder's help the tax propositions for fire and road would have expired and his efforts allowed for those to be renewed which will provide the revenue to serve the Town. Mayor Thompson commended Mr. Ryder, and said it would help justify the \$125 per hour that he is paid. Mr. McGimsey questioned the water fund that was \$80,000 short. Mayor Thompson asked for help to understand it, find out why it is short, and if need to liquidate a CD to stop talking about it and move on. Mr. McGimsey asked if he had the authority to write checks from the water fund, and the mayor responded that he does not alone have the authority.

Mayor Thompson said he would have gone with Mr. Ryder's recommendations if he had not found a town clerk himself. He hired the new town clerk after meeting with her at her home because felt she was qualified, and did not interview any other applicants. Mr. McGimsey asked if the Mayor thought what Mr. Ryder said about the clerk mattered, or would he withdraw his applicant if Mr. Ryder did not approve. Mayor Thompson said he would not withdraw, but hoped they could move on with whom he chose.

Mr. Purpera said he needed to ensure that the Town receives an audit each year. Mayor Thompson became mayor in 2007, and the Town was unable to be audited in 2008 - 2011. The fiscal administrator is saying that 2012 will not be auditable, so that will be five years without an audit. This means that the Town's officials are not accountable to how they use the public funds, and the financial statements are not assured so meaningless information. The Town council is not receiving accurate financial statements and unable to make financial decisions. The primary reason is that they do not have the proper staff to produce financial statements and operate the Town correctly.

Mayor Thompson explained all their efforts to find a town clerk online and at universities, and was surprised to find out that Ms. Moore was interested because she had over 30 years of experience. He said that he looked at the other applications, but felt Ms. Moore was the best for the position.

Mr. Purpera said that the Court has appointed as Fiscal Administrator someone with experience in accounting and auditing and would and could have assisted the Mayor in hiring the best qualified for the Town Clerk position. They all want the same results, so need to work together so they will have a Town that can be audited. Mr. Purpera asked if Ms. Moore had municipal and fund accounting and Lawrason Act experience, or experience dealing with a disaster situation. He pointed out the many findings in audits of the Jackson Parish School Board, where Ms. Moore was previously the business manager. Mayor Thompson said Ms. Moore had the track record of experience for the job.

Ms. Gloria G. Moore, Town Clerk for the Town of Jonesboro, stated that she had graduated from Grambling State University and was experienced as an accountant and business manager for Jackson Parish School Board, and worked in payroll and insurance prior to that. She retired from the school board and only took the position to help the Town after hearing about their problems and at the urging of Jonesboro town people, but if she is unable to help then she will return to retirement. Her salary with the school board when she retired was \$74,000, and has experience with bank reconciliations and financial statements. She said she was not familiar with the Lawrason Act and municipal accounting, except for the training given by Ms. Irwin for the school boards and municipalities. The mayor had gone to her house and asked if she was willing to help.

Mr. Kennedy asked if Mr. Ryder thought Ms. Moore could do the job. Mr. Ryder said he would like to ask her some accounting and compliance questions. Mr. Kennedy suggested that the court appointed Fiscal Administrator interview Ms. Moore and if she is acceptable to hire her, but if not then he should hire who he needs to. The lack of cooperation between the mayor and fiscal administrator is a problem. He understands that the fiscal administrator takes on all the financial aspects of the Town, but it sounds like Mr. Ryder has not been able to do that.

Mayor Thompson said that he stays out of the office and out of Mr. Ryder's way, and not causing a problem. Mr. Ryder said he needs the mayor's cooperation and not to find out after the fact what he has done. He said they need a knowledgeable clerk or will have to hire additional assistance from outside to analysis their accounts. Mr. Kennedy said if Mr. Ryder finds Ms. Moore to not be acceptable to bring his suggestion for approval by the mayor and council or exercise his authority to hire a third party to do the job. Mr. Kennedy said either way he will get the help needed, and asked how long it would take to figure out the financial situation for the taxpayers. Mr. Ryder said it would be hard to say but hopes less than six months.

Mr. Kennedy made the motion that Mr. Ryder interview Ms. Moore and if he finds she is not qualified to be Town Clerk then he will confirm with the legal counsel if he has to go back to court so he can hire a Town Clerk that can work with the Fiscal Administrator. Mr. McGimsey seconded the motion and Mr. Purpera concurred.

Mr. McGimsey said it is crucial for Mr. Ryder to have a town clerk to work with, so he can finish his job on behalf of the Town. Mr. Ryder must dig into the books and records, finish that investigation, file the report with the court, and follow up with a recommended budget. Mr. Ryder said a third of his time is spent having to search for the information because of the lack of cooperation and being provided the information needed which adds cost to the Town. Mr. Ryder stated he will do his job as court ordered because he will not be in contempt of court. Mr. McGimsey told Mayor Thompson that he must help and work together to help Mr. Ryder finish quickly.

Mr. Kennedy said if they cannot agree on the hiring of the town clerk and must go to court, that he will ask them to come back to the Committee. This issue is splitting their community, has become racial and costing taxpayers money. Mayor Thompson asked if he was just realizing that it was all motivated by

racial issues. Mr. Kennedy said both sides are wrong, and should not be racial because it is more of a money problem. Now that the court has appointed the fiscal administrator they need to work together. Mayor Thompson said he is trying, but if Mr. Kennedy only sees green, that is the reason he does not see the problem.

TOWN OF GIBSLAND

Mr. Brown said there was a disclaimer for fiscal year ended June 30, 2011, by Edwards, Wade & Perry, CPA, for the Town of Gibsland (Gibsland) because of inadequate records and documents. The Legislative Auditor does not consider a disclaimer to be an audit, so Gibsland is on the non-compliance list. His staff has made several visits and found their books to be a mess, and on August 2, 2012, a report was issued to the mayor with recommendations. Mr. Brown outlined many of Gibsland's financial problems, reviewed the unaudited financial statements, and stated that the sales tax was not collected legally for the past 16 years.

Mr. McGimsey asked if Gibsland was trying to get the sales tax on the ballot. Mr. Brown replied that Gibsland was working on it and has filed with the Bond Commission. He said as far as they know Gibsland is current on the USDA loan payments. The most severe problem is getting their records together. They hired a town clerk about three weeks prior and hired a CPA separate from the auditor to try to help them create the books.

Mayor Odis Odelle Key testified that he had hired a town clerk who currently does not know a lot, but his assistant was training her on the financials. Mayor Key said at the next council meeting they would have a town attorney. Mr. Purpera pointed out that Gibsland has not had a town budget since January 2011. Mayor Key said they have not had a budget approved since 2006, and he went into office in 2011. They had an old budget that the council did not accept, but hired Mr. Stevens who is fixing the budget and might have it by the next council meeting.

Mr. Purpera explained the disclaimer on their audit means no accountability of funds and financial statements that cannot be relied upon. Mayor Key said their computers have data missing after took them to Houma to have the hard drive checked and came back with new hard drives. He called the District Attorney who chose to do nothing about it.

Mr. Purpera went over the recommendations and the progress of hiring a town clerk and a town attorney and asked if Mayor Key has responded to the other recommendations in the letter from Advisory Services. Mayor Key said he hired someone to put together written policies and the young lady is ready to get that done.

Mr. Marketris Jones, Mayor Pro Tempore, said this is his second term and sent a budget in 2010 to Mike Cragin, auditor with LLA. Then in 2011, the council requested the budget from the mayor, but he gave them the actual budget for 2010. The salary for the previous clerk is still on the budget, and had 2009 numbers on it. The council questioned the missing information on the hard drives and discussed it with the Bienville District Attorney and Sheriff. There was a motion to check the computers, but was already done and found that the hard drives were new and the information was misleading. Vendors were calling him asking about money owed to them, and it has been a long road with the wrong people in place.

Mr. Jones said the council has not received financial statements since January 2011, and when the council asks for information, they do not receive it. As the governing body, the council has to decide the appropriation of funds, but people have been paid without the council's approval. Mayor Key said that

was not true and has provided the council whatever information he has. Mayor Key told the sheriff if he has done something wrong, to get him, but the sheriff said he did not see anything criminal committed.

Mr. Kennedy said it is good that they all agree on the new town clerk, and asked if the new clerk will roll up her sleeves and figure out the problems. He strongly urged the mayor and council to get along and put aside any personal feelings for the best interest of the town because both seem like reasonable gentlemen. Mayor Key said he would do his best.

Mr. McGimsey asked if they had read the opinion issued by the Attorney General’s office to Gibsland’s mayor and council in August regarding the relationship between the mayor and the council. His office did their best to lay out how the two branches get along - the mayor as executive and the council as the legislative. Town Clerk Ms. Critton replied that she had read the opinion.

Mr. Purpera said the mayor needs to be accountable to the council, townspeople and the state. Their council needs accurate financial statements on a monthly basis with budget to actual data. They are currently in noncompliance with the budget law. They need a real budget approved and one they can abide by. This Committee does not want to meet again in three months. Gibsland is on the noncompliance list so not receiving funds, but must have a good audit before they can be removed from the list. Mayor Key stated they can have a good audit. Mr. Purpera said that a disclaimer was given for fiscal year ended (FYE) June 30, 2011, and has an auditor engaged for FYE 06-30-12. He asked Mayor Key if he believes the books are in condition that the CPA can issue a real opinion on his financials. Mayor Key said the new clerk has been trained and the town will get off the noncompliance list. Mr. McGimsey asked Mayor Key if the town is broke. Mayor Key said no, they are not broke, but not much money and does not know how much they have, but will find out.

Mr. Purpera said the town clerk position is an important job and asked Ms. Critton if she has the competencies to do the job and if she has received support necessary to do her job. Ms. Critton responded that she does. Mr. Purpera said if anything changes to call Ms. Irwin because they must establish accountability and do not want to return to this Committee.

Mr. McGimsey asked Mayor Key if he promises to share the information as prepared with the council. Mayor Key said fine. Mr. Jones commented that Ms. Critton had been sharing information. Mr. Purpera stated that his office will continue to monitor and be in contact with Gibsland.

Mr. McGimsey made a motion to adjourn, and with no objections, the meeting of the Fiscal Review Committee adjourned at 3:36 p.m.

APPROVED BY:



DARYL G. PURPERA, LEGISLATIVE AUDITOR
CHAIRMAN



DATE