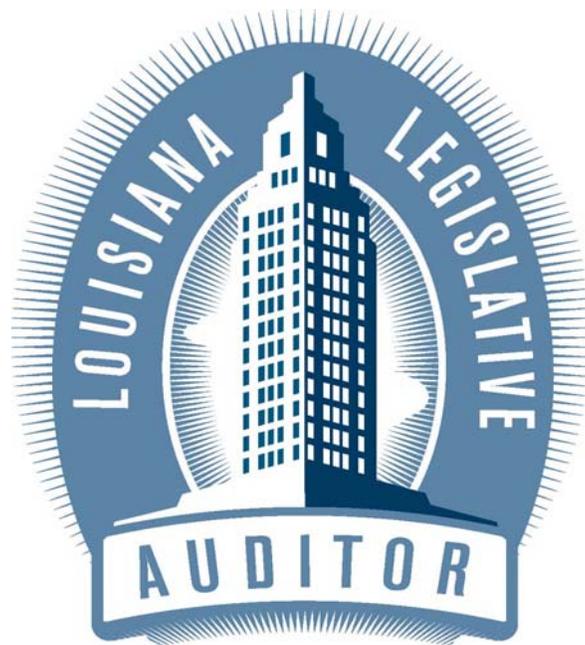


CATAHOULA PARISH POLICE JURY



ADVISORY SERVICES REPORT
ISSUED JULY 16, 2008

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

July 16, 2008

**MR. JACKIE PAULK, PRESIDENT,
AND MEMBERS OF THE CATAHOULA
PARISH POLICE JURY**
Harrisonburg, Louisiana

At the request of the Catahoula Parish Police Jury (police jury), we conducted an assessment of whether dedicated tax revenues were being spent for other than their dedicated purposes. My staff also applied our *Checklist of Best Practices in Government* in providing advisory services for the financial operations of the police jury. Attachment I contains our findings and recommendations resulting from our assessment. Management's response is presented in Appendix A.

Our recommendations are intended to (1) improve controls over the police jury's financial operations; (2) provide you with advice in implementing good business practices; and (3) ensure compliance with state laws.

This assessment is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards; therefore, we are not offering an opinion on the police jury's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

MDC:ESS:JSI:sr

CPPJ08

Findings and Recommendations

The following are the findings and recommendations resulting from our advisory services. The police jury should consider the costs of implementing the recommendations compared to the benefits they will provide. For any recommendations not implemented, the police jury should be aware of the risks.

We reviewed our findings and recommendations with management to provide them an opportunity for their response. Management's response is presented in Appendix A.

Financial Management

This report addresses certain deficiencies in the financial management of the police jury's operations and includes compliance/legal issues involving the General Fund and special revenue funds (e.g., Criminal Court Fund, Hard Surfacing Fund, Road and Bridge Fund, etc.) of the parish which are administered by the police jury.

Recommendation: The police jury should ensure that a written plan is developed and adopted that addresses the issues outlined below, and sufficient financial management, accounting, and computer expertise is available to assist it in resolving the issues. The police jury should also monitor progress against the plan each month and revise the plan as necessary.

Monthly Financial Statements and Budget Comparisons

The police jury does not review monthly financial statements and budget-to-actual comparisons of the parish funds it administers (e.g., General Fund, Criminal Court Fund, Hard Surfacing Fund, etc.). Without periodically reviewing complete and accurate financial information on all funds, the police jury cannot effectively exercise its fiduciary responsibilities of managing the fiscal operations of parish government.

Recommendation: The police jury should require the treasurer to prepare complete and accurate monthly financial statements and budget comparisons on all funds and formally present them at the regular meetings. The treasurer should review and explain the reasons for significant budget variances, including warnings of any corrective action needed.

Dedicated Tax Revenues

Contrary to state law,¹ the police jury spent dedicated tax (sales tax and ad valorem tax) revenues for other than their dedicated/intended purposes. At December 31, 2007, records reflect that dedicated tax revenues totaling approximately \$385,000 were "borrowed" from the parish's special revenue funds and used improperly to support the General Fund's obligation of paying

¹ Louisiana Revised Statute (R.S.) 39:704 states, "The proceeds of any special tax shall constitute a trust fund to be used exclusively for the objects and purpose for which the tax was levied. The records of the taxing authority shall clearly reflect the objects and purposes for which the proceeds of the tax are used."

the expenses of the district attorney and the two criminal court judges of the 7th Judicial District Court.

[Note: State laws (R.S. 16:6, R.S. 15:304, and R.S. 15:571.11) generally provide that the legislative body of the parish (i.e., police jury) is primarily responsible for paying the expenses/costs of the district attorney and criminal court. As such, police juries pay those expenses with “general” revenues of its General Fund. A secondary source of funding available to police juries to defray those costs is fine revenues of the Criminal Court Fund.]

Recommendation: The police jury should comply with state law and immediately stop spending dedicated tax revenues for other than their dedicated purposes. The police jury should cease commingling dedicated revenues with general revenues (in the same bank account) and establish separate bank accounts, at a minimum, for the General Fund and the Criminal Court Fund.

General Fund

Need Plan to Repay Dedicated Tax Revenues - As of March 31, 2008, there was no formal plan for the General Fund to repay approximately \$385,000 that was “borrowed” from the special revenue funds at December 31, 2007 (see *Dedicated Tax Revenues*).

Recommendation: The finance committee should immediately begin work on preparing a viable plan (in writing) for the General Fund to repay all dedicated revenues, including interest, that were spent improperly on obligations of the General Fund. The police jury should consider the feasibility of issuing bonds and/or obtaining a loan to repay/restore the dedicated revenues so that they can be immediately available for their dedicated purposes (e.g., roads, sanitation, library, etc.).

Record Borrowing and Expenditures in General Fund - Although approximately \$385,000 was “borrowed” (from the special revenue funds) and spent on obligations of the General Fund, the financial statements of the General Fund do not reflect the borrowing or the expenditures of such monies (see *Dedicated Tax Revenues*).

Recommendation: The parish treasurer should consult with the police jury’s auditor for the adjustments required to properly record the borrowing and the expenditures in the General Fund at December 31, 2007.

Need Plan for Spending Cuts - The recordation of the \$385,000 borrowing and expenditures will deteriorate the financial condition of the General Fund at December 31, 2007. In addition, the implementation of a repayment plan will put a strain on the available resources of the General Fund.

Recommendation: We suggest that the police jury (1) develop and adopt a plan (in writing) that includes both short- and long-term spending cuts; (2) monitor the plan monthly to assess whether operations are on target with the plan; and (3) monitor the financial statements and budget

monthly to ensure that operations are within the available funding and that a reasonable fund balance is being accumulated.

We remind the police jury that should actual expenditures exceed budget estimates by more than five percent ² or should a deficit result,³ the treasurer must immediately inform the police jury in writing of the need to amend the budget.

Budget Process

The police jury needs to improve its budgeting process for the General Fund and special revenue funds of the parish. The police jury must prepare a budget for the General Fund and special revenue funds⁴ (e.g., Criminal Court Fund) that is based on a realistic forecast of the revenues that will be available to pay its obligations, of which statutory obligations must be paid first and should have priority in budget appropriations.

Determine Available Revenues of General Fund and Criminal Court Fund - Since state laws provide that the police jury has the primary duty to fund the operations of the district attorney and criminal court, the police jury must carefully consider how it will satisfy that legal obligation with revenues of its General Fund and secondarily with fine revenues deposited into the Criminal Court Fund.

Recommendation: The treasurer and finance committee must perform an annual assessment of the total amount of General Fund revenues that will be available to pay all of its general government obligations. From that total amount, the police jury needs to determine the total amount that will be available to satisfy its statutory obligation of paying expenses of the district attorney and judges.

In addition, each year, consideration must be given to the amount of fine revenues expected to be available in the Criminal Court Fund. The police jury should address the adequacy/availability of fine revenues with the district attorney and judges since these revenues can impact the allocation of revenues from the General Fund. We advise the police jury that fine revenues have declined from \$176,018 in 1998 to a low of \$36,974 in 2007, a significant decline of almost 80% over the 10-year period.

² R.S. 39:1311(A) requires among other things that the "chief executive or administrative officer for a political subdivision must advise the governing authority in writing when:

- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more."
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more.

³ R.S. 39:1305(E) states, "The total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year."

⁴ R.S. 39:1305.A. states, "Each political subdivision shall cause to be prepared a comprehensive budget presenting a complete financial plan for each fiscal year for the general fund and each special revenue fund."

Need Annual Budgets From District Attorney and District Judges - The 2008 budgets for the General Fund and Criminal Court Fund were prepared without any financial information or input from the district attorney or district judges. Communication and cooperation among the police jury, district attorney, and judges is vital to developing an agreeable funding strategy.

Recommendation: The police jury should ask the district attorney and each judge to begin submitting annual line-item budget requests so the finance committee can review and compare to the forecast of available revenues of the General Fund and Criminal Court Fund. Should it be determined that sufficient revenues will not be available, the committee should meet with the district attorney and judges to resolve their differences before the start of the fiscal year. We remind the police jury that it must cease paying expenses of the district attorney and judges with monies dedicated to other purposes (see *Dedicated Tax Revenues*).

Need to Fully Comply With Local Government Budget Act - The 2008 budgets for the General Fund and Criminal Court Fund (and other special revenue funds) did not fully comply with the Local Government Budget Act. Our assessment revealed that the budgets were not accompanied by a budget adoption instrument⁵ and did not include the required budget message.⁶ In addition, the Criminal Court Fund's budget did not include the beginning fund balance as required by state law [R.S. 39:1305 (C)(2)(a)].

Recommendation: The finance committee should oversee the budget process and ensure that the police jury adopts its budgets in strict accordance with all provisions of the Local Government Budget Act.

Criminal Court Fund

Documentation of expenses of the Criminal Court Fund did not always include the approvals of both the district attorney and district judge as required by state law [R.S.15:571.11(1)(a)].⁷

Recommendation: The parish treasurer should be strictly prohibited from paying expenses out of the Criminal Court Fund unless there is proper documentation of approvals from both the district judge and district attorney.

⁵ R.S. 39:1305 (D) states, "The budget adoption instrument for any municipality, parish, school board, or special district shall be an appropriation ordinance, adoption resolution, or other legal instrument necessary to adopt and implement the budget. The adoption instrument shall define the authority of the chief executive and administrative officers of the political subdivision to make changes within various budget classifications without approval by the governing authority, as well as those powers reserved solely to the governing authority."

⁶ R.S. 39:1305(C)(1) requires "a budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features."

⁷ R.S. 15:571.11. (1) (a) provides that the expenses of the criminal court fund are to be paid upon motion of the district attorney and with an approval order of the district judge.

Parish Road Program

Our assessment revealed significant deficiencies in the parish road program.

Capital Improvement Plan Not Prioritized - The police jury's three-year capital improvement plan does not prioritize the road projects based on parishwide needs as required by state law [R.S. 48:755 B (2)].⁸ State law requires a priority ranking to ensure that the most critical needs existing parishwide are met first. As we understand, the police jury allocates funds to each district to be used for overlaying (hard surfacing) one mile of road.

Recommendation: The police jury should comply with state law by revising its list of capital outlay projects to include a prioritized ranking based on the parishwide needs. The police jury must stop dividing funds by districts and begin using the money for the most critical needs existing parishwide according to the priority ranking.

Work Done on Private Property - The police jury may have violated Louisiana's Constitution⁹ and state law by using police jury employees and equipment to put police jury materials on private property. As we understand, there have been overlay/hard surface extensions added to three parish roads (Powell Road, Ryan Road, and Girod Road) to allow better access to private driveways/property.

Recommendation: The police jury should consult with the district attorney on the work that was done. In the future, the police jury should ensure compliance with state law by strictly prohibiting work on private property.

Cover Materials for Culverts - The police jury may have violated Louisiana's Constitution and state law by providing cover materials (e.g., pit run gravel) for culverts installed in roadside ditches. The Louisiana Attorney General has previously opined (No. 80-927) that the police jury may not provide cover materials over culverts that are furnished by private individuals even though the culverts are within the parish right-of-way.

Recommendation: The police jury should comply with state law and stop providing cover materials for culverts of private individuals. We also recommend that maintenance personnel cease installing culverts for property owners. Maintenance personnel should only perform inspections of culverts to ensure they are the correct type and size and are installed at the proper grade.

⁸ R.S. 48:755 B(2) provides, in part, that "the funds appropriated to each parish shall be used for the benefit of the parish as a whole and within the priority ranking for the parish."

⁹ Article VII, Section 14(A) of the Louisiana Constitution of 1974 prohibits funds, credit, property, or things of value of the state or any political subdivision from being loaned, pledged, or donated to or for any person.

Work Done on Village Roads - The police jury may have violated Louisiana's Constitution and state law by donating the services of its employees and the use of its equipment and materials to the villages of Harrisonburg and Sicily Island. As a result, parish sales tax revenues dedicated for maintaining parish roads may have been improperly spent on maintaining village roads.

For example, the police jury does not bill/charge Harrisonburg for the costs of jury labor, equipment, or materials used to patch potholes on its village roads. In addition, the police jury does not charge Sicily Island for the costs incurred to grade its gravel roads.

Recommendation: The treasurer should account for the costs (e.g., labor, equipment, materials, etc.) of all work done by the police jury in the villages and request full reimbursement. In the future, the police jury should comply with law and stop donating jury labor, use of equipment, and materials.

Need Approvals and Complete Records on Selective Maintenance Work - As we understand, selective maintenance work has not always been approved by the police jury and the work has not always been documented. State law [R.S. 48:755(A)] requires the police jury to adopt a parishwide selective maintenance program which should require approval of the police jury for any expenditures, and no member (of the police jury) should expend any funds in his district without the approval of the police jury. In addition, parish Ordinance 2895 requires the approval of both the finance committee and the police jury before performing such work.

Recommendation: The police jury should ensure that all selective maintenance work performed is appropriately approved in advance and that complete records are maintained on all work performed.

Gasoline and Diesel

The police jury was not exercising adequate control over the three fuel (gasoline and diesel) pumps located at the maintenance yard. Good controls over fuel require that only police jury vehicles are receiving gasoline/diesel, the supporting documentation for gasoline/diesel usage identify the vehicle and include the odometer readings, and the supporting documentation is reviewed promptly for reasonableness (number of gallons received, miles traveled, and miles per gallon).

Recommendation: The police jury should (1) change the locks at the maintenance yard, review employee access to the maintenance yard, and approve the issuance of keys; (2) install locks/locking devices on the individual pumps to secure access; (3) have pump meters tested for accuracy and replaced if necessary; (4) require vehicle odometer readings be recorded so that a monthly report can be prepared by vehicle that includes, at a minimum, the number of gallons received, miles traveled, and miles per gallon; and (5) require the maintenance secretary to investigate and resolve variances of fuel usage and present a monthly report of fuel usage at the regular meetings.

Written Policies and Procedures

The police jury's written policies and procedures are not complete. Although the police jury has a personnel policy and uses the *Police Jury Manual* (published by the Police Jury Association of Louisiana) for general guidance, the police jury lacks specific written policies and procedures in a number of key areas.

Written policies and procedures are necessary to provide a clear understanding of what should be done, how it should be done, who should do it, and when it should be done. Also, written policies and procedures aid in the continuity of operations and for cross-training staff or training new staff.

Recommendation: We recommend that the police jury develop and implement written policies and/or procedures related to:

- Ethics, including issues such as nepotism and prohibited activities (e.g., related party transactions) and requiring that an annual certification letter be signed by each juror and other members of management attesting to their compliance with the ethics policy
- Budgeting, including procedures for preparing, adopting, monitoring, and amending budgets
- Financial reporting, including the nature, extent, and frequency of reporting financial information to jurors
- Accounting system procedures for all system modules (e.g., Cash Receipts, Fund Accounting, Accounts Payable, and Payroll), including transaction authorization, entry, review, processing, reporting, data storage, backup, and database maintenance
- Disbursements, including processing, reviewing, and approving expenditures
- Procurement/purchasing, including how purchases are initiated and approved and checks and balances to ensure compliance with the public bid law
- Contracts, including monitoring procedures to ensure that services received comply with terms and conditions of the contracts
- Cellular phones, including accounting for the business and personal use
- Payroll recordkeeping, including time, attendance, and leave
- Capital assets, including recording, tagging, and safeguarding assets, including conducting physical inventories
- Credit cards, including charges allowed and documentation required

- Travel, including rates for mileage, meals, and lodging and filing standard expense reimbursement reports
- Gasoline and diesel inventories, including procedures for dispensing and accounting for use
- Retention of public records, including e-mail communications
- Computer, including backing up and storing computer files and general controls for the computer system

Organization Chart and Job Descriptions

The police jury does not have an organization chart that shows the lines of authority and responsibilities for all employees. Also, the police jury has not established written job descriptions for all employment positions.

Recommendation: We suggest that an organization chart be prepared that shows in graphical form the way work is distributed in parish government and clearly shows direct supervisor - subordinate relationships. The chart should include the job titles and employee names for each position. In addition, we suggest that a detailed job description be developed for each position and be communicated to the employees to ensure they have a clear understanding of their duties and responsibilities.

Computer

Our assessment revealed that the police jury should improve its computerized accounting system and the security of its data by strengthening controls over computer planning, training, documentation, backup, and recovery.

Recommendation:

- The police jury should annually reassess its hardware/software configuration and plan for improvements such as:
 - (1) implementing the budget module and bank reconciliation function of the software;
 - (2) developing a secure, networked system so that certain employees located off-site (e.g., maintenance department) could have appropriate access; and
 - (3) expanding usage of office automation software (e.g., spreadsheet software).

- The treasurer should review with the vendor software training options which are cost effective and results in better use of the existing hardware and software.
- The treasurer should request the complete set of system documentation from the vendor and use it both in training and in supporting the system.
- The police jury should ensure data files are backed up to appropriate media such as a CD or flash drive and stored off-site in a secure fireproof area.
- A written disaster recovery/business continuity plan should be prepared and tested annually. Having a written plan is a good business practice as it will provide the steps to be performed to continue operations of the police jury in the event of a disaster.

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Management's Response

CATAHOULA PARISH POLICE JURY

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HARRISONBURG, LOUISIANA 71340

"Catahoula Cur - The Official State Dog"

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Regular Monthly
Meetings 2nd & 4th
Mondays each Month
at 6:00 p.m.

July 10, 2008

Office of the Legislative Auditor
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Attn: Ms. Joy S. Irwin, CPA

Dear Ms. Irwin:

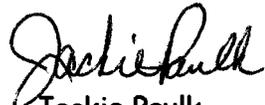
The attached is in response to the findings and recommendations resulting from your advisory services.

Any findings or recommendations not responded to are already being addressed and corrected by the Jury.

We appreciate your assistance in this matter and sincerely hope that we will correct the findings in a manner that is acceptable to your office.

If you need any further information, please contact this office.

Sincerely,



Jackie Paulk
President
Catahoula Parish Police Jury

July 10, 2008

Finding: Monthly financial statements and budget comparisons

Response: This matter has been addressed by the Jury as of April 2008. The treasurer presents the Jury at the first monthly meeting a statement of finances and a budget to actual receipts and expenditures, monthly and year to date. This report is presently being prepared manually, but the software vendor has been contacted and we are presently awaiting the vendor to install and train personnel on new budget preparation and reporting programs.

Finding: Dedicated Tax Revenues

Response: Dedicated funds are not being used for other than dedicated purposes at this time. The intention of the Jury is to separate the General Fund and the Criminal Court Fund by establishing separate bank accounts for each of these funds. This is to be implemented at the beginning of the new year (January 2009).

Finding: Plan to repay dedicated revenues

Response: The Jury has applied for and is awaiting bond commission approval to obtain a loan to repay dedicated funds.

Finding: Record borrowing and expenditures in General Fund

Response: The Police Jury's auditor is presently preparing a revised audit to reflect changes needed to correctly identify borrowing and expenditures in the General Fund.

Finding: Plan for spending cuts

Response: The Finance Committee is presently working on developing a plan for spending cuts and/or increasing revenues.

Finding: Budget Process

Response: The Jury is in the process of revising our software to simplify and to ensure a more accurate and trackable budget. The Finance Committee, the Judge and District Attorney will be advised to be more involved in future budget preparations.

Finding: Criminal Court Fund

Response: The Treasurer has been advised not to pay any Criminal Court expenses without the approval of both the District Judge and District Attorney.

Finding: Parish Road Program

Response: In regards to the Capital Improvement Plan (Hardsurfacing), the Jury does not provide equal funds to each district. Funds are expended according to the needs of each road in the plan. Hardsurface Funds are provided by a parish wide sales tax and roads in need of critical repair are not hard to find in Catahoula Parish. The Jury attempts to select roads in various areas of the parish each year to better serve the needs of all the residents of the parish. All roads selected are approved by the Hardsurface Committee. Hardsurface Committee will be advised to establish an improvement plan that meets state requirements.

Finding: Work done on private property

Response: Regarding work done on the Powell Road, Ryan Road and the Girod Road. Each of the roads mentioned are on the parish road roster. I was not personally involved in the work done on the roads due to them not being in my district, nor was I on the Hardsurface Committee. I understand that the footage as recorded on the Parish Road Roster may have been exceeded when road improvements were made. The Road supervisor and Hardsurface supervisor in the future will verify footage to be repaired versus footage as recorded on the road roster and will not exceed road roster footage for any reason.

Finding: Culvert installation

Response: The Jury no longer installs culverts in parish road ditches. In the past, this may have been done in some cases to ensure proper drainage of parish road ways. The Jury will initiate a permit system whereas the Road supervisor will determine culvert size needed and depth to be installed to ensure proper drainage.

Finding: Selective maintenance work

Response: The Jury does have a selective maintenance system in place and the Jury has always approved selective maintenance work. Future requests for selective maintenance will be reviewed by the Finance Committee for recommendations prior to being presented to the Jury for approval or disapproval.

Finding: Gasoline and diesel

Response: New meters have been installed on all gasoline and diesel tanks at the parish maintenance yard. All pumps have new locks and keys are kept in the maintenance secretary's office. Drivers receiving fuel must record vehicle number, gallons pumped, odometer readings and signatures. A monthly fuel report will be implemented.

Finding: Written policies and procedures/organization chart and job description

Response: A committee will be appointed to review and update policies, procedures, organization chart and job descriptions. The committee will consist of the Secretary/Treasurer and one member each from the Finance Committee, Personnel Committee and Equipment Committee.

Finding: Computer

Response: The Secretary/Treasurer is presently communicating with the software provider concerning changes in software configuration. The budget module and bank reconciliation functions will definitely be implemented. Other functions will be viewed by the Jury concerning need versus cost.