



# FISCAL REVIEW COMMITTEE

## MINUTES

Thursday, January 25, 2018

10:00 a.m.

House Committee Room 2

State Capitol Building

### **I. CALL TO ORDER**

Mr. Daryl Purpera, chairman of the Fiscal Review Committee (FRC), called the meeting to order at 10:00 a.m. and a quorum was present with the following members in attendance:

#### MEMBERS PRESENT:

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

Mr. Ron J. Henson, First Assistant State Treasurer  
Designee for The Honorable John M. Schroder, State Treasurer

Mr. Wilbur Stiles III, Chief Deputy Attorney General  
Designee for The Honorable Jeff Landry, Attorney General

### **II. APPROVAL OF MINUTES**

Mr. Stiles made a motion to approve the minutes of the February 21, 2017, meeting. Mr. Henson seconded the motion, and with no objections, the minutes were approved.

### **III. TOWN OF ST. JOSEPH – FISCAL ADMINISTRATOR UPDATE**

Mr. David Greer, court appointed fiscal administrator for the Town of St. Joseph (Town), provided a five page update that included: Water System Construction; Water, Sewer, and Gas Systems Operations; Budgeting, Revenues, and Expenditures; Past Due Obligations; Audit; and Exit Strategy.

Mr. Greer said the Town now has three good working water wells to provide water for the citizens. The water is clear and clean. Louisiana Department of Health (LDH) is retesting for lead which is what caused the public health emergency when lead was found in some of the residences. He is hopeful to not find any traces of lead and the Town can be removed from the public health emergency. Then the water rate change can be implemented to make the Town fiscally responsible.

The details and progress of the work as well as a spreadsheet on the funding for the water system construction were provided in the handout. As part of the new water system project 575 new meters are being installed which will be more accurate. Mr. Greer has been in discussions with JCP Management to serve as the third-party operator for the Town's water and sewer systems. JCP Management operates some surrounding water systems in the area and would provide the proper qualified maintenance for the system. The Town's prior water system was only 18 years old but looked like it was 100 years old because of the lack of maintenance.

Mr. Greer outlined the Town's revenue sources, and the rates for water, gas, sewer, trash and garbage. During fiscal year 2017, the Town endured extra expenses to repair old equipment and repair water and gas leaks as well as maintain the old water system while construction was on-going. The new water system should be complete in February 2018. Based on that and using a conservative estimate of 465 customers, Mr. Greer projected the monthly average revenue and expenditures. He also suggested an amount to be reserved each month for future repairs and maintenance of the water, sewer and gas infrastructure. He anticipates an available balance for paying down the past due obligations to the Louisiana Office of Community Development (OCD), Louisiana Workforce Commission (LWC), Internal Revenue Services (IRS) and fiscal administrator fees.

The audit for fiscal year 2017 is expected to be complete by February 28, 2018, and believes that past audit findings have been addressed sufficiently to warrant a favorable opinion. The current town clerk has developed policies and procedures and works with an external accountant to ensure that financial issues are being addressed daily. After the water system is complete and being properly maintained and the new rates are implemented, then Mr. Greer plans to prepare a final report and exit in March 2018.

Mr. Purpera asked if any preliminary water tests were done and if there are any conditions where lead could be in the pipes after the new system is installed. Mr. Greer said the engineers did pilot samples and had good results. Since September 1, 2017, they have been adding zinc ortho phosphate to coat the lines and remove the deposits. That chemical has done some good because city hall had very high lead results in November 2016 and during the recent pilot test the results were very low and safe.

Mr. Purpera asked who is responsible for water lines between the water main and homes. Mr. Greer said that the Town is responsible for lines to the main, but it is the homeowner's responsibility for water lines from the main to their homes as well as in their homes.

Mr. Stiles commended Mr. Greer for his efforts and accomplishments in the past 18 months. Mr. Henson also commended Mr. Greer and asked if he has a work out plan for the past due obligations. Mr. Greer responded that the excess revenues should be sufficient and he is just working out the agreements with IRS, LWC, and OCD.

Mr. Henson asked for notification of when LDH gives the go ahead on the water system. Mr. Greer said they will have test results this week, but LDH is having some difficulty getting back with the homeowners that had prior testing.

Mr. Purpera said that the AG will have to petition the court to remove Mr. Greer as fiscal administrator at the appropriate time and asked if any communications with the judge. Mr. Greer responded that he has kept the judge informed.

Mr. Purpera said that the Fiscal Administrator Revolving Fund (Fund) was created in statute in 2014 to help small towns that cannot afford to pay their fiscal administrator, but no money is currently in that Fund. Mr. Greer explained his dilemma of paying other bills or himself for travel expenses and fees, and typically he paid the other bills first but not sure who else would do that.

Mayor Elvadius Fields, Jr. said that he and the citizens of the Town thanked God and FRC for sending Mr. Greer to get them out of their dire situation. Mayor Pro Tem John Lewis expressed appreciation for the state giving the Town the money to replace their water system.

Alderman Theodore Jackson said how difficult it is to appoint a fiscal administrator when not enough funds to pay that person and if there was another way to help. Mr. Purpera said that the state is in the same situation of not

enough money but he hopes one day that the Fund will be able to pay fiscal administrators for working to turn other small towns around to be profitable and repay the Fund.

Mr. Stiles suggested that the municipal association could collect from each town, city, etc. for the Fund like an insurance fund to help those put under fiscal administration. He suggested citizens contact their senators and representatives to pass legislation for this. Mayor Fields said that they have fallen in love with David Greer and hopes he stays.

Mr. Purpera asked for any public comments or questions and no one came forward.

#### **IV. MADISON PARISH HOSPITAL SERVICE DISTRICT–FISCAL ADMINISTRATOR UPDATE**

Mr. Donald Frutiger provided a two page overview of the progress made since he was appointed as fiscal administrator for the Madison Parish Hospital Service District (Hospital) and a spreadsheet of key financial statistics for 2013-2017. He gave credit for the positive improvements to the operations of the Hospital to the CEO, CFO and administration. His overview outlined key financial information, operational and compliance improvements, Medicare OIG issues and replacement facility.

Improvements in net position, accounts receivables, and accounts payables reflect that the Hospital is now financially solid. The 2017 audit had an unmodified opinion and went from 31 issues in FYE 2013 audit to only one issue in FYE 2016 audit. A Corporate Compliance Program was implemented in 2016, a defined contribution pension plan was implemented in 2015, and the Medicaid OIG issues have been settled with a signed settlement agreement.

The Hospital purchased six acres of land behind the current facility for a heliport and plans to build a replacement facility because the current facilities are old and would cost \$10M to get existing facility to standards. The USDA said the Hospital looks solid financially and their only concern is the governance.

Mr. Frutiger does not have an exit strategy, and offered to stay as long as the parish and FRC want him to stay. He feels that he is still needed there but not urgent as before.

Mr. Purpera asked about their accounts receivables. Mr. Ted Topolewski, CEO, responded that they have cleaned up their accounts receivables and now collect self-pay because previously there was no cashier or money till. Their cash balance is approaching \$10M between the state grant and ad valorem tax revenue.

Mr. Purpera asked if they have any issues with payments from Healthy Blue, the state's Medicaid program. Mr. Topolewski said compared to other states, he has never seen such a disorganized program. There are five different procedures for the five providers so more complicated and frustrating.

Mr. Topolewski spoke with the Madison Parish Police Jury President Robert Fortenberry about the qualifications for board members and about changing the board composition. Mr. Fortenberry plans to adopt new procedure and change one board member every quarter.

Mr. Henson asked about the number of physicians. Mr. Topolewski responded with the current staff information and explained the difficulty hiring doctors because when they tour the facility most say they do not want to work there. The facilities need to meet 2012 fire codes but too expensive for an old building.

Mr. Henson commended the significant improvements by Mr. Frutiger but the law demands there to be an exit plan. He suggested Mr. Frutiger work with Mr. Stiles and the court to make an exit plan. Mr. Purpera read from

Mr. Fortenberry's letter on behalf of the Madison Parish Police Jury requesting FRC to consider retaining Mr. Frutiger at the Hospital. Mr. Purpera recommended that Mr. Frutiger contact the court and provide them an update.

Mr. Purpera asked for any public comment or questions and no one came forward.

## **V. MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1 D/B/A MOREHOUSE GENERAL HOSPITAL**

Mr. Purpera commented that Morehouse General Hospital (MGH) was potentially requiring a fiscal administrator, which FRC does not like having to put one, but the District has been able to reorganize successfully.

Mr. Derrick Frazier, CEO and Mr. Tom Ramsey, CFO, introduced themselves. MGH provided FRC with their Cash Projection and Burn Rate for May 2017-May 2018, and their Operating Performance Summary through the period ending December 2017. Mr. Tod Beasley, Senior Vice President of Hospital Financial Operations with Community Hospital Corporation (CHC), provided an overview of the finances including their improved revenue cycle, and lowered accounts receivables.

Mr. Beasley explained that when CHC began working for MGH in July 2016 they analyzed billings, adjusted accounting entries, got statements corrected, then developed a good strategic plan. Mr. Purpera noted that the citizens supported MGH by voting to increase taxes. He asked about their plan to pay off \$370,000 on the pension plan. Mr. Beasley said that it was \$1.5M last year and they have been paying it off. Mr. Frazier explained that MGH changed to social security instead of a pension plan.

Mr. Purpera asked when CHC's contract ended and if they would renew it. Mr. Frazier responded that the contract ends May 2019 and does not see any reason to not renew. Mr. Purpera commended CHC and MGH on doing a great job and glad that the local community supports them. Mr. Bradley Cryer, Director of Local Government Services, said that his staff has been monitoring MGH's financials for the past year and all issues have been resolved, but would like to continue monitoring their financials for the foreseeable future.

Mr. Purpera asked if any public comments or questions, and no one came forward.

## **VI. CITY OF JEANERETTE**

Mr. Cryer gave an overview of the City of Jeanerette's (City) issues including they have gone more than three consecutive years without an audit. The City's auditors have been asked to come and provide an update. The City meets the criteria for fiscal administration. Mr. Purpera stated that the audit for FYE 6/30/15, 6/30/16, and 6/30/17 have not been received as the law requires and the public does not have the financial information.

Mr. Henson asked what audit firms were hired. Mr. Cryer explained that one firm was hired for the 2015 and 2016 audits, and another accounting firm was hired to complete the 2017 audit.

Mr. Jeremy Meaux, CPA, partner of Darnell, Sikes, Gardes & Frederick (DSGF) in Lafayette, said that he was hired in April 2017 to help the City close out their books for FYE 6/30/17. Mr. Purpera said that at the last FRC meeting (February 21, 2017) the FRC members advised the mayor to hire an accounting firm to help them get their books in order for an audit. We also warned the mayor that if no audit was issued in three years that the City would meet the requirements for a fiscal administrator to be appointed.

Mayor Aprill Foulcard stated that she understood the law and did what was necessary to do the bank reconciliations. She provided all the information to do an audit. Her goal and objective was to have the financials in order and it did not happen. She hired a CPA firm but cannot rush them. She had conference calls with Mr. Cryer and Mr. Dickey (LLA Local Government Auditor) and the auditing firm to know how it was progressing.

Mayor Foulcard said on behalf of the City, she has done all that she could but cannot put a time clock on the CPA firm. Mayor Foulcard said that the auditor told her that she had another big audit that had to be done before the City's.

Mr. Purpera asked why the 2015 and 2016 audits were not completed. Mayor Foulcard responded that she hired Garrety & Associates to complete the 2015 and 2016 audits. She called and asked why it was not completed. Her council approved to pay \$10,000 for each audit. She understands that the reports will be disclaimers.

Mr. Purpera said it is difficult to grasp how the City could go three consecutive years without an audit. He understands a lot of work has been done but still not accomplished.

Mr. Meaux explained that his firm was hired to assist the City in April 2017 and had to do 394 bank reconciliations and transfer accounts. They had until November 21, 2017, to prepare the trial balance for the auditor. Mr. Stiles commented that the city records must have been in disarray, and concerned by the total lack of responsible bookkeeping since 2015.

Mr. Meaux said that going through that much financial data took longer than expected. He gave the trial balance to the auditors and hope they can have the audit completed by March 2018, but not sure of the outcome.

Mr. Purpera asked if Mr. Meaux would continue as the accountant for the City. Mr. Meaux responded that he was only hired for 2017 and have not signed an engagement for 2018. The City's staff has responsibilities but he knows that no bank reconciliations have been done since August 2017.

Mr. Purpera remarked that once bank statements are received he believes that they only have a 30 day window to question any items. Mr. Henson said the Treasury does bank reconciliations every day. He asked Mr. Meaux if he could predict the result of the audit and if he knew anything about the 2015 and 2016 audits. Mr. Meaux said he was only hired for 2017 but did not perform the audit procedures. He was asked to start working on July 2016 as per the conference call with LLA.

Mr. Cryer explained that transactions in 2015 and 2016 had no supporting documentation. An advisory letter was issued in 2014 but he continues to see the same problems. The City had not been doing bank reconciliations since 2014.

Mr. Stiles asked what base data did the auditors need. Mr. Meaux responded that he knew the auditors needed July and August 2017 financials. Mr. Cryer explained that a total of 14 months of bank reconciliations had to be done.

Mayor Foulcard said that the current year bank reconciliations are not done. But her goal is to keep Mr. Meaux contracted for as long as the council will allow and has not done an exit with Mr. Meaux. She does not intend to go backwards.

Mr. Purpera stressed the importance of doing bank reconciliations and the need for monthly financial statements. The City is not being accountable and transparent. Mayor Foulcard asked if in other words she should have them

(DSGF) there to do the bank reconciliations. Mr. Purpera told Mayor Foulcard that it is her responsibility to keep the City's financials current.

Mr. Stiles said it is not the responsibility of the accounting firm to do bank reconciliations, but it is the mayor's responsibility. Elected officials need to see what has been paid for and review bank statements. He found this situation to be disconcerting and disturbing.

Mr. Purpera asked Ms. Amy Dees, LLA Investigative Auditor, to share the highlights of the investigative audit issued May 17, 2017.

Ms. Dees presented the findings of the audit: The City did not manage its water system properly, which contributed to the City's financial information being incomplete, inaccurate, and unreliable. The audit identified multiple weaknesses in the City's utility system, including (1) inadequate oversight over water meter readings, (2) improper management of customer accounts, (3) failure to reconcile customer meter deposits, and (4) failure to monitor the utility system's financial stability. The City's available audited financial statements from fiscal years ending June 30, 2012 to June 30, 2014, show the City's utility system incurred substantial losses. The City does not have audited financial statements for fiscal year ending June 30, 2015 and June 30, 2016. Additionally, the City does not reconcile its utility fund bank account properly. Without audited financial statements and reconciled bank accounts, we are unable to determine the utility system's current financial position.

Mr. Brent Silva, CPA and Director of Garrety & Associates, explained that the 2015 audit was already late. He was subcontracted to do the audit for Ms. Collins but then she withdrew and no one signed another engagement. He was hired by the City again in 2017 to identify findings and issue a disclaimer, but he was starting from ground zero and could not locate records and did not think he could even do an audit. Mr. Henson asked if it was basically impossible.

Mayor Foulcard said that Mr. Silva was there in February 2017 and trying to understand why it would be a disclaimer report. She felt that all the information and facts were there. The council approved to pay \$10,000 for each audit year. She never was told that information was needed and never received feedback from Mr. Silva.

Mr. Purpera asked why the audits have not been issued. Mr. Silva said that fees are still owed to his firm and still have to go through the process. The record keeping was so bad and took significant time to go through it. Many questioned costs and multiple findings. Mr. Purpera commented that because of the standards required for financial audits there is still a body of work to do even if a disclaimer. He asked when he expects to be completed with the audits. Mr. Silva answered that he has yet to be paid.

Mayor Foulcard said that Mr. Silva's agency never told her why the audit was not done and received no feedback. Mr. Stiles commented that based on the May 2017 investigative audit he sees anomalies and reasons why they are unable to perform the audit. He told Mayor Foulcard that it is her job to get it done and saying that it's not your fault and it's the auditor's fault is disturbing.

Mr. Purpera said that the FRC members move to take a vote to put the City under fiscal administration as per R.S. 39:1351, and ask the AG to go to the courts to appoint a fiscal administrator. Mr. Purpera stated the motion, and Mr. Stiles seconded the motion and Mr. Henson voted yes for a unanimous vote to put the City of Jeanerette under fiscal administration.

Mr. Purpera asked for public comments and no one came forward.

## **VII. TOWN OF MELVILLE**

Mr. Cryer explained that the Town of Melville (Town) has not provided an audit for more than three years without an opinion. The Town is unable to pay expenditures. The auditor is working on the 2017 audit but has no audited records for three years and still getting information from the Town. The Town currently has \$32,000 in cash, and \$250,000 in obligations. The Town is owed for over 30 day late utility accounts. Their main water well could fail at any time. The Town meets the criteria for fiscal administration.

Mayor Erana Mayes testified that the Town is doing a lot better and bills are being paid. When she went into office in 2015 she found bills from 2013 and 2014 were not paid, and she got those paid. The auditor had disengaged, so she found Mr. Jonald Walker to help get their records current. The foundation had to be reconstructed and the Town is currently using an accounting firm to help. Her clerks were trained to do reconciliations. They have had the current clerk for two years so finally have stability because previously a lot of turnover. Mr. Walker gives Mayor Mayes help and guidance.

Mr. Purpera said that the real financial issue is not enough funds. Mayor Mayes said they have a flat rate for water without meters and all the infrastructure needs to be done. She has searched for grants with the USDA. She has had to turn off water at the street and put locks on the water line and check to be sure not cut off. The Town actually has two water systems and the old one still has lines and a system to provide water. Engineers are working on turning off the old system and only using the newer one so they can get more business. The Town is not on a main highway so people have to be going to the Town on purpose, otherwise never see it.

Mr. Purpera asked if there is anything Mayor Mayes can do beyond what she is currently doing. Mayor Mayes said she is making sure people pay their bills. She just hired two police officers to get ticket revenue because they had no income last year from tickets.

Mr. Stiles commented that the financial problems were from before Mayor Mayes went into office in 2015. Mr. Cryer said after the 2013 Town theft, Mayor Mayes inherited a mess and records were not existent. Mr. Cryer said that Mayor Mayes communicates and gets assistance from LLA and Jonald Walker. Operationally the Town has improved.

Mr. Stiles asked the cost to put water meters for the entire Town. Mayor Mayes said the search grant with USDA will tell the cost. Their sewer system is pretty good and her maintenance men can fix pumps. They had a Delta rural grant for the sewer system in 2015. The current rate for sewer and water is \$61.

Mr. Henson commended Mayor Mayes on addressing many issues but the Town is still struggling. To go three years without an audit, he's afraid they could slide down worse. He believes the Town could use the help of a fiscal administrator and it would benefit the Town. Mayor Mayes said she begged for help last year at the FRC meeting but the Town cannot afford a fiscal administrator. The police department doesn't pay for itself. The police chief is elected and she can only do budget cuts.

Mr. Purpera asked if her board would also welcome a fiscal administrator if there was any way they could make it happen to find someone not requiring payment because it would benefit the citizens.

Mayor Mayes said the community is in poverty and cannot afford higher bills. Mr. Purpera said the dangerous point is to provide safe water. Mayor Mayes said that a state representative called her about tying in with the next town of Krotz Springs. The engineers have agreed that the water well needs repairs and only have \$20K and emergency funds.

Mr. Stiles said FRC probably should vote for a fiscal administrator but there are no funds to pay one. It is clear that Mayor Mayes is making every effort. He is also concerned about the water system and quality of water before it becomes an emergency situation. Mayor Mayes said they have to be without water before an emergency is called.

Mr. Purpera said maybe they could find a fiscal administrator willing to work for little or no pay. A fiscal administrator has the authority over everything like the mayor and board. As the two examples earlier, fiscal administrators can make necessary changes.

Mayor Mayes added that a fiscal administrator would not be hindered by the Lawrason Act. She just wants to get the town where it needs to be. The weather has just been too cold to do cut-offs of water. Also the five member board voted unanimously against joining with Krotz Springs.

Mr. Stiles said he is hesitant to move forward without someone ready to do it for free because once the legal process has started they cannot stop. He suggested having another meeting in 30-45 days and look to find someone to take on the job of fiscal administrator at little to no cost to the Town.

Mr. Henson agreed with Mr. Stiles and charged Mr. Purpera with that task of finding someone. Mr. Stiles moved to meet in 45 days to discuss the Town's situation further. Mr. Henson seconded the motion and Mr. Purpera agreed.

## **VIII. OTHER BUSINESS**

No other business was discussed.

## **IX. ADJOURNMENT**

Mr. Stiles made a motion to adjourn and with no objection the meeting of the Fiscal Review Committee adjourned at 12:21 p.m.

**Approved by the Fiscal Review Committee at their meeting on: April 26, 2018**

The video archive of this meeting can be found in the House of Representatives Video Archives:  
[http://house.louisiana.gov/H\\_Video/VideoArchivePlayer.aspx?v=house/2018/jan/0125\\_18\\_FiscalReview](http://house.louisiana.gov/H_Video/VideoArchivePlayer.aspx?v=house/2018/jan/0125_18_FiscalReview)