



# FISCAL REVIEW COMMITTEE

## MINUTES

March 26, 2012

2:00 p.m.

House Committee Room 2

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 Louisiana Attorney General**

Mr. Purpera called the meeting to order at 2:05 p.m. with all members present. A motion by Mr. McGimsey to approve the minutes of the May 19, 2011, meeting was approved.

### TOWN OF JONESBORO

Mr. Purpera stated that his office spent considerable time in the Town of Jonesboro (Town) reviewing their books, records, policies and practices. The annual financial audits of the Town had a disclaimer for three years in a row, and over the last year this committee and other members of the legislature have negotiated with the Mayor to hire a Chief Financial Officer (CFO). The contract with the CFO ended in November 2011, but the CFO was requested to continue working to assist in completing the audit by March 31, 2012.

Mr. Eric Sloan, Director of Compliance Audit and Advisory Services for LLA, provided a brief overview of the audit status for the Town, and the Town's fiscal operations. The Town was brought before the Fiscal Review Committee over a year before because its books could not be audited for three consecutive years: 2008, 2009 and 2010. The Town was on the noncompliance list which meant that all state and grant funding to Jonesboro ceased. In an effort to help them succeed in getting an audit and be removed from the noncompliance list, a three party professional services contract was entered into on April 14, 2011, consisting of the Legislative Auditor; Edward, Wade & Perry, CPA firm in Ruston; and the Town of Jonesboro. The contract put a partner of the CPA firm to act as the CFO for the Town, and among other things she would implement, train, consult and coordinate the financial and accounting activities of the Town with the town clerk. The contract was eight months in length, but the contract terms for the not to exceed amount was met in November, so the contract was effectively 80% complete at that time. In November it was apparent that the Town would not have its audit complete by its statutory deadline of December 31, 2011. In an effort to see the Town succeed, Mr. Purpera gave them a three month extension if they would agree to amend the contract to hire the CFO back to assist their staff and auditor with work papers and schedules to have the continuity and complete the audit by March 31, 2012.

Mr. McGimsey asked when the auditor initiated contact with the Town to start the process of trying to get them on a financially sound footing. As per Mr. Sloan, the LLA office has been involved since 2009.

Mr. Purpera asked Mr. Kelly Love, independent auditor with Jonald J. Walker III, CPA, LLC, if the fiscal year ending June 30, 2011, audit is anticipated to be complete by March 31. Mr. Kelly Love, CPA, said they will request an extension in the next day or so, because there is too much that must be completed and filed by March 31. Mr. Love hoped to have the audit complete within 10-15 days after the extension date given.

Mr. Kennedy asked what has caused the delay in the audit. Mr. Love said he believes that the engagement letter was signed and accepted by the Legislative Auditor in late December, and his CPA firm was not brought on until the statutory deadline had passed. He explained that the CFO had instituted Quickbooks software and the general ledgers were prepared, The records were filed a little different than accustomed to, so it took a fair amount of time for the documents to be pulled.

Mr. Kennedy asked who hired the CPA firm. Mr. Love said the Town sought the bids, and the bid was awarded to his firm. Mr. Kennedy asked him how much of the audit was done when he was brought on. Mr. Love stated that he began the audit for Jonesboro in mid-January and to his knowledge no CPA firm had been working on the audit before he began. The Town was given an extension until March 31, and was requesting another extension.

Mr. Purpera stated that Louisiana Law R.S. 24:513 calls for the entity responsible for the audit to engage a CPA from the approved list of CPAs provided by his office. His office reviews the contract and approves it. They would ask Mayor Thompson why the CPA was not engaged until basically the due date of the report.

Mr. Allen Brown, Assistant Legislative Auditor for Local Government Services, spoke regarding the Town's financial difficulties. In a meeting a few weeks prior, the Mayor said they were cutting back on expenses and that they also had over \$300,000 of unrestricted money in Certificate of Deposits (CDs) that could be used if necessary. Mr. Brown said they requested a cash flow statement through August to show how they would make it through. The CDs were confirmed to be there, many from years ago because of bonds paid off, and it served as a rainy day fund for the utility department. Mr. Brown noted that the Town had about \$128,000 in significant debt including liability insurance, workmen's compensation and to the Louisiana Department of Revenue. The Mayor had told the auditor that they were working on payment plans for some of these debts. Mr. Brown said the meter deposit fund was short by approximately \$44,000, and the Town must come up with that deficit. The financial plan received that very morning which was included in the council's folders had not been fully reviewed by the auditors. Mr. Brown said the Town's plan appears to show costs that they will not incur the following year. They had CD's totaling \$348,000, and the total outstanding liabilities were \$172,000 including the meter fund and liabilities known to date.

Mr. McGimsey asked if cashing out of CDs to cover expenses would get them through the rest of this year. Mr. Brown said that in January 2011 the Town cashed out their last general fund CD worth about \$70,000 to cover expenses, but that was not a good way to operate. Mr. Brown said the LLA staff has been comparing budget to actual information, and have actual expenditures through February, and projecting forward based on last year's expenditures. Mr. Kennedy asked if the Town is in a better situation than 2009. Mr. Brown said they are better organized and have better records, but still not where they should be.

Mr. Kennedy asked how well the CFO did her job. Mr. Brown explained that the CFO was asked to come into a municipality that could not be audited for three years, and given eight months to turn it around which is a tough task. She did a good job but not perfect. The Town hired the CFO to continue working only to help them get their 2011 audit complete.

Mr. Kennedy asked if the person who handled the finances for the Town was present. The Honorable Leslie Thompson, Mayor of Jonesboro, stated that the City Clerk could not attend the meeting because of physical problems.

Mr. McGimsey asked Mr. Brown if there is any indication that if the Town continues on its present course and gets through this fiscal year if it will have the same problem of running a deficit and using their surplus, or will fiscal year 2013 be a balanced budget year. Mr. Brown said it depends on the Mayor and the Council taking responsibility and putting the right people in place. Mr. McGimsey asked if there is a sense that there is a failure of the current administration to understand the budgeting process. Mr. Brown said he could not speak to that, but waiting on the auditor to finish the audit to determine if an opinion can be made. Mr. McGimsey asked if that would indicate if there is an understanding of how the budget process should work. Mr. Brown said a good audit would show they are improving, with the help of others. Mr. Purpera asked the reason for the audit to be timely prepared. Mr. Brown replied when an audit is 90 days late, it's not as valuable information.

Mayor Leslie Thompson stated that the Town of Jonesboro did not have a qualified opinion for only two years, not three years. He said his Town has done all asked by LLA in an effort to make this audit better. His reason for the audit being late was due to the improvement process and no need to start an audit until the CFO said the records were ready to be audited, and the contract with the CFO was concluded which occurred in November.

Mayor Thompson met with the Legislative Auditor on March 7, 2012, because of concerns about his Town's budget being tight and the auditor had heard that all the Town's CDs had been spent, which is not the case. The auditor was also concerned about a bond issue, thinking it would increase by 2016, but his staff provided documentation that they still have CDs available to use if needed. Mayor Thompson explained they have established a program for transfers in, so there is no problem of comingling of funds and dedicated taxes. He said the Town is using the system taught by the CFO and provided a list of outstanding liabilities which they have paid down to \$141,000. Mayor Thompson said he confirmed that they were current with liability insurance and over paid for workmen's compensation. He informed the council that the IRS has been taken care of. The documentation shows forecasting for the upcoming months, and if the Town tightens its belt then it will have enough money to pay their bills.

Mr. Purpera asked for their current cash flow analysis projecting out in the future. Mayor Thompson said they provided it showing a \$3.8 million budget, not including the enterprise. He said the reports provided show revenues, expenditures and net income. Mr. Purpera explained that his auditors were in the Town the previous week and concerned that the Town was spending more than they had revenue. Mayor Thompson said the Town is in great shape living within their budget, but would have appreciated being told prior to the exit with the CFO where the Town was financially and what needed to be paid. He said it was not until November that he received that information, and now it is the responsibility of the Town's council to be sure it is paid.

Mr. Kennedy asked who handles the Town's finances on a day to day basis. Mayor Thompson responded the city clerk confirms the money is present, and that it is coded properly, but she was not able to attend the meeting. David Dill, Assistant Clerk, said he serves as an assistant to the clerk and to the Mayor, but as far as the accounting he is not directly involved in the finances. Mr. Kennedy said the clerk was not present at the previous meeting either, and he would like to speak with the person who handles their finances on a day by day basis, and find out why unable to get the audit done. Mr. Kennedy told the Mayor that he needed to speak with whoever handles the Town's finances. Mayor Thompson said that he would be the one to answer those questions.

Mayor Thompson said he does not understand why there was a problem auditing Jonesboro the first full year he was Mayor, when the year before he was in office for six months and they could perform an audit, and he was doing the exact same thing the previous Mayor had done. It was not until 2010 that he found out that his clerk did not know how to do her job. Mayor Thompson had already hired the auditor who was chosen to be

their CFO. Mr. Kennedy said he does not see the town to be better off, because still do not have an audited financial statement in three years, no cash flow analysis, and the Legislative Auditor's office sees that the Town will run a deficit of \$135,000 this year.

Mayor Thompson said it will not happen, and they understand the budget process and what is projected. He said that one of the auditors said that they believe the Town was projecting more money that thought would have come in. Mr. Kennedy asked if the CFO was present. Mayor Thompson replied that she was not invited. Mr. Kennedy said she did not need an invitation to attend, and asked if she was still working for the Town. Mayor Thompson said she is on contract to do what instructed by the Legislative Auditor to do for their audit.

Mr. Kennedy made a motion to appoint a fiscal administrator for the Town of Jonesboro. Mr. McGimsey seconded the motion. Mr. Purpera said it is time to appoint a fiscal administrator so the Town can get their finances right, and not continue to burn through their finances. He said that when questions are asked, then things happen, but need to see the Town get on solid footing. The fiscal administrator would be constantly monitoring the budget and working with the Town council.

Mr. McGimsey explained that a fiscal administrator will be appointed pursuant to a court order. The Attorney General's office will file a motion on behalf of the State of Louisiana asking the court to appoint a fiscal administrator. The Legislative Auditor will assist the Attorney General in selecting that individual who will be appointed with complete authority to basically become the CFO for the Town of Jonesboro. That court order will allow the fiscal administrator to do whatever is necessary to submit budgets and plans to the court for approval in order to secure the financial solvency of the Town.

The motion to appoint a fiscal administrator for the Town of Jonesboro was moved and seconded and affirmed by Mr. Purpera, so the motion carried.

Mayor Thompson asked if this matter will go before the district court to be resolved as to whether or not a fiscal administrator will be appointed, or if it automatically happens because this committee recommends it. Mr. McGimsey said it will have to be confirmed by the district court. Mayor Thompson asked if the statutory authority of this council allows appointing a fiscal administrator if the Town meets two criteria including not being able to meet monthly expenditures and/or a bond issue to be outstanding. Mr. McGimsey replied that the Town must pay its obligations as they become due with the penalty of making any long term debt service payments. Mr. McGimsey asked Mayor Thompson to contact his office to discuss the filing and the procedure going forward.

Ms. Renee Stringer stated she was Jonesboro's city council representative and thanked the Fiscal Review Committee for passing the motion to appoint a fiscal administrator. She said under the tutelage and guidance of the CFO, the Town had a federal tax lien placed against the assets of the Town. Workmen's compensation was not paid, and health insurance was cancelled for the third time. She understood that the CFO had no authority other than recommendations and appreciates that. She came to ask the council to appoint a fiscal administrator, and thanked them for doing it. She added that the people of the Town appreciate their help, and for going above and beyond to help every possible way.

Ms. Stringer asked how long would the fiscal administrator serve. Mr. McGimsey replied that the fiscal administrator will stay until the financial condition of the Town improves to a point by which the fiscal administrator feels comfortable to return to court and ask for his/her administration to be terminated. Ms. Stringer asked if the Town council will be informed of the decisions made by the administrator, and Mr. McGimsey confirmed they would.

Mr. Kennedy stated that the fiscal administrator is the sole and only decision maker, but will keep the Mayor and council apprised of his/her decisions. Mr. Kennedy said there is no appeal to the administrator's decisions. He believes in the long run it will be best for the town.

Wesley Horton, Jonesboro Chief of Police, asked if they had seen on the Mayor's proposal fiscal plan to cut the police department to one third its current size, which would burden the sheriff's office with no compensation. Mr. Purpera questioned Mr. Horton regarding the ticket collections if many are going uncollected. Mr. Horton explained the normal process but has no idea what is collected, even though the auditor has told him that he must be able to track the tickets from issuance to final disposition. He said they have not had any final dispositions in about three years. Mr. Purpera asked who currently is collecting the tickets. Mr. Horton replied that the Mayor hired a court clerk for the Magistrates court. The police department does keep a record of what is issued, but does not know what is received because the police department stopped taking fines four years ago. Mr. Horton commented he has served for four mayors and twelve councilmen since 1990, and now in his fifth elected term. He said the city clerk is good but has no authority over other employees inside City Hall, which causes a problem.

Mr. McGimsey asked what part of the tickets collected is paid to the state. Mr. Horton said he is not sure, but knows that all of the handicap tickets are supposed to go to the state. Mr. Horton said that tickets serve as revenue, but the disciplining for breaking the law is not happening, and he is close to sending the tickets to the District Court.

## **ST. LANDRY PARISH SCHOOL BOARD**

Representatives for the Louisiana Department of Education (LDOE) came to Mr. Purpera expressing concerns for the St. Landry Parish School Board's (Board) several months ago. He then met with the former Superintendent and members of the board, and found it necessary to attend a school board meeting on March 8 to express how very serious their cash flow problems were, which could result in some schools not being able to open. Mr. Purpera said there was also concern that they could be very delinquent on major debts, so he has asked the Board to present to the committee a plan of action.

Mr. Brown said on February 23, 2012, the Legislative Auditor and representatives of LDOE met with Board members and their CFO to discuss their financial problems. Mr. Brown pointed out the Board's cash flow statement prepared by the CFO showed at the end of July they will be \$3.4 million negative. Projected to December, the Board will be negative \$8 million. Their projections are based on current MFP dollars, which could drop with the opening of a charter school. They are also using current retirement rates which are expected to increase. That was the reason for the requested financial plan from the Board.

Mr. Joseph Cassimere, Acting/Interim Superintendent, provided short-term and long-term action plans and Board meeting minutes. He said with reorganizing and restructuring it would take about one year to get out of the deficit. He asked for time to implement the changes presented.

Mr. Kennedy asked how the Board was paying the \$800,000 legal judgment on the desegregation case. Mr. Cassimere replied that they had established installment payments. Ms. Tressa Miller, Director of Finance, stated they must pay \$50,000 per year. Mr. Kennedy questioned the casino revenues from Evangeline Downs. Ms. Miller explained that they can receive \$750,000 as a one-time payment per year.

Ms. Miller said the St. Landry Excellence Fund of \$1.8 million is not attainable by the Board. Representative Ledrick Thierry said when the legislation was passed years before, the money would be in fund administered by the Department of the Treasury, but LDOE had oversight over it. The application process would have to take place annually, so if they did not apply for money from that fund, then they would not receive it, or they often requested less than the entire amount allowed. So over time it has accumulated to \$1.8 million. Mr. Kennedy asked if the funds are dedicated to St. Landry Parish School Board. Representative Thierry answered yes, but she never understood the purpose of the application process because the statute dedicated the funds for K-12 use. The Board had to show the need for money in the application process, and then show how spent.

Representative Thierry said that in 2010, a law was passed that the Board can get \$750,000 without an application, and she has a bill filed this session for the Treasury to give all the money to the Board without an application. Mr. Kennedy said it is not a good idea to leave money with the state, and in the proposed executive budget the \$1.8 million would be taken from the Board. Representative Thierry said the proposed budget would sweep from excess funds and put it all in the budget for Medicaid. Mr. Gimsey asked if the Board should still apply for the St. Landry Excellence Fund. Representative Thierry said the application process usually takes almost a year, and believes a bill would be the fastest way to get the designated funds for the Board.

Mr. Purpera asked Mr. Cassimere if their budget is around \$100 million per year - roughly \$8 million per month, so the \$3.4 million deficit is only a small percentage of the total budget. He asked if they are trying to reduce spending or get a positive cash flow by the end of July. Ms. Miller replied they are slowing down spending by \$3 million. Mr. Cassimere said their plan is valid and possible. Mr. Purpera said they just want to be sure that the solution is workable, but their plan is aggressive and may be difficult to do.

Representative Thierry said the problem was that the Board overspent two to three years ago and would not make the necessary cuts, so they used their savings. Now that Mr. Cassimere is the Acting Superintendent the board will work together to make drastic cuts, and realizes they cannot spend more than they receive.

Mr. McGimsey asked if the Board could restructure their payment arrangements for the desegregation settlement. Mr. Kyle Boss, President of the St. Landry Parish School Board, stated that they had asked the judge if they could do away with transfers, but was told that a deal is a deal. Mr. Boss said the Board spent over \$2.8 million the past eight years for desegregation and must still do construction and remove portable buildings as per the settlement. They are also still paying the attorney's fees. Ms. Miller said their next payment is due on October 2012 for the settlement.

Mr. Kennedy asked if the Board was supportive of the action plans. Mr. Boss answered that of the 12 members present, 9 were in favor of the plan, and 3 were against it. Mr. Kennedy said he is inclined to wait and see if the plan works, and to continue to monitor their situation. Mr. Boss replied they are on the right track, plus their Senator and Representative are fighting hard on their behalf. Mr. Purpera said that his office will continue monitoring the Board's situation.

Mr. McGimsey made a motion to continue monitoring the St. Landry Parish School Board's financial situation, and for the Board to continue providing progress updates to the Fiscal Review Committee, and to come back if needed. With no objections, the motion carried.

Mr. McGimsey made a motion to adjourn, and with no objections, the meeting of the Fiscal Review Committee adjourned at 3:23 p.m.

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APPROVED BY:

  
DARYL G. PURPERA, LEGISLATIVE AUDITOR  
CHAIRMAN

  
DATE