

# LEGISLATIVE AUDIT ADVISORY COUNCIL

**Minutes of Meeting  
November 15, 2018  
House Committee Room 6  
State Capitol Building**

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

Chairman Julie Stokes called the Legislative Audit Advisory Council (Council) meeting to order at 10:30 a.m. Ms. Liz Martin called the roll confirming quorum was present.

**Members Present:** Representative Julie Stokes, Chairman  
Senator Mike Walsworth, Vice Chairman  
Senator Barrow Peacock as proxy for Senator Danny Martiny  
Senator W. Jay Luneau  
Senator Francis Thompson as proxy for Senator John Smith  
Representative Blake Miguez  
Representative Edmond Jordan as proxy for Representative Clay Schexnayder  
Representative Clay Schexnayder

**Members Absent:** Senator Wesley Bishop  
Senator John Smith  
Representative Jimmy Harris  
Representative Marcus Hunter

**Also Present:** Daryl G. Purpera, CPA, CFE, Louisiana Legislative Auditor (LLA)

## **Approval of Minutes**

Representative Miguez made a motion to approve the minutes for the October 5, 2018, meeting and with no objection, the motion was approved.

## **Extension Requests**

Mr. Bradley Cryer, Director of Local Government Audit Services, pointed out the two extension lists for this meeting. He explained the reasons for extension requests from the Little Theatre of Shreveport and the Town of Delcambre. Representative Jordan made the motion to approve the Nonemergency Extension Requests Ninety Days or Less and with no objection, the motion was adopted.

Mr. Cryer said only the Sewer and Water Board in New Orleans (SWBNO) was on the Emergency Extension Request Greater than 90 days. At the prior meeting, the Council approved a 30 day extension. The SWBNO requests an additional 30 day extension because of continued issues with the billing system, and significant changes in management and accounting personnel. There is no guarantee that they will not request another extension next month but the auditor is doing his best to get the work completed as quickly as possible. Because this agency has a lot of money from the state for infrastructure and for construction, as well as a lot of FEMA money that goes through the Department of Homeland Security, the LLA is recommending the extension for another 30 days.

Chairman Stokes agreed that the Council needs to grant this extension because too important but have to continue keeping an eye on that. She spoke briefly with SWBNO's auditor Postlethwaite and Netterville

(P&N) about the audit. Senator Walsworth said he would agree to approve this extension request but before any further extensions, he wants the SWBNO to be invited to testify before the Council on their reasons for the delay. Chairman Stokes agreed that was a good idea and explained her familiarity with the issues because of where she lives. Senator Walsworth moved to grant the Emergency Extension Request Greater than 90 days and hearing no opposition, that motion was adopted.

Mr. Cryer said the only report outstanding right now from the previous lists is the Housing Authority of Grambling. He has had continuing problems even contacting the director, so if the audit issue is not resolved before the next meeting, the director will be invited to attend the LAAC meeting.

**Louisiana Department of Education (LDE) – Regulation of Child Care Providers – Performance Audit Issued October 10, 2018**

Ms. Krista Baker-Hernandez, Manager with Performance Audit Services, thanked LDE's staff for their helpful assistance during this audit. The regulation of childcare providers in the state was transferred to LDE from Department of Children and Family Services (DCFS) in October of 2014. The LLA conducted an audit because of the importance of effective oversight of childcare providers to ensure the safety and wellbeing of children while in their care. Since LDE took over this function, it has implemented some processes to enhance its oversight such as training and support for providers, but we wanted to evaluate their regulation of the providers to identify any areas where the agency could further strengthen its oversight.

Kristin Jacobs, Performance Senior Auditor, referred to the slideshow to go through the findings at a high level. She stressed that this is a new function for LDE and regulating providers is a new thing for them. So our recommendations are to help them tighten up the processes and they have made some improvements since they took over this function. We made 13 recommendations overall and one matter for legislative consideration. The department agreed overall with the report and there were a couple of recommendations that they disagreed with a little bit.

Ms. Jacobs explained that licensed providers are typically a daycare caring for seven or more children on a daily basis and licensed by LDE. Family providers are when someone cares for children in their home. If they received a Child Care Assistance Program (CCAP) Funds they can care for six or fewer children. If they do not receive state or federal funds, then they can care for six or fewer children that do not include children related to the provider. So a family provider not receiving CCAP funds or licensed can technically care for more than six. In-home providers include nannies or a provider that provides services in the child's home

The first audit finding is that Louisiana is not always in line with best practices. In particular LDE does not meet National Best Practices for child-to-staff ratios, group sizes, and the oversight of family and in home providers. For example, Louisiana is one of only four states that allow a 1-to-11 ratio for two year olds, and one of eight states that allow family and in home providers to care for more than six children.

A provider receiving CCAP funds can have no more than six children in their car. However, a provider not receiving state or federal funds can care for six unrelated children as well as their personal children. For example, an in-home provider may have six children and caring for six kids which would be 12 children in the home but other states only allow six children in total.

Ms. Jacobs noted that prior to LDE having this function, DCFS did not even have group sizes, so LDE is making some strides to adjust these numbers and get in line with best practices. The issue is also funding because it is a big shift for the providers that are currently operating. The audit sited that family and in-home

providers were not required to have an unannounced visit but LDE has made some adjustments to require an announced and unannounced visit.

Regarding provider inspections, LDE was making 92% of the annual inspections of licensed providers within 365 days but could improve their inspection of the family and in-home providers. About 7% of providers did not have any inspections at all in fiscal year 2017. LDE has been working on that process to make sure none fall through the cracks.

LDE's process was not always effective in collecting, investigating, and monitoring provider complaints for licensed family and in-home providers. The complaints were not centrally tracked and not always fully documenting whether or not the complaints were substantiated. Approximately 32% of licensed provider complaints were not investigated timely.

LDE did not always follow all the investigation procedures for providers receiving no state or federal funds that may actually be caring for more children than they're supposed to. Of the 22% of the cases sampled, they found about 52% of the cases were not investigated timely. LDE was not assessing fines in spite of regulations that require them to issue a fine if they found providers operating illegally.

Ms. Jacobs continued to the two findings regarding enforcement actions and follow-up inspections. LDE did not always issue enforcement actions to address deficiencies in accordance with state law, which requires a written corrective action plan for certain types of violations such as child-to-staff ratios or supervision, in lieu of revoking the license. Also 99% of the inspections did not actually have a formal written corrective action plan and this is one of the findings and recommendations that LDE disagreed with. After inspection LDE gives the provider a listing of the deficiencies and they discuss what they need to do to fix it and then everybody signs the form. However, that is not really a corrective action plan because it should include the specific steps to be taken to prevent the deficiencies and have deadlines for when to be completed.

There were no criteria regarding when a licensing specialist should conduct a follow-up investigation so the average amount of follow-ups per provider varies across parishes. Some parishes are doing a lot of follow up and some are doing none. The auditors also found some providers that had the same type of deficiency such as child-to-staff ratio or supervision issues were receiving follow-up investigations and some did not at all. So that informal corrective action plan may not be effective in helping providers really get to the root cause of some of the deficiencies.

The final finding was regarding the childcare provider website. State and federal law have requirements on what LDE needs to post on that website for parents to review available daycares to put their children in. So we looked at a selection of inspections and found that 47 percent were not readily available online. Some of them were available upon request for like twenty-five cents a page. When we anonymously tried to get one of these inspections, we had trouble getting that but LDE has identified something in their system to fix that so that those inspections will be available. Also instances of serious injuries were not always clearly marked on the website, so parents could see that there was an injury or a fatality at that facility.

Senator Thompson asked if the providers not in compliance were scattered all over the state or some areas are more prone to not follow the recommendations. Ms. Jacobs responded that they did not do a geographic study on which parishes or which areas had the most deficiencies but could do that. Senator Thompson said he would like to see if any areas may lack support and have more deficiencies. Ms. Jacobs agreed to look further into that but did not notice anything glaring during the audit.

Senator Walsworth asked about the inconsistency in how parishes handle issues with some tougher than others and if LDE was addressing that. Ms. Jacobs answered that LDE has worked on this since the audit but previously did not have any policies that defined when a specialist should conduct a follow-up investigation. LDE just left it up to that specialist to decide where and when. The specialists are in each parish so reviewed the ratios of follow-up inspections and found an average of four follow-up investigations per provider. Senator Walsworth asked how many specialists are in each parish and if based on the number of daycares. Ms. Jacobs responded that would be a better question for LDE.

Senator Walsworth asked how many total was in the 7% that had no inspections. Ms. Jacobs explained those were for the family and in-home providers. For the first year that LDE had this function, they had a contractor conducting those inspections but they did not have any data or records of that. Just in fiscal year 2017 when LDE started handling inspections, it was 14 out of 193 providers did not have any inspections - no complaint inspections or anything. So we were looking just to help them tighten up their process so that no providers fall through the cracks because those are in someone's home and could be potentially more high risk.

Senator Walsworth asked if the provider is not licensed then how would LDE know they exist. Ms. Jacobs answered these are only CCAP fund receivers in the family and in-home providers groups. They are not required to have a license if they do not receive CCAP funds.

Senator Walsworth asked if unusual in Louisiana to have unlicensed child care providers that do not receive CCAP funds. Ms. Jacobs said what makes Louisiana different is that unlicensed providers can have six children unrelated to the provider as well as their own children. However in other states unlicensed childcare providers can only have six children including their own kids.

Senator Walsworth asked if the state would even be aware unless a complaint is filed with LDE. Ms. Jacobs agreed and the audit includes a matter for legislative consideration to adjust Louisiana statute to count just six kids regardless of whether or not they are related. Senator Walsworth asked if the churches are handled differently. Ms. Jacobs said she believes so but did not specifically look at that in this report, so LDE would have to respond.

Ms. Lisa Brochard, Executive Director of the Office of Early Childhood Operations, thanked the LLA auditors as they worked closely with them and were wonderful to work with. LDE does take all the recommendations seriously because they want to improve on anything possible. The health and safety of kids is of the utmost importance.

Ms. Bridget Devlin, Chief Operating Officer at the Department of Education, added that LDE had made changes in response to every single one of the recommendations in the report. Chairman Stokes asked if LDE has a timeline for reaching the best practices or is it even achievable in their current position. Ms. Brochard said LDE has already made the change to do an unannounced and announced visit to in-home family providers. Regarding the best practices about child staff ratios and group sizes, LDE is doing what the Louisiana Board of Elementary and Secondary Education (BESE) has approved. To change child staff ratios would require BESE to consider and change. Chairman Stokes asked if set by the legislature and Ms. Brochard answered no. Mr. Devlin further explained that the family and in-home ratio is legislative. The licensed daycare ratios are in BESE regulations.

Chairman Stokes asked for the rules regarding church groups. Ms. Brochard explained that for churches it depends on if they are taking CCAP funds or not. If they are taking CCAP funds there are three different types of licenses.

Senator Walsworth said most of the complaints he receives is how expensive daycare is. In most cases it is higher than their house note or car note, so he wanted to be careful not to add too much for licensed providers. He stressed the importance and key point of safety but also to not require licensed daycares to double their staff, or force education requirements that cause their cost to be so high to follow regulations that providers would operate illegally instead. He recommended finding the balance between safety and education and believes it is better that childcare is now under LDE.

Ms. Brochard said agreed that it is an extremely fine line to draw. If they increase the ratios that will require increase staffing which is very expensive. That cost gets passed onto the families and Louisiana is currently the 48<sup>th</sup> or 49<sup>th</sup> poorest state in the nation. In their licensing task force meeting, they raised the ratios for Type 1s to be in alignment with Type 2s and 3s, so that they are more in alignment, but we did not touch Type 2s and 3s.

Senator Walsworth asked them to explain the difference between Types 1, 2 and 3. Ms. Brochard explained that Type 1s providers are going to be mainly nonprofits and church organization that does not take any public funds whatsoever, not even the food and nutrition program. Type 2 programs can take food and nutrition funds only. Type 3 takes publicly funded money such as CCAP funds.

Senator Walsworth asked what CCAP funds are for. Ms. Brochard answered that CCAP funds are subsidy funds for low income families that are working or going to school. This helps subsidize their childcare so they can go to work. Senator Walsworth asked if the CCAP is tiered and what percentages of the childcare provider costs. Ms. Brochard said she did not know right off, but it is tiered in how much LDE reimburses based on their family size and their income.

Chairman Stokes asked how much public assistance is given to providers and if it varies for the families' financial status. Ms. Brochard said it does vary by different financial status and provided an example that \$22.50 a day would be paid for three year olds. Every provider is different as far as how much they charge. So LDE pays a certain rate but the percentage will vary by provider because the providers are small businesses and they have the right to charge whatever they choose.

Senator Walsworth asked if CCAP is state or federal. Ms. Brochard answered it is federal money. Senator Walsworth asked how much Louisiana receives each year. Ms. Brochard answered this year LDE received about \$130 million which was more for just one year and does not know if they will receive the extra money again but CCAP is normally around close to \$90 million per year. Ms. Devlin added that there was a supplement provided this year.

Senator Walsworth asked if more funds are given based on performance. Ms. Brochard said providers can get bonuses based on their performance rating and the more CCAP children served also factors into that.

Senator Walsworth said at the end of the day we would rather our kids be in a licensed child care facility where we know what is going on. He is concerned about small in-home childcare that nobody is aware of and no background checks are done on the workers. Ms. Brochard said unless a family home or in-home is on our CCAP program, LDE is not going to know about it.

Senator Walsworth said some providers are complaining about how long it takes to get background checks. Ms. Brochard said that is hopefully an old complaint because LDE instituted their new childcare criminal background check process in March and automated it tremendously. LDE is interfaced with the FBI, Louisiana State Police, Child Abuse and Neglect Registry, Sex Offender Registry in Louisiana and the

National Sex Offender Registry. So whereas it used to take weeks and weeks sometimes to get a criminal background check, now sometimes the turnaround is in 24 hours.

Senator Walsworth asked for an average of how long it takes to get background checks. Ms. Brochard said on average about 10 days overall. It just depends on if someone lived out of state because it takes a little bit longer. Senator Walsworth commented there is a lot of difference between 10 days and 24 hours and would like to know where the 24 hours is. Ms. Brochard said absolutely.

Chairman Stokes asked the LLA how long before this type of audit is repeated to see what progress has been made. Ms. Baker-Hernandez said it varies and the last audit was done in 2007 when it was under DCFS but the auditors could definitely go back after one to two years depending on what processes they have implemented.

Mr. Purpera explained that the law requires the LLA to do a performance audit on each department once every seven years. But his auditors can do some selective audits more often depending on staffing. Chairman Stokes suggested going back in two years since this has only been under LDE's control for a limited amount of time. She expressed concern that so many children get to kindergarten and first grade and are not prepared.

Senator Walsworth asked how things looked in 2007 compared to now. Ms. Baker-Hernandez said childcare was under DCFS at that time. Senator Walsworth suggested the auditors provide the same criteria such as the ratios and statistics for comparison of audit periods.

Ms. Nicole Edmonson, Assistant Legislative Auditor over State Audit Services, said she was the auditor in charge on the audit in 2007. There were some significant problems under DCFS but better now. I know there are still some serious audit findings, but LDE is taking them very seriously and they are already making changes. The percentages that we found of the non-inspections are not that high, although when discussing children anything over zero is too high. She believes the program to be in pretty good shape and moving in the right direction. She offered to send the report of DCFS's oversight of the childcare program from several years ago. Senator Walsworth said he would like to know if the program is really getting better or still staying the same or worse. Ms. Edmonson shared her opinion that it is getting better and continuing to move in the right direction. Chairman Stokes commented that childcare is better under education.

Senator Thompson said he thinks it is very important to know what part of the state is not performing well. Similar to how school systems are graded to see who is doing the best job and following best practices. He thought the auditors would note who is committing those deficiencies and who is involved with those deficiencies and in what area of the state. He asked for the auditors to reply with that information. Ms. Jacobs responded that she would definitely provide it to him.

Ms. Edmonson explained that this audit was to look at the processes and how to improve them. Any providers that are not doing what they are supposed to do or being egregious, she would let him know. Senator Thompson stressed his point that there might be an area that may not have the supervisors there or someone who is working with them, but LDE is involved in that so they should know what areas are lacking and those that are not performing to the level that we expect.

Chairman Stokes expressed appreciation for LLA and LDE's work and said Louisiana needs to prioritize its youngest people to get them ready for school.

**Local Auditees with Unresolved Findings Pursuant to Louisiana Revised Statutes 24:554(B)(2):**

- a) **Town of Roseland**
- b) **Town of Elton**
- c) **Village of North Hodge**

Mr. Purpera referred to the three local entities that are very much in financial stress. This issue is becoming routine because many municipalities and small entities across our state are in tremendous stress. One not on the list but many know about the Town of Clayton's (Clayton) water and financial problems. The Fiscal Review Committee voted about one month ago to put Clayton under fiscal administration but it cannot afford to pay a fiscal administrator. So sometime soon we need to figure that out because there is no way to correct them at this point.

Chairman Stokes asked if there any types of federal funds or matching grants that could be applied for to help small rural towns to pay a fiscal administrator. Mr. Purpera said there are grants for water systems and sewer systems and that sort of thing, but we have not been able to locate anything to fund the financial operations or fund the rebuilding of their government structure. Our state administration has placed Clayton under an emergency situation and is using GOHSEP funds to fund the management of the water system. But the day that those funds are cut off is probably going to be the day they go back into emergency mode. So we have to fix the financial operations in order to have a long term solution.

Chairman Stokes asked if any handouts and Mr. Cryer referred her to 3 Strikes handout in their packets. Senator Walsworth noted because of legislators term limits and future changing membership on the Council, more information would be helpful. He suggested a comparison of the major findings in the previous year(s) and the current findings on a one pager showing if it is better or if the same problems for the last 20 years. That would show if the entity is moving in the right direction or better than before. He asked if that could be added to the Council's reports going forward.

Mr. Purpera offered to provide more information from the LLA's Early Warning System (EWS) were his advisory staff reviews financial data every year and keeps a database with ratio analysis of cash positions, debt positions and whether their revenues are going up or going down. We track all of that and then we grade the municipalities and the ones brought before the Council are the ones topping the results and near disaster. Senator Walsworth said that would be two different things. He preferred for example a comparison of LDE's current findings and DCFS' findings from 10 years ago to give a history of what has been going on. Mr. Purpera said that is certainly something we can do.

Senator Walsworth referred to the previous Council meeting when the mayor of the Village of Epps (Epps) attended. The mayor of Epps had turned that town around and charged more for water rates. The mayor's opponent used that against her in the election and defeated her. Sometimes trying to do the right thing is not necessarily the political thing to do, and disappointed to see that it happened.

Mr. Purpera agreed that it is disappointing and upsetting. He has been on phone calls with other municipalities that are having those same situations. The bottom line is if the municipalities are not going to sufficiently fund their water system, then the residents will end up with their own water wells in their back yards and that will cost them more than the water systems. Senator Walsworth said that was the situation with Epps because the general fund was subsidizing water and sewage. The mayor corrected that and made it as an entity of its own and basically got the general fund back into a positive basis. That is a common problem with some small municipalities.

Chairman Stokes concurred with Senator Walsworth about receiving a one pager with more data rather than just a listing out the problems so they have an outline and some perspective on the entities.

Senator Thompson thanked Mr. Purpera and his office for what was done in his area of the state. Clayton is part of his Senate district and also worked on several like St. Joseph. He wanted to offer more details about federal grants. There is money available but the city would have to match those funds and Clayton does not have the financing to do that. When they raised their water bill from a \$35 to \$55 in really needed to be \$70 but they cannot do that. As seen throughout the delta and predict to see statewide, all of these small towns and communities are having a hard time with water and sewer. He mentioned Tallulah and knew four or five others that are having really difficult times. If you follow the history, they have new mayors. The residents vote in new mayors because they do not have the water or the sewer like they want it, but the new mayors inherit those problems and really do not have the time or the knowledge to correct them in a short period of time. He asked Mr. Purpera to elaborate on the issues and about the cost of a fiscal agent in those parishes is going to be a difficult chore for the next administration down the road.

Mr. Purpera completely agreed and mentioned a report his office issued about a year and a half ago looking at water systems across the state. There are roughly 850 water systems between the governmental ones, the private ones and the nonprofits. And many of those water systems are currently not charging the rate they need to meet their expenses. So that is a problem. The cost of producing the water has to be done with an economy of scale. So a water system that has 300 customers will have a hard breaking even. They need to begin looking for Clayton to combine with neighboring water systems to try and reach some economies of scale. That is not popular because small municipalities want to keep their own water system but it is something we need to be looking at as a state going down the road of combining water systems.

Clayton also has the problem where they borrowed the money to match federal funds, but does not have the ability to repay the funds borrowed. So now the town has to raise the water rates from \$25 to some rate that would actually meet the expenses, pay back the loans, and meet all the current expenses and maintain the system. It is not good enough just to build the system, but also need to maintain the system and that is expensive. But a water bill of \$70 or more gets out of the realm of possibility for many of the people. These are very significant problems.

Senator Thompson said it is going to take some expert advice from people that really know how to put those solutions together. I think that we are going to have to have a group including public works and highway and all those expert people and our Louisiana Rural Water Association (LRWA) who has done a wonderful job to solve some of these problems. But the problems are growing faster than we can correct them. Mr. Purpera said that is correct. Another problem is that the water production system can be repaired but if the lines in the ground have scale or lead then it still will not produce good water when turned on in the kitchen. That is a real problem in a lot of our municipalities.

Senator Thompson said we are going to need a team that takes on this challenge because it is not going to be just isolated towns and communities around this state, but a whole host of them. Mr. Purpera said it seems to be a recurring problem and his office is seeing it all over. Chairman Stokes asked to speak offline further about how to put together a task force that could help in some of these situations. She agreed with Senator Thompson' idea so maybe the three of us could speak about that and whoever else wants to.

Senator Thompson said he has been involved in about three of four major problems and Mr. Purpera has been so active in these negotiations and meetings. He does not want something to just get the entities down the road but to correct those and we really have not corrected any of them totally with the exception of St. Joseph. St. Joseph is better but now dealing with water lines that are 40 and 50 years old and cannot



accommodate new system connections. Schools have had to be closed and one school in a parish that takes care of several thousand kids had to use bottled water again even after we spent \$7M-\$10M on the water system. He said there has to be a task force that gets on this problem now or it will cost us much more down the road.

Chairman Stokes said she liked that idea and wanted to discuss further offline. To speak to that issue with the Village of Epps and the fact that the mayor increased the fees to be able to stay solvent and was voted out is such a sad testimony to where we are in politics in general.

Representative Jordan agreed with Senator Thompson and was going to discuss the economies of scale and other issues. He pointed out that this was a very important issue to our former representative and now judge-elect Marcus Hunter who talked about it for a long time. He asked who is regulating these municipalities as far as from the utilities perspective. Mr. Purpera responded that LDH under the efforts of Dr. Guidry is the expert in these water systems.

Representative Jordan asked if it is more of a management problem or an infrastructure problem or both. Mr. Purpera answered both as seen in Clayton and St. Joseph. What causes an emergency situation for the water system is when people cannot use their water, or wash their clothes, or drink the water. But the problem began many years before with management issues, and when towns are not properly funding the system. For example, in St Joseph, money was spent building a new system, but went 12 years without maintaining the system. So at the end of the 12 years it was not producing clean water anymore. That is a management issue.

Representative Jordan asked if anyone has engaged with the Public Service Commission (PSC) at all in this, at least for their expertise even though it is not regulated by them. Mr. Purpera said he did not know. Representative Jordan said PSC has regulated utilities and water companies for a long time and they have a lot of expertise in that area so just wondering if utilizing all of the resources available.

Mr. Cryer said the LRWA is the group that we work with and also assist a lot of municipalities with setting their rates. LRWA goes into a municipality to look at what is needed. If a municipality receives a million dollar grant today to build a new water system, but their rates are only covering operations, chemicals, and employees, but not putting enough money to cover that million dollar capital expenditure twenty years down the road, that is a problem.

Representative Jordan said he believes the standard that the LRWA is using is not the same as what is used by the PSC and they use a couple of different standards. He asked them to coordinate that or at least verify that we are using the same standards to try to regulate and audit and look at what these companies are doing. Mr. Purpera said we will look at that.

Senator Luneau asked for a little historical perspective on this and if the problem is recent noticeably getting worse. Mr. Purpera responded that when they get to this catastrophe level and have to go in and take over the town in order to rebuild the town that it is worse. He remembers 30 years ago having to put one town under fiscal administration and then maybe again 15 years later another municipality. But over the last five years there have been about seven municipalities. It seems there is some decline in the fiscal condition of our municipalities or maybe we are just paying more attention. Based on the report by his office that showed of 850 water systems many of them not actually earning enough to pay their expenses and put aside money for maintenance. One more compounding problem is in water systems where the system does efficiently support the water production, the municipalities then take the profits out and use them other places in the municipality.

Senator Luneau asked if it seem like these municipalities are getting in trouble because of the water or sewer system or if any common thread seen. Mr. Purpera answered it does always seem to end up being the public services. The towns can reduce the size of their police force and other variations to their expenses, but the ability to provide water and sewer is crucial.

Senator Luneau said commented that some reasons could be mismanagement or fraud, or contributed to by reduction in revenue, tax bases drop off, businesses shut down, and that kind of stuff. He asked if any common thread or see one issue more another.

Mr. Purpera said he agrees that all reasons contribute such as seen in St. Joseph and Clayton - both had a decrease in population. So it is that movement of the people combined with the current administration not adjusting their business model for those declines. Senator Luneau asked if there is a legislative fix or what they need to do to try to correct some of this. Mr. Purpera said that is a great question. He always tells these entities that they do not need fiscal administration if they would do exactly what we are going to do. For example if the mayor and the board can get together - everybody get in a room and agree to do what we recommend. First look at the water rates and put them at a rate that sufficient. We would then look at expenses. If they have a police chief and six officers but cannot afford the cars and the insurance on the cars then they need to reduce it down to maybe just the police chief but still ensure public safety. Those are just a few things he would recommend because the bottom line is if we are charged with the responsibility of correcting the problems, then those are the hard decisions that must be made. Many times the local individuals do not want to make those decisions for the very reason that Representative Stokes just said because those are not popular decisions.

Senator Luneau said that sometimes even having the best processes in place we still cannot anticipate some of these issues or do not have the money to address them upfront. Mr. Purpera added that sometimes it is just infeasible. If the water rates have to be raised to \$100 per household but some households cannot pay that so it just becomes infeasible to actually make it work. That is why he recommends considering statewide the need to look at combining some systems and trying to reach economies of scale. Some municipalities have gone from a town now to a village because of the loss of their residency and probably need to even consider dissolving the municipality. The members of that municipality have to come together and vote on that which is not a popular thing either. He suggested the legislators consider some legislation on how and when to force a municipality to dissolve.

Senator Luneau asked if LRWA has the authority to set the rates where they should be. Mr. Purpera responded that LRWA does the studies and recommends water rates but they do not have any authority to set rates. Senator Luneau asked if this problem is bad enough to consider some statewide rate authority that sets the rates on these municipalities and water districts.

Mr. Purpera said his office and other would love to help Clayton but they need someone who is skilled at making wise decisions and be capable of running a municipality and a water system. However, we are not able to find someone that wants to do all that for free. Senator Luneau said that is a problem because when the municipality gets in that kind of trouble and cannot pay somebody to do that work. He asked if there is a funding source on the state level to help in this situation.

Mr. Purpera said several years ago the legislature passed a bill that put together a fiscal administration revolving loan fund. The idea was to fund it and then use the funds out of that and then when these little towns/municipalities recover, then they would begin to pay it back and, and reseed it. But no money was ever put into the fund and believes it was dissolved in the last legislative session.

Representative Schexnayder asked who has the teeth that can make the municipalities do what they have to do regarding rates and quality of water. Mr. Purpera said that Dr. Guidry's group at LDH handles the water system inspections and issuing of boil orders. Representative Schexnayder shared his experience dealing with water quality issues and during the past six years every time they called DEQ, he was referred to LDH. But neither DEQ nor LDH have any teeth to force the municipalities to do anything. He believes it all falls back to holding somebody accountable especially for the maintenance of the water system to keep good water quality. Mr. Purpera agreed that there needs to be a better solution because he has heard that some residents are considering going back to water wells instead of using water systems which is going backwards.

**a) Town of Roseland**

Mr. Cryer said this is the third Council meeting to bring municipalities that fall under the 3-Strikes law. The LLA is not recommending that the council take any action to cut off any funds. Instead they would like the mayors to return in six months to show any progress toward resolving the findings based on the assistance and recommendations provided by the LLA and their auditors over the past years.

The Town of Roseland (Roseland) has findings that have not been resolved for at least three years. The first finding is inadequate controls over the utility billing system where Roseland is not enforcing its cut off policies, not referring collection accounts, not maintaining documentation over billing adjustments and not reconciling meter deposits that are being paid by customers. Roseland's customer receivables were \$64,000 as of last calendar year, and \$45,000 of that were delinquent accounts. Based on numbers from Roseland in the last two weeks, their delinquency number has grown to about \$59,000 as of September.

Roseland has \$21,000 of outstanding balances in ad valorem/property taxes and has not been conducting tax sales. Because utilities are not being collected Roseland is actually in default on its USDA loan that requires them to cut off customers after 90 days. There were a number of traffic issues that are addressed in last year's report and most of those were fixed by December 31st of last year. The only one that still exists, as of that point, is the requirement to give notice to DPS within 30 days.

The final finding is inadequate segregation of duties which is due to a small staff. It is certainly hard to hire enough people to cover all the different risks that exist with operations. Mr. Cryer recommends having at least two people, whether the mayor or an alderman or the treasurer assists to be sure that more than one set of eyes review the books to keep errors and fraud from happening. Because when only a single person in an office, that is when we see fraud happening over and over again.

Besides the findings repeated for at least three years, Roseland also had findings regarding the failure to conduct property inventory and also late financial reporting. Roseland is not at the point where it is ready to go under financially because the general fund balances are still in a positive position, but the town has continued to lose water on its utility system.

The losses after depreciation was \$22,000 in 2017; \$45,000 in 2016; and \$13,000 in 2015, but they still are maintaining a positive cash flow in. As discussed earlier, the rates have to be high enough to cover depreciation and replacement cost. When the town is not putting extra money aside to replace equipment when it fails in 10 - 20 years down the road, then they are not really covering your full expense. So even though they have positive cash flow to cover current operations, over a period of time the cash flow deteriorates to the point where they have to make a large rate increase to catch up. The LLA is encouraging Roseland to make those rate changes now by a smaller amount and saving money for repairs and

replacement so 10 years down the road they do not have to do a large increase or have a system failure. The town officials have been invited to discuss the findings and what they are doing to resolve those.

Chairman Stokes asked if any specific recommendations on the small incremental increases in rates.

Mr. Cryer said the LLA has been involved with water rates for about two years. Act 444 of 2014 was passed that in certain cases our office actually approves the LRWA study on the back end for very small nonprofit systems that does not have USDA loans or LDH loans. The LRWA conducts the survey looking at usage and the volume of water going through as well as the outstanding debt or what you would need to have for debt to cover replacement cost and they build that into a rate structure. The LRWA sends their survey to the LLA and we verify that the numbers are reasonable.

For example if a town's water system cost a million dollars to replace it and expected to last 40 years they must basically prorate that out. The LRWA recommends a rate and the LLA reviews it and ensures enough cushion to cover the replacement cost and also enough cushion - anywhere from 0% up to about 15% for volume fluctuations in residency. That will cover a period of three or four years before they come back for a new rate increase or a rate change to ensure sufficient capital to cover not just operations but also long term replacement. The LLA reviews only about six or eight nonprofit water systems a year because of the very narrow scope of the law. However the same practice and process applies to municipalities.

LRWA conducts rates studies and might estimate the expected life of equipment to be 20 years and it is currently 15 years old, so only about 5 more years of use. The town will have to replace it for full cost at that point or bond it out. LRWA recommends a rate that includes that calculation. Now whether the municipality or the nonprofit system decides to adopt that rate is a whole different matter, but they have the information available. Every water system in the state or municipality has the ability either through LWRA or other rate setting bodies to go out find out what is needed to cover all these costs, but whether or not they adopt the rate that is recommended is strictly up to those bodies.

Chairman Stokes asked if there is a distinct formula. Mr. Cryer responded there is a very simple formula based on the life of the equipment and also any outstanding debt.

Senator Luneau asked if Roseland provided both water and sewer for their residents. Mr. Cryer answered both -water and sewer. Senator Luneau asked if the delinquent accounts are mostly commercial or residential and Mr. Cryer confirmed a combination of both. Senator Luneau asked if any percentages breakdown because a large business in financial trouble can cause it to escalate quickly, and he noticed a \$14,000 increase. Mr. Cryer said he was not sure but the mayor could respond.

Ms. Wanda McCall, Mayor of Roseland, said that their water collection is improving and most of the delinquent accounts are sewer accounts but there is no way to turn off sewer. The residents were kind of grandfathered in and the town cannot cut off sewer. She is working with a CPA and attorney to see how to solve the matter with the sewer. The town has a 60 day cut off every month for water customers. They bonded the street supervisor so that she can make the water deposits. The assistant clerk collects the payments and the clerk gets the deposit from the street operator and verifies the bank deposits.

Mayor McCall said the town increases water and sewer rates every year by \$5 or \$6. She opens the bank statements every month then their CPA checks them. Roseland received a grant to upgrade the water tower and working on that now. Any adjustments to water bills, she signs it and the mayor pro tem reviews it as well as the delinquent lists. The ticket books are turned in every month by the police department and also sending tickets to the state. Regarding the property tax, they hired someone from the sheriff's office handle

the collections so that has all improved. They are looking for a grant for a computer program to keep track of taxes because they could not afford it. They are improving and will continue to improve.

Chairman Stokes commended the mayor on making corrective moves and trying to get some more segregation of duties, and to get the rates on the water and sewage closer to where they need to be. She requested a spreadsheet that shows what Roseland anticipates collecting by year, and what they expect to lose and spend. That will show if the town will be in a deficit position and where they need to make adjustments so eventually they can accumulate some funds to pay for equipment as it needs to be retired and replaced in the future.

Ms. Sherri Oliver, outside CPA for the Town of Roseland, said she has not done a spreadsheet specifically like that. Roseland's bond requires them to put funds every month into a depreciation and contingency fund. That has been fully funded every month. They also have the bond reserve fund that is fully funded that would pay the bond for one year should the town get in financial difficulty. They made a commitment to raise the water rates each year and they had been doing that for the past two years and the deficits in the water funds have dropped dramatically as of October 31<sup>st</sup> to approximately \$10,000 deficit. They have plans to raise the rates in February of 2019. She could definitely put together a spreadsheet that would show that specific information requested by Chairman Stokes. Roseland also has some contingency funds and if they had a major shut down, they are able to request those funds from USDA to pay for those things.

Chairman Stokes asked about the bond covenant requirement to turn off services for consumers after 90 days delinquency that was not being met. Ms. Oliver provided updated numbers as of October 31 - over 120 day active accounts at \$15,000. \$8,600 of that belongs to people that are sewer only and the town has no way of cutting them off. \$3,500 of that are people under promissory notes, so they are paying to catch up. They are paying their current bill plus an amount to catch up. So their over 120 days of active accounts is only about \$2,800 as of the end of October. Chairman Stokes commended their progress and noted how rural areas have different handling of water and sewage than suburban areas.

Senator Walsworth asked for a percentage of sewer only customers. Ms. Oliver said she did not have the number of accounts but the dollar amount of accounts over 120 days old was \$8,600. Senator Walsworth asked if the \$8,600 was on the sewer only account, and how much for both water and sewage. Ms. Oliver said for the water and sewage together, the \$15,000 is over 120 days old and this is our active accounts. We have a lot of closed accounts. Some of those figures are still left in the system but they've been written off, some really old accounts were written off several years ago, but we have not taken them out of the system because we have no way to track them if we do. The possibility that they would come back in and want water again and we would be able to collect those. \$15,000 is total water and sewer over 120 days old on active accounts.

Senator Walsworth read from the summary sheet that shows customer receivables include delinquent accounts have grown approximately \$59,000 as of September 2018. That's basically about \$14,000 more than it was at the end of the previous year. Ms. Sophia Riley, Town Attorney, said the updated numbers for those accounts are in the low \$40,000 range as of the end of October.

Chairman Stokes asked what tool or method could they use to provoke payment from the sewerage only customers and if they applied any interest or late payment penalties. Ms. Riley responded they charge penalties if not timely payments for water and sewer and for sewer only. Chairman Stokes asked if the penalties are adequate to propel payment. Ms. Riley said we are having the issue of residents with only sewer understanding that there is no real consequence because we cannot disconnect their sewer. Then we have a much bigger problem than just in the community than we would ever want to handle. Prior to this

mayor, residents learned that they can neglect to pay their sewer bill and life goes on. This problem has existed in Roseland for a very long time.

Chairman Stokes said she assumes that that might be a problem in other parts of the state. Mr. Cryer said there are certain laws that deal with sewer cut off, but the issue here was that these have been existed for a number of years. Part of the finding last year addressed the fact that there was no collection effort being made. These are not being turned over to collection agencies. So to say that we have a liquid account that cannot be cut off is one thing, but when you are not trying to take the legal action to collect that account, that's a whole different matter. So these findings have existed for a long time and it is the same issues that have been coming up over and over again.

Chairman Stokes asked if other towns, villages, etc. are utilizing the collection method more and thereby getting more payments. Mr. Cryer said that is correct and the ones that are not using collections are being brought to this committee and have a lot of findings and financial problems. The ones that are actively pursuing collections are not the ones with those recurring issues. The \$59,000 delinquent accounts were the ones that were greater than 30 days as of the end of September. Chairman Stokes said it sounded like the \$59,000 was down to \$42,000.

Mr. Cryer said the issue is that the auditors report the same findings. When there is no corrective action we have to step in. To see that kind of collection rate in a one month period when it could have been collected three years ago or four years ago, it brings to light the fact that things are not progressing where they should.

Chairman Stokes reiterated the hope to see Roseland succeed. As just discussed about Epps, it is hard in government but if the Roseland would step up their collection attempts they will move forward. Ms. Riley said we hope so.

Senator Walsworth asked where the people are getting water if not from the town. Ms. Riley said there are some people with their own backyard wells. Senator Walsworth asked if the town could legally tell the residents that they have to get water and sewage. Ms. Riley said it is possible and have discussed how to handle the people who have for years had their own well and the best way to handle that for the ones who are sewer only.

Chairman Stokes asked if some are thumbing their nose at the town. She asked what the law says about turning off sewerage. Ms. Riley said she does not believe it is the law but their policy. It's a very closely placed town and not spread out. We are a small town and very compact so it wouldn't have the same result as a place where you maybe had people living on farms and things were not so close together like they are in Roseland. So that's our concern. We may cut off your sewer, but your neighbor next door is paying their bills just fine. And how would they be impacted by that? So there is a balance that we're trying to reach and we've been having some talks about what it's going to take to have people know that everybody has to pay if you have the service, which is our concern because there's maintenance, there are costs associated with those customers who are sewer only as well.

Senator Walsworth asked how many sewer only customers. Mayor McCall said the sewer only customers were grandfathered in. But since I've been an office, we don't allow that to happen anymore. Ms. Riley said we are not approving any more wells. Senator Walsworth said that's a pretty good idea and it seems to be going in a better direction. The auditor said you need to at least after 120 days, put them into some type of collections or something. He asked if any other kind of hammers that you can use to get them to pay.

Mayor McCall said their computer system is the issue. They called Louisiana Municipal Association (LMA) about the delinquent papers but we need that system. Senator Walsworth asked if their population is 1162. Mayor McCall said that's right. Senator Walsworth thanked them for coming and appreciates their trying but need to figure out a hammer they can use. Ms. Riley said we'll keep moving forward.

Senator Thompson said it's been brought to my attention that Roseland has a large water leakage and losing 75% of your water. Mayor McCall said we had a leak during the flood and one of our contractors came in and put a bandage on it until we can get a grant so they can go up there cut out that section and then put a sleeve in it because it's in a ditch where the water, when it flooded and we've been having many flood comes and hit that line, keep that line broke. But it has a bandage on it and we are waiting for a grant.

Senator Thompson said I know you got a lot of problems and we want to help you solve those. Have you contacted the LRWA to analyze your system and discussed with you about solutions for that system. Mayor McCall said yes, we had a board that came in about six months ago and we took them through the town and showed them our problems and they supposed to get together and then come back with a meeting with Roseland and try to solve that problem. We met first in April or May but have not met again.

Senator Thompson suggested the mayor get on that immediately because it does not cost the city any money for LRWA to analyze their water system. We had similar problems in St. Joseph, but without the LRWA he was not sure how much money would have been wasted and much of it was wasted prior to bringing them in. So do not let a day pass without asking LRWA to provide good professional advice on what to do. But if you are losing that much water, you are losing money each day.

Mayor McCall said she believes someone was in the town and did a smoke test by putting a mechanical thing that down their water lines. But they are having the water tower upgraded. Senator Thompson commented that it is a long time from April till November and an essential step is to have the professionals with LRWA review your water system. He recommended the mayor do that immediately report back to the auditor or this committee about their recommendations.

Senator Peacock asked of the \$21,000 in uncollected ad valorem taxes, how many of those are also delinquent on their water bills and if they considered putting the delinquent utility bill on the homeowner's ad valorem tax bill payable to the city. Mayor McCall said I think most of them that pay taxes inside the city limits are homestead. Senator Peacock said that cities do not have homestead. Mayor McCall said I mean that the ones living in the houses are renting. Senator Peacock said if you put the delinquent bill on the property tax, the person who owns the properties will have to pay. For example, if a city enforces grass cutting or something they cannot collect, cities can put it on the tax bill. By ordinance the first payment will go towards the utility payment and then the ad valorem. He suggested putting the delinquent utility bill on the ad valorem tax bill.

Ms. Riley said that is an excellent idea and could pass an ordinance to that effect hopefully in the next two months. Senator Peacock said that tax notices should be going out now because DeSoto Parish sent theirs out earlier. But if they could act quickly and add that delinquent water utility bills payable to the city on the same bill that would catch the property owner's attention. Ms. Riley said that's a great recommendation and would follow through on that.

Chairman Stokes said that is a really good idea and would recommend doing that. As a CPA, she recommended working through a longer term vision with a spreadsheet. To look by year the number of accounts that you are going to have projected and the new rates that you are going to have projected, and try to see when the deficits turn to non-deficits and when you will start accumulating surplus. Now I know that

you do have some of the bond covenant required surpluses set aside and not sure if those alone will get you to solvency. But what I think would be really promising is if in the next three months or so, maybe before the regular session starts, for the mayor to provide an update that would show a long term plan has been made. I would love to see that numerically in a spreadsheet showing how things are going to turn around because it will show if you need more to make sure that you can get solvent in a goal oriented sort of way and then make that come to fruition.

Chairman Stokes suggested also a second page with just some bullet points about maybe how they adopted Senator Peacock's suggestion and the results. The Council wants all of our towns to flourish and we want our people to have good water and that comes from a healthy financial system. She asked them to return in a few months with the requested information and see their progress. It is a tough environment to try to do some of these things but looking forward to their update.

**b) Town of Elton**

Mr. Cryer stated the repeat findings from last year's report on the Town of Elton (Elton). The first one is failure to enforce cutoff policy allowing non-paying customers, including town employees and elected officials to continue to receive utility services after the cutoff should have been made. 151 out of 540 utility accounts still had passed due balances totaling \$12,000 at the end of September. And the reason we consider this one to be egregious is not just a fact that the utility accounts are not being cut off, but the fact that we have town employees and elected officials that are part of that population that are not being cutoff. We also have failure to enforce occupational license requirements, not enforcing the deadline for filing and payment of business occupational licenses. As of the end of October last month, there was still about \$2,500 was still owed by businesses that had not been collected.

Elton has inadequate segregation of duties because of their small staff. In addition to that, Elton also had a significant current year finding, not a 3-Strike finding, dealing with penalties and interest incurred for late payment of federal payroll taxes. Elton's financial position right now is they do not have any outstanding debt and has a positive available fund balance. The utility system is continuing to lose money. Their operating losses after depreciation were \$93,000 in 2017; \$126,000 in 2016; and \$135,000 in 2015. Elton has a negative cash flow of \$24,000 for this past year. So in addition to each of the findings, we have concerns here about long term stability and trying to get those rates up enough to at least break even from a cash flow standpoint and then contribute even more to try to make those systems sustainable long term.

Mr. Roger Laughlin, Mayor of Elton, said when he took office in 2015 almost every employee was delinquent and they knew things were going to change. The main finding he learned about a few before was an ordinance that actually stated that by the 10th of the month the billing had to be paid and after that a late charge was assessed, then on the 20th of the month there would be a cutoff. Another policy was followed for 12 years that cut offs were made on the second month, and he was unaware of the ordinance. So that meant people were constantly delinquent as per the ordinance.

When he went into office there was \$69,000 of delinquent water bills. So he began calling every individual one and meeting face-to-face with them. He knew some of them and most are on limited income, so he negotiated payments plans where they paid the current bill and extra on the past due. His own daughter was on that cutoff list. He knew that pretty soon many would receive unearned income tax refunds and some receive \$8,000, or \$9,000. One individual had a \$4,200 water bill and still had water. The resident said she needed the unearned income for TVs and stuff. I said, no ma'am, you don't, not this year - you need it for water bills. There was probably around 20 of them like that so I collected a huge amount. The first year I



think I collected \$24,000, then it went up to \$40,000 of the old bills, then I brought them all into current. So as of today, of those \$69,000 water bills, they only owe \$5,000.

He got with the auditor to show him the ordinance that caused findings. As of last Monday night, we renewed the ordinance so now on the remaining people we will start, just like the ordinance stated. I was ignorant of that fact and no one to blame but me being the mayor. But as of right now we have only \$5,000 owed. Everybody is current and only \$559 in delinquency bills.

Chairman Stokes said congratulations, good job. She asked what caused the amounts to be so vast with some \$1,500 - \$2,200 water bills and they still had water. She questioned if they were farmers or for irrigation or leaks. Mayor Laughlin said no, they were citizens. When I first took office there were 30 leaks and fixed them all within 30 days. I said the first thing we got to do is stop the leaks because we are paying for too much water. We do not own anything. Our water and sewer systems are good. You just have to be hard and they get it back at you and get some slurs in the street. But this is what I did. I stood firm on it. It worked for me. This is business. If he has to pay, then you have to pay. If the poor man has to pay then the rich man has to pay.

Mr. Cryer said that sounds like a very positive direction. Outside of the findings, one of the things that we will continue to recommend, just like our earlier discussion, because of those big losses and the utility fund, those rates are going to have to come up at some point to try to offset the losses and the cash flow.

Mayor Laughlin said we have a price increase in December. We buy our water from East Allen Parish and then we just go up accordingly. But I think that in the past when the water did go up, I think that what they choose to go up to was too lean. You have to understand if they go up a dollar you cannot go up a dollar. You have to do more because you got more in the process things that break down has to be repaired and look ahead to the future. When you look around and you search the whole area, then I am finding out that my water bills are the cheapest in the area.

Chairman Stokes said a good idea is to do that long term plan and a spreadsheet that shows by year what the rate is going to be and then how the expenses and the depreciation and how everything is settled against that to make sure that you get into a positive cash flow situation. Exactly what you said, you have a rate increase coming up in December, but you must have a long term plan to get positive cash flow and positive profit.

Mayor Laughlin said I think that we are definitely in the right direction. I believe the \$5,000 that is from over a period of 10 years will be collected before March with the unearned income tax. Chairman Stokes said I commend you on that because it is hard work and when you are an elected official it is harder work then when you are running a company. She asked about the occupational license findings. Mayor Laughlin said we do not have a lot of businesses in Elton. For the business delinquent with their occupational license, I conferred with the police juror in Jeff Davis parish and they said at this present time, there are a lot of taxes owed from this individual and to leave it alone and as soon as they collect these taxes. Well we pay our taxes to the parish and they disperse it back to us. So he said once we know more, we can let you know, this is what I was told. I was also told that as soon as the individual comes onto the property they are calling me. I think he owes Elton roughly seven occupational licenses and he owes the parish license fees too. Well sometimes when you weren't supposed to win an election, they don't tell you everything. But now it becoming very fluent and everything is going pretty well.

Chairman Stokes asked if the occupational licenses are going to be the same in Elton as it is in the parish. Mayor Laughlin said we are going to set it up at the next meeting. I told them to bring it up at the next meeting because if your occupational is not paid by April 1, then you will not be allowed to operate.

Chairman Stokes said when we get back together in a few months we could also just check on your progressed. She asked who works in accounting to address the segregation of duties. Mayor Laughlin answered that he has a lady named Ms. Theresa Fontenot and another lady that collects the bill and needs an extra person. Chairman Stokes asked if he has the finances to get another person. Mayor Laughlin responded I do and the town owes nothing and has over \$3M balance in our accounts. We have 1,293 people in Elton and have a Subway that is interested in coming to Elton now and things are beginning to pick up a little bit.

Chairman Stokes said we need to get back together and talk about the long term plan so that we know that you have a pathway that can numerically show a turn around. She also requested an update on the occupational licensing issue and the new employee.

Mr. Cryer said his staff will work with the town more. Questions came up in the last couple of days on some inner fund borrowing between the general fund and utility funds and looking into that further. Mayor Laughlin said their town auditor is talking to people about that but everything is doing well in the town. He is up for reelection in December.

Chairman Stokes said it sounds like you are working hard. Mayor Laughlin said we try to be there day and night and I'm right there for every project that goes on in Elton. We try to keep that water utility where it can function and making a lot of progress. I'm happy that the people of Elton did work with me on collecting these water bills.

Chairman Stokes said I wish you the best of luck in your election. It's such a fine balance and must respect our finances and have good boundaries with money to keep things solvent and keep things running as well as let people know that they're cared about through all of it. Mayor Laughlin said the best thing I could say to every municipality is just do not let it get to that point. If you follow what the auditor stated you will have no problems. I learned when I was told that if we let people get by with their water bill that we would be lending town money to this individual and we do not have the right to do that. That scared me enough. Chairman Stokes thanked him for attending and looking forward to his update.

#### **d) Village of North Hodge**

Mr. Cryer shared about the Village of North Hodge (North Hodge). LLA investigations did an audit in North Hodge in 2015 regarding a purchasing travel and someone was arrested as a result of that investigation. A year later an investigator and local government advisor went back to North Hodge based on the number of allegations coming in from alderman, town officials, and citizens. There was nothing we found at that point that was criminal but there were a lot of problems that were identified during that work and turned over to the local auditor to include in their audit. The findings in fiscal year ending 9/30/16 and 9/30/17 reports include untimely payroll tax payments.

A payment plan has been worked out with for the federal taxes owed including \$45,000 in federal penalties and interest. An additional \$19,000 is owed for state taxes, penalties and interest. As of last month no payment plan has been made with the state so the mayor can provide an update. The customer meter deposits are not sufficient to meet the deposit liability as approximately half of the deposit fund is gone. The other findings included noncompliance with revenue bond covenant agreements, so the reserve fund for the bonds are underfunded at this point by \$7,600 and that amount had grown to \$8,600 as of the end of September. Other findings include failure to submit traffic citations to the Office of Motor Vehicles (OMV);

insufficient segregation of duties; failure to enact record and publish ordinances as required by statute; and noncompliance with Local Government Budget Act by not enacting a budget in a timely manner.

In addition to the 3-Strikes findings, North Hodge also had a current year finding related to the operating deficit in the water and sewer fund and noncompliance to the code of ethics regarding employee training. North Hodge from a financial standpoint is precarious at this point. A general fund balance was only \$22,000 as of September 2017. They have less than \$1,000 cash in the general fund, and less than \$1,000 cash in the utility fund. On top of that, they have losses in the utility funds. The current year budget shows a flat budget for government funds and a deficit for utility operations on top of all the outstanding payables from those past due taxes. Mr. Cryer expressed concern about North Hodge's long term viability, not just from the utility systems but just general operations as well on top of trying to resolve the outstanding findings.

Mayor Kathy Robertson, Mayor of North Hodge, said some of these findings were inherited from the last administration including never paying anything on the revenue bond. The meter account was in deficit whenever she went into office and has been trying to put money back in there and into the revenue bond. The utilities fund does not support itself. The water rates have not been raised in probably 20 years. The police department does not support itself. She said they have problems with money but paying their bills. The town has a payment plan for the payroll taxes with workforce commission. She said they are not behind with the Louisiana state taxes and doing the best they can.

Chairman Stokes asked if the \$19,000 has been paid to be current with the State of Louisiana. Mayor Robertson answered that North Hodge is current with the state of Louisiana on the payroll taxes. The OMV reported that the town had only sent seven tickets but does not agree and has paperwork to back it up. The town has a problem with their probation program but working with their attorney about it. About the segregation of duties, the town is small and she and the other staff are basically only part time working only 28 hours a week. Another part time employee help the clerk with segregation of duties but cannot afford to pay fulltime people.

Mayor Robertson said regarding the publishing of the ordinances, there seemed to be in one ordinance that got passed us in May that was not published, but every other ordinance has been published since it was a funding. For the finding that the budget not being adopted in a timely manner by the board, we have two board members that just refuse to work with the village. They refuse to do anything for the village. They have since been voted out so a new board is coming on. It will be a more peaceful board and hopefully get more things done and be able to raise the water rates. We have been in contact with Mr. Ken Terry from the LRWA. He is going to do a water rate study and tell the town how much the rates need to be. She said they are not perfect, but headed in the right direction for a small town of about 300 people.

Chairman Stokes commented that most of their problems could be addressed with a checklist of what has to happen on a monthly basis and also on an annual basis and have it signed off when done. Mayor Robertson said it is better now because they did not have a checklist before. Steven Kramer from the LLA actually helped us with that. So we do have a checklist now and at the end of every month we go over it to make sure that everything that's on that list has been taken care of and done for that month and it's always checked off. I initial it at the end. So we are doing better there.

Chairman Stokes said it just sounds like all of these things are just mostly forgetting to follow up. But those kinds of things need to be mitigated for sure. The other thing and I just sound like a broken record, but if you could work together with whatever help that you can get from LLA or anybody to come up with a long term plan and show that this is our financial status right now. Do a profit and loss and then show how the

next year that the changes in what you're going to charge and if you are going to increase your profit or at least decrease from loss and how that's going to stack up over time to get the financial status of the village turned around.

Senator Luneau said I certainly can understand and appreciate the position you're in coming in inheriting these problems and I'm sure you're working diligently to turn it around, but I got a few questions. On the payroll tax payment are you paid up to date or still on a payment plan with the state of Louisiana? Mayor Robertson said we are paid up to date with state of Louisiana. North Hodge is current on a payment plan with the federal government for past due as well as paying our current.

Senator Luneau asked if the first issue on your meter deposits has been taken care of where y'all didn't have sufficient accounting for paying deposits back. Ms. Deanna Carter said I'm practically the acting clerk but never voted in. Senator Luneau said I'm just wondering if you all have your accounting process taken care of that so you can accurately track what you take in for deposits, what you refund for the positive. Ms. Carter said we have been working on that and now we have a system to where we know what's going in exactly and what is left. Senator Luneau asked if that account still show and by how much. Ms. Carter said about \$5,000 short in the meter deposit. Senator Luneau said I see on the report \$5,552 at the time of this report. Do you all have some kind of plan where you're putting a certain amount of money every month or quarter or whatever in that? Mayor Robertson said we try to put us a certain amount in there a month like \$25 a month or \$25 every time we'd have an extra, just put it in there to help get it back up to where it's supposed to be.

Senator Luneau asked about their budgeting issues and if in check now. Mayor Robertson said we outsourced our budget and Ken Folden does our budget for us now. Senator Luneau asked for their fiscal year. Ms. Carter said we're from October 1st until September 30th. Senator Luneau asked if they submitted their budget for this current fiscal year. Mayor Robertson said yes.

Senator Luneau commended them on making some strides. What I would suggest you do is that you get some things in place, like you're going to put x number of dollars per month into this account where you catch meter deposits up and you have a checklist now for your firm when you have to publish your ordinances and those things. Because if you come back and show us this the progress, that carries a lot of weight with me and I think a lot of other members of this committee, so I would encourage you to do that.

Mr. Cryer said his staff just clarified the amount owed to the state is for the Louisiana Workforce Commission (LWC). Mayor Robertson said it was \$19,000 and got it paid down from to \$12,000. Senator Luneau said so you paid your payroll taxes down and you're paying down on this other one, is that correct? Are you paying a certain amount on a monthly basis or something like that? Mayor Robertson said we pay \$650 for the payroll tax and we pay \$645 for the workforce commission.

Chairman Stokes asked for the citizens who submitted witness cards to come forward to give public comment. Mr. Tony Duffey, Alderman from the Village of North Hodge, said we have not had our minutes approved in three and a half years. And the mayor gave herself a raise without it coming before the board of \$150 a month. And when we found out that the IRS was suing North Hodge, I was in a store when saw the newspaper showing that we are being sued by the IRS. They never tell us anything. It don't matter since I've been voted out, but I have been honest with them and it's hard to do anything if you don't know what's going on. Chairman Stokes asked if they were reelected. Mr. Duffey said we are both in until January 1st.

Mr. J.W. Tumlin, Jr., Alderman, said our police chief that passed away about a year ago. He used to go in when the tickets were come to court and said you can't collect money when you're only getting \$5-\$10 a

month payment plans. He used to tell me and our interim place chief has told me that since we've been in office, they had wrote about \$219,000 worth of tickets since 2005. Where's the money? Where's the tickets?

Chairman Stokes asked if the aldermen see financial statements. Mr. Duffey said well we get one at the meeting but cannot see nothing else. Chairman Stokes asked if the villages' financial statements include the police. Mr. Tumlin said it includes the money that they took in. Chairman Stokes asked if they are unable to see this on the financial statement.

Mr. Tumlin said the mayor's son does the minutes and we have not been approved him to do the minutes and she's got her own attorney that the town has not approved the attorney that she uses. Mr. Duffy said we did not accept her resignation and we still owe her about \$2,000. Chairman Stokes said so the mayor has her own attorney, but that's paid for by the village. Mr. Duffy said he has not been a board approved attorney. Mr. Tumlin said the other attorney's resignation has not approved.

Chairman Stokes asked if anything else. Mr. Duffy said he asked for the financial statements on Silverado Bingo. She ain't got back to me yet in two months. I talked to the lady at Silverado Bingo who said we are only getting like, I think it was two percent, two and a half percent. She said y'all ought to be paying five percent. Since then I don't know what went on, but she's not there no more. I was going to try to see getting our taxes raised back up there so we can, we started out to be 10 percent. Somehow they couldn't afford it and they wanted us to give more hours to be open and more days where they could be open. So we did that if we could get two percent. Well we haven't done that in about three years probably. We haven't done anything to raise the taxes. And the manager that was there said y'all ought to be paying five percent. That's why I asked for stuff down there so I could see about that to see if we couldn't get the taxes raised up to get some more revenue coming in.

Mr. Tumlin said we tried to get Deanna off our checking account. She was moved away but they claim she still was employed. She paid her mileage to drive up from New Orleans or Baton Rouge somewhere just to sign a bunch of checks for the town without her being there. Chairman Stokes asked if Ms. Carter's employment was approved. Mr. Tumlin said yeah, I mean she's worked in there but she was living in Baton Rouge or New Orleans somewhere and she would drive up there and pay her mileage just to sign a bunch of blank checks.

Senator Luneau asked if anybody discussed these issues with the legislative auditor or brought it to their attention. Mr. Duffy said I haven't talked to anybody. Mr. Tumlin said we called everybody about this. Mr. Duffy said I've talked to Steven Kraemer about this stuff. Senator Luneau asked if the LLA spoke with them about this. Mr. Cryer said yes, Steven Kramer is one of my staff. We have been involved with North Hodge continuously since 2016. So the issues that have been brought up have either been reviewed by us or in the past, had been reviewed by our investigators. A number of these things are civil issues. We felt others were trying to look at the ones that we can actually prove that actually have a real impact financially or otherwise. I know in past years we've had discussions with the DA's office back in 2016. So there are a number of issues. There is a lot of friction between council members and the mayor, but the things that we can pin down to say this is actually something that can be fixed, that's incorrect, that's illegal, that's having a financial impact - those are things that we've been addressing with the auditor's, providing information to them for the reporting or sharing with our investigators.

Senator Luneau said let me ask you a couple of direct questions on this. Gentleman, what I'm getting at is exactly what he's talking about. We are here discussing audit findings today and whether they are in compliance with law and the procedures that are set forth. So on approval of the minutes and issues like that does the auditors look at that? Mr. Cryer said yes in fact, anything that we don't look at ourselves we

sent all those allegations to the CPA to follow up on. If those minutes were not being approved that should have been included in the last audit and the one before that. Senator Luneau asked if there were there any findings on that or about the issue with the mayor's raise. Mr. Cryer said it was not something we looked at as part of our investigation, but any allegations went to the auditor for the last year.

Senator Luneau said I can tell you every municipality throughout the state has issues with tickets. I think that every single one of them coming here. He asked if it's a charitable bingo hall in the village. Mr. Duffy answered yes. Senator Luneau asked if they have an ordinance for two or five percent. Mayor Robertson responded that it is for 2 ½%. Mr. Tumlin said but it was to be voted on every year and it has not been brought back up. Senator Luneau asked if they already increased to 5%. Mr. Duffy said the girl that I talked to down there that was running the place said it should be 5%. Senator Luneau said I can tell you this, most of the state is a little closer to the two and a half percent than the five, but I understand that you want as much revenue. Some of them were paying 20 percent and they're out of business now. It's one of those balancing acts. You try to get what you can get out of it and keep them profitable to.

Mr. Cryer said there was not an audit finding regarding the approval of minutes. Senator Luneau asked if there was an audit finding on the tickets the way that tickets were being processed and that kind of stuff other than what you put in their about their reporting. Mr. Cryer said correct.

Mayor Robertson said her raise was for \$150 and the board approved that raise along with them approving a \$25 a month raise for themselves too. So it was approved by the board. I didn't give myself a raise. I cannot give myself a raise. It is in the budget.

Chairman Stokes asked about the minutes being required to be approved and not being approved. Mayor Robertson said I have two audio recorders on the table. Those two have each an audio recording on the table and they say that what goes in the paper is not what's on the recording. I told them if you have a complaint, bring it into us and we'll look it over. We each have an audio recording that says the same thing. The two alderman have beat on the table and said that what we say we want it to be put in the minutes so it gets put in the minutes and then when it gets put in the minutes that embarrasses them and then they don't want it in the minutes anymore. It's true that these two and I - there is a lot of friction. It has been for three and a half years.

Chairman Stokes asked about the IRS back payments and if that was discussed with the board. Mayor Robertson said we did discuss it with the board. I let them know how much we were behind. I think his name is Jason Leonard came from the IRS and talked with me about it. The board does not contact me about very many things. This bingo hall thing, it said nothing in the ordinance about it being renewed every year. It started out they were going to pay the village \$10,000 a year and then the recession hit and then they couldn't pay it. So then the previous administration approved them to pay one percent. When we came in, we tried to get five percent, but they settled on two and a half. We settled on two and a half, but there's nothing in the ordinance that says that for us to go back each year to get more money from them.

Chairman Stokes asked Ms. Carter about the travel reimbursements. Ms. Carter said I had been working with North Hodge since January 28, 2016. I have been employed and I'm still employed with North Hodge. Now they were completely right on me traveling and it wasn't to New Orleans, it was to Norco because my father in law ended up with colon cancer and he was in really bad shape and my husband, soon to be ex, moved down there to get a job and to help. He had asked me, is there a way that I know that you're working but can you come down and help as much as you can and as it being family and we have a house in North Hodge.

Ms. Carter explained she would travel at stay about a week or a few days or something and then travel all the way back up and help them out in North Hodge. I was going to put in my resignation because we had hired another girl to take my spot. But the mayor's asked if I could do this because the girl didn't really know anything and I didn't have enough time to train her on what I knew, which wasn't as much as because the prior acting clerk didn't really train me either. So I traveled a lot back and forth. I was still employed. I still came up there, I helped them with everything. And then I'd spend a few days down here with my husband helping him with his dad. It was a family thing and it put a lot of stress on me, but I managed it and whenever my father in law went into remission and beat the colon cancer, I moved permanently back to North Hodge. I told the mayor I'm back for good and there is no more traveling and she said great, come back.

Chairman Stokes asked if the travel was reimbursed by the town. Mr. Carter said they paid me for my hourly rate for working whenever I would go up there because of the fact that I was on the checking account. I still am on the checking account. There are two thirds of the aldermen who did not like the fact that I was still on the checking account and then I was still able to write, although one of them did tell the mayor and I did hear it along with a couple of other people that he was not going to sign for the checks because we did put both of them own the checking account, but they refused and said that they weren't going to sign any checks for the village.

Ms. Carter said the mayor kept me on the account so whenever I drove and time to pay bills, I made sure I was there to sign a whole bunch of bills and get them paid because I might not be back in time to do it the next go around. Chairman Stokes asked if the village paid for the time that you traveled back. Ms. Carter said the village paid for my hours while I was there for one time.

Mayor Robertson said we did pay mileage for her for one time because the attorney did say that I could do that. And so we did pay for her mileage, but we also paid her for hourly when she came. Chairman Stokes asked if they paid for her travel time. Ms. Carter said they didn't pay for the travel time, they just paid for the mileage. And even then it wasn't the complete mileage because I didn't want to take the money from the village because I knew the financial state that the village was in. The attorney had told the mayor you need to pay her. So I was like, just pay me for this little bit of mileage and if we have to get paid like that and after that there wasn't no more.

Chairman Stokes said I would just from business practice, but I would look at the legislative audit, if the travel was because of a personal family issue, would there be an ability to get mileage to commute to work. Mr. Cryer said based on the facts that were just described that wouldn't be a reimbursable activity, but I don't know the whole story. Ms. Carter said that was what we were talking about. But when we spoke with the lawyer, that's what the lawyer had told the mayor to do and we only did it that one time. I didn't like that, just like she didn't. We were just doing what the lawyer said and we only did it once. I wouldn't take anything else like that. Now I did take the pay for whenever I did get there and work.

Mayor Robertson said the lawyer that they're talking about, she did give her resignation but two thirds of the board did not accept the resignation, but she didn't do any more work for the village after that. So we were in contact with LLA and they said that if she didn't do any work for the village, then we didn't have to pay her. We do have another lawyer in Jonesboro and his name is Doug Stokes. He has helped us just with different things that we need. He's not a regular full time attorney to us for our town.

Chairman Stokes said I'm concerned that there was one time a reimbursement of mileage because I think that probably wasn't appropriate. Other than that, I don't care if you go down to New Orleans or I don't care if you go to some other state as long as you come back and do the hours. The mileage is a little bit of a

thing. As far as not accepting the resignation of an attorney, I mean if the attorney refuses to continue to work, is that the situation because I'm a little confused by that.

Ms. Carter said the attorney put in her resignation with the board during a village meeting and they refused to accept it and they still refuse to accept it. It's also why they will not hire or approve another attorney for the village. Mr. Cryer said the attorney said I'm no longer working at the town attorney and quit. The board refused to accept the resignation, but it doesn't change the fact that the attorney is no longer working there and should not be paid for services not rendered.

Senator Peacock said asked if it is charitable bingo and taxing it. Mayor Robertson said they came in before I came in so it was already in place. They were going to pay the village \$10,000 a month to let them be there. Senator Peacock asked if the bingo hall is in the village's facility. Mayor Robertson said no they have a facility on of their own. Senator Peacock asked if it is a church bingo or what charity is it for. Mayor Robertson said I'm not sure, I think there may be different charities in there. Senator Peacock said I'm just curious when I hear that y'all are actually assessing a tax on charitable bingo.

Mayor Robertson said when the recession hit they could not pay the village \$10,000. Apparently the village never got the first \$10,000 and could only pay one percent. When we came in in 2015, we took it back to them and ask them for five percent we settled on two and a half percent. Senator Peacock asked if legal to be taxing charitable bingo? Mr. Cryer said I do not know the details on that either and not sure if a license fee or of a tax, or how it is being phrased, but someone can certainly look at that but not aware of any issues.

Senator Peacock asked if that is legal and that is something he would like looked into. Mr. Cryer said Department of Revenue (LDR) monitors all charitable gaming and each parish as the ability to have charitable gaming in certain locations, but whether that's a tax or a fee, I don't know the details of that. Senator Peacock said it'd be interesting to know that the parish has voted for the expansion of bingo.

Senator Luneau said having formerly been the owner of a hall that got rented out for charitable bingo, I know something about it. Charitable bingo is allowed under parish ordinances or municipality ordinances. It is controlled by the Department of Revenue through the Office of Charitable Gaming and the municipality where it's located can pass an ordinance and assess a tax on them that they have to pay. They're different all over the state. Some of them started out as high as 20 percent and almost all of those went under because they couldn't afford the tax. I think probably 2 ½% - 5% in that neighborhood is kind of the norm but a lot of it depends on their location. Bigger cities, they make more money and then pay more in taxes. But I don't think there's an issue with that as long as there's an ordinance in place saying what they're supposed to collect and they're actually collecting that. Mayor Robertson said there is an ordinance.

Senator Luneau commented that they cannot refuse to accept the resignation of your attorney. That is not even a necessary vote. I know some people think, well, I'm just not going to accept the resignation. Well, that's not how it works. Lawyers are just no different from anybody else. They can quit and there's nothing you can do about it. So it doesn't matter if the council voted not to accept the resignation - that has no legal effect. The only thing it means is that you no longer have a lawyer.

Chairman Stokes asked if any further public comments. Mr. Tumlin said I did tell the mayor that I would not sign any more checks until she paid our lawyer and took Deanna off our checking account because she wasn't there, but the main thing it on her a raise she got \$100 raise and we got \$25. It moved her from \$650 to \$750 and then she gave herself another \$50 raise up to \$900. You can check the bank accounts and everything and it's true. Mayor Robertson said I was starting off with \$750 a month. That's what the mayor



in the village of North Hodge makes. I only have one raise. It was \$150. It was only given at one time. The time that they get their \$25 raise, I have not gotten another raise.

Senator Luneau said he has actually more of a comment. We do appreciate you coming today. Both of you gentlemen and letting us know your concerns. The legislative auditor's office is here and they can look at that stuff. There are records that are going to document what's what. We do take everybody's concerns and questions to heart. We take them seriously. So we appreciate the opportunity to do that. Likewise, mayor, we appreciate you ladies being here too and telling us. So the legislative auditor will look at these issues, they are not going to be not looked at and we will address them and if there is some kind of corrective action needs to take place, it will be reported back to us and we'll go down that road. So it's a good thing that y'all came here today and expressed your concerns.

Chairman Stokes said in a manner of kind of wrapping this up. For me as the chairman of this council, I want to go back to that idea of let's regroup in a few months. Let's see that spreadsheet that shows how you're going to get yourself back to being solvent and fiscally sound over how long of a period of time. That's something that you guys can assess based on what you think you can increase to get there. Also we kind of brushed upon the concept of the checklist and you had that. If when you come back we could also visit that spreadsheet a little bit. If you could bring it as something that you can print out and share with us so that we can see how you're doing. Also on some of these concerns in however that may be feasible, mostly I think the raises to make sure things were done properly. These raises might've been in a period that isn't covered by the audit that we're talking about.

Mr. Cryer said I think those were before the audit period. We're certainly going to follow up on all that. We have records to show what we've addressed and what the auditor has addressed. There's literally dozens of issues that are come up with North Hodge in the last couple of years. So we have a record of all that, we can bring that to the next committee meeting and share that information.

Chairman Stokes asked if he thought it would be appropriate to follow up on that next month or in four months or what makes most sense for your workflow. Mr. Cryer said it would make more sense to bring it back whenever the mayor returns in a few months for the update.

Chairman Stokes said that way we can make sure that we have the legislative auditor specifically looking at the particular issues that you guys have brought to make sure that everything is good. I know when we have the small town or village sort of scenario, and I know that people and personalities can get difficult. And so we want to follow up. We're not there, so we can't pretend to know what's going on. But that's why we have the legislative auditor. I thank you for your service to the village. I don't know if you're completely in town now or if you're still commuting at all, so you might want to revisit that mileage that was done back then and rectify that situation and open the books back up or whatever to help these guys close up some of those loose ends.

Chairman Stokes said we want you to succeed and so we are willing to help and that means coming back here in a few months and see if you are headed down a path. If you have any questions in the meantime call me or call the legislative auditors' office, but let's get things wrapped up and know that we are headed to a place of financial stability.

Ms. Carter said you were talking about the spreadsheets and everything. She asked for an example or someone to speak with about being able to get that done. Chairman Stokes said Mr. Cryer what we're speaking about is just a profit and loss that shows what changes will be made from year to year. Mr. Cryer said absolutely, that is something we can work into a template because the other municipalities brought in

the last two meetings should use the same spreadsheet which will be useful for consistency with all the updates. Chairman Stokes agreed and expressed appreciation for everyone's time.

**Other Business**

No other business was discussed.

**Adjournment**

Senator Luneau offered the motion to adjourn and with no objection, the meeting adjourned at 1:18 p.m.

*Approved by LAAC on:* \_\_\_\_\_

The video recording of this meeting is available in House Broadcast Archives:  
[http://house.louisiana.gov/H\\_Video/VideoArchivePlayer.aspx?v=house/2018/nov/1115\\_18\\_LegislativeAudit](http://house.louisiana.gov/H_Video/VideoArchivePlayer.aspx?v=house/2018/nov/1115_18_LegislativeAudit)