

LEGISLATIVE AUDIT ADVISORY COUNCIL

Minutes of Meeting October 5, 2018 House Committee Room 1 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 9:48 a.m. Ms. Liz Martin called the roll confirming quorum was present.

Members Present: Representative Julie Stokes, Chairman
Senator Mike Walsworth, Vice Chairman
Senator Danny Martiny
Senator Rick Ward as proxy for Senator Wesley Bishop
Representative Jimmy Harris
Representative Clay Schexnayder

Members Absent: Senator W. Jay Luneau
Senator John Smith
Representative Marcus Hunter
Representative Blake Miguez

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

Approval of Minutes

Senator Walsworth made a motion to approve the minutes for the August 30, 2018, meeting and with no objection, the motion was approved.

Extension Requests

Mr. Bradley Cryer, Director of Local Government Audit Services, clarified that the extension lists' column "Number of Reports Not Submitted Timely in Previous Five Years" does not include the current year's report. He explained the reasons for each extension request on the Nonemergency Extension Request Greater than 90 Days list as per Louisiana Revised Statute 39:72.1.

Chairman Stokes asked for further explanation of why a new board was appointed in June 2018 for the St. Tammany Drainage District No. 2 (District). Mr. Cryer shared his understanding that all the prior board members had a conflict of interest on a land deal that the District was engaged in and could not vote on the land deal to expand the operations of the District. Representative Schexnayder made a motion to approve the four entities' extension requests on the Nonemergency Extension Request Greater than 90 Days list, and with no objection that motion was approved.

Mr. Cryer presented the Emergency Extension Request Greater than 90 Days list which only had the City of New Orleans Sewerage and Water Board (SWBNO). The reasons given for SWBNO's extension request was that the brand new executive director began just over a month ago, as well as numerous emergency proclamations and Tropical Storm Gordon. The auditors expect to be complete by the end of October. Representative Harris made the motion to approve SWBNO's extension request to October 31, and with no objection, that motion was approved.

Mr. Cryer also provided an update on three entities that had not submitted their audit reports and were past their extension date approved at the August 30 meeting. Tipitina's Foundation was about three weeks from completing their audit. The Sabine Parish Police Jury would be done in a matter of days. However, for the Housing Authority of Grambling, the CPA has had a lot of problems getting records to complete the audit. As previously discussed, housing authorities receive their funding direct from the federal government so their funding is not effected by being on the noncompliance list. The LLA has had difficulty with a number of housing authorities complying with the audit law.

Chairman Stokes said the Housing Authority of Grambling should come forth with that information because it does not look favorable on them to be in noncompliance. She asked what the LLA would recommend in this situation since basically no impact for housing authorities when not in compliance. Mr. Cryer explained that HUD (U.S. Department of Housing and Urban Development) in previous years had not taken much action against those housing authorities. However, more recent conversations with HUD's New Orleans office have been more favorable, but not aware of any action by HUD against the Housing Authority of Grambling.

Chairman Stokes asked about HUD's guidelines and rules regarding funding if not audited. Mr. Cryer explained that housing authorities fall under the federal single audit which means in order to continue receiving federal funds, they must submit an audit by a certain date. HUD has granted different exceptions to that and even allowed housing authorities to continue operations, and sometimes send in personnel to help them operate or get their records together. Chairman Stokes asked if the best course of action is to give the Housing Authority of Grambling one more month and see what happens. Mr. Cryer agreed because the CPA is still trying to get the records.

Senator Walsworth asked what other states do in this situation because we might want to duplicate their process to have some teeth. Mr. Purpera commented that Louisiana's audit law over the past five to seven years has been strengthened such as the three strikes penalties and fiscal review process. The issue with housing authorities is that federal funds go direct rather than flow through the state. If the funds were to come through the state, that would give the state more control. He suggested that if the audit has not been submitted by the next Council meeting to bring the executive director to this meeting and possible to a Fiscal Review Committee meeting because it is a Louisiana entity so subject to fiscal review. Senator Walsworth asked him to check with other states process. Mr. Purpera pointed out that in some states the funds go through the state, so if we could work with the federal government to send through the funds through a state department that would help. Chairman Stokes made note to further discuss this issue at the next meeting.

Louisiana Board of Pharmacy (LABP)

- a) **Oversight of the Prescription Monitoring Program – Performance Audit Issued April 11, 2018**
- b) **Regulation of the Practice of Pharmacy – Performance Audit Issued June 20, 2018**

Ms. Emily Dixon, Performance Audit Manager, shared that performance audits of healthcare regulatory boards began a few years before. The experiences on this audit were very different from previous audits presented to the Council. The LABP staff has embraced the process and committed themselves to make improvements throughout the audit process. Other agencies may say those words but it is uncommon for an entity to remain committed to this collaboration during the entire process. LABP was very forthcoming with information responsive to requests and did not become defensive when the auditors pointed out areas

that needed improvement. This collaborative effort makes the job easier and enables the auditors to make more meaningful recommendations to the board that added value to their operations.

Ms. Dixon explained that part of the performance audit process is to contact other states and national organizations to learn best practices for comparison to the audited entity. It is not often that the LLA can say that an entity or board in Louisiana is a forerunner, leading the pack and well respected around the nation. That is exactly what was found for LABP and their oversight of the Prescription Monitoring Program (PMP). Chairman Stokes congratulated LABP for their good reputation.

Performance Auditor Ms. Julie Floyd was the auditor in charge of the two Board of Pharmacy projects and briefly discussed the audit findings. The PMP is a database of prescriptions for controlled substances including opioids. Pharmacists are required by state law to enter information into the database when they fill a prescription and then doctors and others like law enforcement use the database as a tool to combat the overuse of opioids and other drugs of concern. Overall, LABP maintains the PMP as required by law and has implemented many nationally recommended best practices, however a few areas for improvement were identified.

The audit recommends that LABP expands its compliance testing to identify pharmacies that do not report prescriptions to the PMP in accordance with the law. The PMP can be difficult to monitor and based on LLA's research that is a concern in many states. But, because so many groups use the PMP, it is important that it be a complete picture of opioid prescriptions. The LLA has access to Medicaid data and Workers Compensation (WC) data so able to use pharmacy claims from those datasets and identified prescriptions that were not in the PMP – about 5% of WC data and about 3% of Medicaid data.

Ms. Floyd continued to the next recommendation that LABP expand its review of PMP data to proactively identify doctors, pharmacists, and patients with questionable activity such as “doctor shopping”, prescriptions for large quantities of medications, and the use of forged prescriptions. LABP agreed with all recommendations and had begun to implement the recommendations even before the audit was completed.

The second audit was to evaluate LABP's performance as a regulatory agency overseeing the practice of pharmacy in the state. Board's licensing, inspection, and enforcement activities comply with state law and conform to most regulatory best practices. However, the audit also identified a few areas where LABP could strengthen its oversight. LABP completed almost all its inspections in a timely manner, but the auditors recommended that LABP clarify which violations are severe enough to warrant a follow-up inspection. Another recommendation was that LABP more clearly document follow-up inspections as this will allow them to better ensure that follow-ups happen when necessary.

While LABP's enforcement process helps ensure that violations are handled in a consistent manner, they did not always complete investigations in accordance with their informal timeliness goal. Ms. Floyd said the audit recommended LABP establish formal timeframe requirements for the enforcement process as this will help ensure the public is protected from potentially dangerous situations. LABP agreed with all the audit recommendations.

Chairman Stokes pointed out the chart on the bottom of the report highlights sheet regarding the top five prescriptions in Louisiana PMP by generic name for calendar year 2017, where it showed 2,187,230

prescriptions just for hydrocodone/acetaminophen. There are 4.5 million people in Louisiana, so that is an enormous number of prescriptions for opioids. She asked if possible to know how many people that the prescriptions represent. Ms. Floyd said she could easily get that information, and mentioned that a prescription could be for even just two pills. Chairman Stokes said the numbers shown on the chart are terrifying.

Mr. Malcolm Broussard, Executive Director of LABP, and Mr. Joe Fontenot, Assistant Executive Director and the manager of the state PMP, and Mr. Carlos Finalet, General Counsel, were present to answer questions. Mr. Broussard expressed his appreciation for the kind words from the auditor and Chairman Stokes. Chairman Stokes asked if they could tell how many people are represented by the number of prescriptions. Mr. Finalet responded that he could find that information.

Senator Walsworth asked about the state's method of rolling out the marijuana medication not in the traditional prescription and pharmacy method. Mr. Broussard answered that these are special marijuana providers and can only sell marijuana or other retail products but no prescription drugs. Senator Walsworth commented that when a person is walking into that store everyone will know what they are going to get. Mr. Broussard answered most likely yes. Senator Walsworth said he knows that the legislature came up with this idea but would like to know how other states are handling this program. There are a lot of people who are asking if this is how best to handle it because anyone walking into that particular pharmacy will be identified as a marijuana user.

Mr. Broussard explained that during the research and development phase for this project, LABP looked at other states to see those who had adopted medical marijuana programs, how they did that, and most of them use what they call marijuana dispensaries. These are business locations that only sell one thing - marijuana or any of the other retail products associated with that type of product. At the time LABP did this, Louisiana was the only state that required the marijuana to be dispensed by a pharmacist in a pharmacy licensed by LABP. There were other states looking at that model. The question LABP entertained during deliberations with the rule making process was whether or not the marijuana pharmacy should be able to dispense other prescription drugs as well, or only the marijuana products or the other associated retail products. LABP chose for their initial rule to restrict that to marijuana products and no other prescription drug products. That is not legislation. That is rules, so that is something that could be changed if LABP were of a mind to do so.

Senator Walsworth asked why every pharmacist could not process marijuana prescriptions. Mr. Broussard explained that would require legislation because current law requires LABP to develop a special nontransferable pharmacy permit for the dispensing of marijuana. The other practical reason why no other pharmacy would want to do that, despite the legislature's interest in making marijuana available, it remains in Schedule 1 on a federal level. So the mere possession of marijuana would be a violation of federal controlled substance law and every pharmacy that has a federal registration to possession any controlled substance would lose it. So that is the practical reason why marijuana could not be put in a pharmacy that also has other controlled substances and other prescription drugs.

Chairman Stokes commended LABP on working to bring up to the standards outlined in the report. Mr. Broussard said they appreciate the auditor looking at their operations and it was a really good opportunity to review everything. LABP made progress even before the audit was complete and further progress will require hiring additional staff and in the process of doing that now. Chairman Stokes reminded him to get back with her on the requested information.

District Attorney for the 42nd Judicial District Traffic Diversion Program – Investigative Audit Issued July 12, 2018

Mr. Kevin Kelley, Investigative Audit Manager, recognized District Attorney Evans and his staff for their cooperation and assistance during the audit work. He briefly explained the three findings in the report. The first finding addresses the District Attorney for the 42nd Judicial District's (DA) traffic diversion program and DeSoto Parish's criminal justice system. DeSoto Parish has had a Local Agency Compensated Enforcement (LACE) for many years. This program allows local and state law enforcement officers to get paid overtime, patrol the roadways and write citations to drivers that violate state and local laws. This program generates revenue and supposedly makes the roadways safer. Until March 2017, court costs and fines paid by drivers that received a LACE traffic citation in DeSoto Parish were collected by the DeSoto Parish Sheriff Office (DPSO) and distributed according to state law. The table on page 8 of the audit shows the distribution of the traffic citation fine and court costs for a LACE traffic citation for a driver traveling 10 miles per hour in excess of the posted speed limit.

In March of 2017, the DA started a diversion program that allowed most drivers receiving a traffic citation to participate in a diversion program instead of paying court costs and fines normally collected by the sheriff. The diversion participants paid a fee, agreed they had read a driver's safety information brochure, and returned a signed copy of the DA's traffic diversion form. The diversion fee is typically \$200 and that is less than the usual court costs and fees that the driver would have had to pay to the sheriff. In addition, the diversion fee is paid to the DA, not the sheriff and the money is retained by the DA. According to the DA's records, 91% of drivers that received LACE traffic citations between March 2017 and February 2018 were sent a letter offering participation in the diversion program. Since the DA collects and keeps the diversion fee, the DA's traffic diversion programs sufficiently reduced funds flowing to the criminal justice system between March 2017 and March 2018. At least 3,629 drivers in the DA's traffic diversion program resulted in \$811,000 of revenue to the DA. The DA paid traffic diversion related expenses of roughly \$470,000 during that period and it left him a balance of \$340,000. If those drivers had not participated in the DA's diversion program, they would have paid the sheriff \$1.07 million and that would have been distributed to the criminal court fund, the DPSO, the DA, and 11 other agencies as required by state law. The report includes a chart on page 12 that displays the effect of the diversion program on traffic citation revenue that flows through the Desoto Parish criminal justice system.

The second finding addresses an improper cooperative endeavor agreement (CEA) between the DA and the District Public Defender. In March 2018 they entered an agreement that obligated the DA to pay the Public Defender's Office \$45 for each diverted traffic citation excluding seatbelt violations. Before that diversion program started, the sheriff ordinarily would have remitted \$45 according to state law to the Public Defender for those traffic citations except for seatbelt violations. The agreement also stated the revenue stream to the Public Defender was insufficient and that the purpose of the agreement was to ensure the Public Defender can continue to provide competent and professional representation of the indigent accused. The Public Defender agreed to maintain an adequate level of attorney and support staff to represent indigent accused and to make reasonable efforts to employ African American attorneys. State law restricts the use of pretrial diversion (PTD) funds to pay expenses of the PTD program and to support victims' assistance.

Since the Public Defender does not participate in the traffic diversion program the use of those funds to pay the Public Defender may not be consistent with that state law. In addition, the funding of the Public Defender is not the responsibility of the DA and any transfers to the Public Defender by the DA may violate the constitutional prohibition of donation of public funds. The constitution also prohibits DAs from assisting in the defense of any prosecution or charge. This finding was recently echoed in a court case involving this CEA between the DA and the public defender in Louisiana's Second Circuit Court of Appeals.

The third and final finding addresses inaccurate and incomplete financial records of the DA's PTD program. The DA did not have written procedures in place regarding record keeping for the traffic diversion program, which resulted in the following: #1. Bank statement, deposits, accounting records, collection records, and the traffic citation tracking software called CRIME do not match. This means there was more revenue deposited in the bank that was recorded in the accounting records or payments received in the crime software. A table on page 15 of the report shows the discrepancies between the different records. #2. Refunds due to overpayments in the accounting records in the CRIME system do not match. A table on page 16 of the report displays those discrepancies. #3. Bank deposits were not made daily as required by state law. #4. There was no documentation for the chain of custody when funds were provided to different employees. #5. Employees did not receive training in the use of the CRIME software. #6. A supervisor did not review daily collections and deposits to ensure they matched amounts posted to the CRIME software. #7. Sixteen employees had authority to modify traffic citation records in the CRIME software.

Chairman Stokes said it sounds like all of the traffic violations are basically going into the PTD program and there was not that great of accounting going on for that either. Everything disagreed with each other, all the different ways to verify. Then the DA entered into another arrangement to try to compensate the Public Defender's Office for that money which was not getting to them in an off the books kind of way.

Mr. Kelley agreed. He added that the auditors could not identify the specific number that accepted or enrolled in the PTD program. Some of the records prevented them from coming up with a specific number but believe less than half were enrolled in the program. Chairman Stokes asked if able to determine how many people were repeat offenders. Mr. Kelley said there were a few but not pervasive. They found one person received two citations on the same day but for others the length of time between citations varied.

Chairman Stokes asked if everyone given citations were offered the PTD program. Mr. Kelley answered that most people who were given a citation were also sent a letter to participate in the program and very few exclusions. Then less than half accepted and enrolled in the PTD program. At the bottom of the citations was the information for the court appearance and offered a number to call to find out how much to pay to avoid going to court. The LACE traffic citations had the DA's information, as well as the DA sent a letter to the offender. He could not speak to the reason for the half who chose to pay at the sheriff's office and not participate in the PTD program.

Chairman Stokes asked if the diversion was a defensive driving class. Mr. Kelley said the letter included a brochure and a form to complete and sign stating that the offender understood the information and return the form with the payment to the DA's office.

Senator Martiny asked if all the funds for the PTD program went to the DA. Mr. Kelley answered yes. Senator Martiny questioned if a person pleads to a non-moving violation if they still have to pay the costs. He asked if any indication that the DA would be less lenient on a person who failed to participate in the diversion program. In a cynical life, the DA would prefer the offender do the PTD program so that the DA keeps all the money. He was trying to figure out if any indication that a person who went to court was treated differently for rejecting the PTD program such as paying more. Mr. Kelley responded that there was no indication of different treatment by the DA. Senator Martiny asked if the DA cooperated with the auditor and is trying to fix this problem. Mr. Kelley answered 100%, absolutely.

Senator Walsworth summarized that these are state troopers and officers working under LACE that have a different ticket. So the offender would not know until receiving the ticket that it is a LACE ticket and not a traditional ticket. A traditional ticket would be handled in the traditional way and money distributed to the 10-11 entities. Senator Walsworth said a LACE ticket is paid to the DA. Mr. Kelley said correct. Senator

Walsworth said there is no indication that the officer is working for LACE because would appear to be a regular officer or deputy working extra hours. Mr. Kelley said that is correct and the offender will not know until see the contact information on the bottom of the ticket that it was for the DA in lieu of the sheriff.

Mr. Purpera explained that when a person gets a ticket in the normal case there is a judicial system outlined on page 8 of where the funds are supposed to go. But in the case of the PTD program which diverts the individual from the normal system but also diverts the funds from all the agencies that legislators have defined in law. One step further, this PTD program is not defined in law and may need to be defined one day as to how it should work.

Chairman Stokes asked what the LLA suggests be done since it certainly takes money from one hand and giving it to the other. Mr. Purpera suggested reviewing a performance audit done years ago on the PTD program because one of the things said in that particular report was that there was really insufficient centralized data to determine whether the program is effective or not effective. There probably should be some evidence based performance measures to determine whether the PTD program is effective. Possibly in a future meeting discuss further the results on the criminal justice program and what the results should be.

Chairman Stokes asked if the diversion program is only reading a pamphlet. Mr. Kelley responded yes in DeSoto Parish, but it can be done differently in every judicial district in the state. Chairman Stokes asked if the previous report outlines how the program is done in every parish. Mr. Purpera explained that it dealt with only the traffic diversion program but there are other diversion programs in 37-38 districts in the state. There are different models and operated differently. Again on page 8 of the report shows one process but when it comes to the diversion program, as he understands it, there is no statewide established PTD program.

Chairman Stokes asked how the idea of a diversion program came to be adopted and why no legislation to say what it should look like but left it open ended. Mr. Kelley there is no statute authorizing the program but there is a statute that discusses how the money can be spent.

Senator Ward said it is being explained like funds are being taken away from your average traffic ticket written by the sheriff's office or the state police and 90 percent of these funds or whatever percent is being diverted away from the normal program and into this separate fund. That is not how this works. The sheriff's office or the state police can go out and write tickets like they do every day and those tickets will run through the normal judicial system like they do every day and those funds will be disbursed in accordance with the certain schedule. The LACE program is a different program where officers can go work over time. The LACE tickets that are written under that program are run through this particular set of circumstances and so those dollars are not run through the same schedule as everything else. It is misleading to make it sound like all the money for 90 percent of all the tickets written is being diverted out of the judicial system. It is actually two separate programs. Any particular agency may decide to no longer write tickets or to slow down on writing tickets. But because there is a LACE program going on at the same time that other agencies are out there writing tickets, that is not diverting any money away from those tickets that have always been written since speeding tickets existed. He wanted to clarify that it is two separate things and one is not taking away from the other. He said maybe one day they could have a discussion about the LACE breakdown being the same as every other ticket. But he said it is misleading to make it sound like all these other tickets are being run through the same program.

Chairman Stokes asked when the LACE program started and why with officers in a whole different process instead of the normal process with the sheriff and then the people who qualify for the program be diverted. She questioned why two different programs.

Senator Ward responded that there are all sets of circumstances around the state for why it happened. There was a comment earlier that supposedly it was for public safety but not sure. He said some people do not think we should have speed limits but necessary for public safety. In some situations and some agencies do not find it economically in their best interest to have vehicles on the road enforcing speed limits. But by the time all the money breaks down and gets to their agency, they say it is cost prohibitive to have officers spending a lot of time on the road. There are all sorts of factors that go into why some areas have these programs and some areas do not. He was not sure how the programs came to be but just wanted to clarify that it is certainly two different pots out there and not one big pot that is now all of a sudden diverting all the money to one place.

Mr. Purpera explained that this report is dealing with the LACE tickets. If the offender would not go through the PTD program, then the funds would be distributed as shown on page 8 to all these entities that depend on these funds. Senator Ward said the money from the LACE tickets would not normally be received by those entities and that the argument could be made both ways.

Chairman Stokes surmised that for these two programs, LACE is writing tickets and the sheriff's offices are basically not writing as many tickets. Senator Ward pointed out that not just sheriffs but other law enforcement may be writing tickets. But his point was that just because somebody is out there writing LACE tickets does not mean that there is any prohibition against other law enforcement writing tickets.

Chairman Stokes asked if LACE is writing the majority of the tickets for it to be 91%. Mr. Purpera explained that 91% applied to only LACE tickets. Senator Ward commented it would be the decision of whoever is controlling the patrolling of the road of what officers are writing tickets.

Senator Walsworth questioned the breakdown in the chart on page 8 for an explanation of the Criminal Court Fund (CCF). Mr. Kelley responded that the CCF is maintained by the police jury and they pay expenses of the court and the DA including salaries for the judge's clerk and some expenses of the DA as well. The way the process works is the DA will prepare a motion and present it to the court. The court would approve said motion of expenses to pay from the CCF. That goes to the police jury and then the police jury makes the payment.

Senator Walsworth asked for further explanation of the distribution of traffic citation fine and court costs. Mr. Kelley explained the example provided in the audit showing the distribution for traffic fine and courts collected by the DPSO for a LACE traffic citation. However, for a LACE traffic citation that the DA had offered PTD and the driver accepted PTD, the offender would pay \$200 to the DA and none of the distributions shown on page 8 of the report would be done.

Senator Walsworth read from page 11 of the report, "Although we found a small percentage of traffic citations were issued during regular working hours, the vast majority were written during overtime LACE details. For example, in March 2017, the month the DA began his Traffic Diversion Program, DPSO deputies issued 994 traffic citations; 26 (2.6%) of them were written during regular working hours and 968 (97.4%) were written during overtime LACE details." Looks like the same thing with Louisiana State Police (LSP) Troop G issued 994 of which 182 were written during regular working hours and 812 during LACE details.

Senator Walsworth asked for the numbers before LACE was started. Mr. Kelley said that LACE goes back many years but PTD is the new piece to this which started in March of 2017. So prior to March 2017, every traffic citation, whether it was a regular shift or a late shift was paid out with distributions to court costs and traffic fines. After March 2017, if the DA offered and the driver accepted, then the driver would pay

approximately \$200 to the DA and the table on page 8 would not come into effect. Senator Walsworth asked if PTD was only offered for LACE tickets. Mr. Kelley said yes, that is correct.

DeSoto Parish District Attorney Gary Evans for the 42nd Judicial District offered to clarify some things. The LACE program was a federal program started in the 1960's and has been around for many decades. It was started to reduce traffic fatalities and used it as a force enhancer like the Green Berets did during Vietnam. Using what they had and to be more effective, the program works well and requires paying overtime. Of course the money will not be distributed the same way because it is a DA program and if it had to be distributed to 14 different entities then no DA in the state would do the program. The lion's share of the money collected goes to overtime. That is how they are able to get policemen to stay on the road and use their cars. This program helps with drug interdiction. In Allen Parish the statistics show when they did not have LACE at all for a while, their fatality rate went up 500%. For a while LACE was shut down for many months because of the scandal with state police.

DA Evan said he tried for three year years to get statistics in DeSoto Parish but could not from anyone. He found that virtually every ticket was written under LACE and there were not any regular duty tickets. He only diverts LACE tickets and the sheriff can write any regular duty tickets all they want, but that is the problem. He said that he desperately needs the audit to be issued by Mr. Purpera because he asked for the audit on the DPSO.

DA Evans provided statistics: 91% of people are given a notice that they can participate in PTD but it is totally a voluntary program; 30% of LACE tickets participated. LSP writes regular tickets all the time and none of that goes into the LACE program. According to the numbers he saw about \$10,000/day goes through the regular system. But when he took over the LACE program the CCF sky rocketed. Before that they were losing money. The reason he asked for an audit was because the president of the police jury asked DA Evans when he first took office to look at the LACE program because it was losing money. He did an investigation and reported to the police jury.

DA Evans asked for the legislative audit because fraud was rampant and stealing is the only explanation he could see. But he needs the legislative audit because a grand jury starts Monday. He has murder cases and Brady obligations where he has to report to the defendants any pending investigations that involve his witnesses. The sheriff sent two little pages of a resignation regarding an officer that resigned for wrongdoing but he needs the legislative audit for the grand jury. He also needs the audit for other very serious cases to meet his obligations.

DA Evans continued explaining that if the money has to be split between all the entities, then no DA will participate because PTD is strictly a DA program. The lion's share of the money collected in PTD goes to pay overtime. He has paid out about \$600,000 and has about \$300,000 left over but not really left over because had to make appropriations internally about how much time they spent. But he was waiting because he wanted to share with some other agencies what he could and that is why they have a surplus. He said if the LACE program is run right and pay overtime, there is not a whole lot left over.

Chairman Stokes asked about the report that DA Evans was referencing. Mr. Purpera explained that his office has an investigative audit currently looking at individuals who were participating in the program and whether or not they were actually working at the time or were they paid for things they did not do. This Council issued a subpoena for DPSO's records. The sheriff has fought the subpoena from day one. The local court decided that the subpoena could be adjudicated in that parish and that is not the way it is done. When a state agency is sued it is tried in the East Baton Rouge Parish Court. That case went to the Second Circuit and the Supreme Court denied writs. So now another court date is scheduled at the latter part of this

month to begin the process of actually looking at whether the DPSO has to provide the records that are under the subpoena. That will begin a process of not only his office defending the subpoena but the House and the Senate lawyers also defending the actual subpoena that was issued.

Senator Martiny asked if the vast majority of the money collected is paid out for overtime and what portion of the \$200 fee went to overtime. DA Evan responded that using the LLA's numbers his office has paid out around \$600,000 in overtime and that left between \$300,000 - \$400,000. But that is just naked numbers and some has to go for administrative costs for running the LACE program. No administrative costs are accounted for in that and he set aside the reserve because he wanted to help the indigent defender to the tune of \$45 per ticket.

Senator Martiny asked if the monies collected for tickets were distributed uniformly for LACE or regular tickets, would it not be worth the DA's efforts to be involved. DA Evans answered that it is impossible to divide the money between the 14 different entities at the rates he is currently charging for the 30% participating in the PTD program. He would have to charge a higher rate and does not believe he could charge much higher because it is a voluntary program. But not sure why some offenders chose to participate in PTD and some just write their checks to the sheriff's office.

Senator Martiny asked if the murder cases that DA Evans is under the Brady obligation to disclose information because some of the LACE officers are off duty homicide detectives. DA Evans said both LSP Troop G and DPSO used to write LACE tickets but now DPSO does not write any LACE tickets and only a handful of regular traffic tickets. Senator Martiny said he represented several sheriff departments and has seen where they diverted resources from ticket writing to work in homicide or burglaries. He asked if all LACE ticket proceeds were distributed to the 14 entities after paying overtime, would it not be worth his while to be involved in it.

DA Evans answered yes, exactly because of the dilemma of legislation mandating to pay the 14 entities all the same amount of money but does not account for the overtime. He reiterated this is a DA program and is strictly to his own discretion to have the program. He said the DAs would not do the program if they have to distribute the money.

Senator Martiny asked if DA Evans is saying that if the sheriffs or the LSP did not have the LACE program then they probably would not be issuing the tickets anyway. DA Evans responded that he is sure they would not. In his particular parish it hurts them and that is the reason he depends on Troop G greatly because their sheriff's department has 150 employees in a little small parish. The sheriff's office is not writing tickets and people call him all the time asking for state troopers on the road. So PTD is how he can increase enforcement through overtime and it helps troops all over the state. The state does not have the money to fund the additional officers and the DAs are helping providing the enforcement needed. It also helps not only with traffic fatalities but also drug interdiction and other things just by monitoring the road. Interstate 49 goes through his entire parish so a lot of stuff going through the parish, so the program helps.

Senator Martiny asked about the CCF that provides some money to the judges and DAs. He asked if the profit or net amount received by DA Evans is considered by his parish in determining how much money to give to him out of the CCF or is that a set amount. DA Evans answered that he has not received anything from the CCF but has built it up to over \$600,000 just since he took over the LACE program. It was painfully obvious to him that something was not adding up.

Senator Martiny asked if by the LACE program working also means that DA Evans receives less money out of the CCF. DA Evans said no, he is saying that the CCF is skyrocketing. How is it possible to get so much per ticket to go in the CCF when one agency does not write tickets at all.

Senator Martiny asked if that was being investigated. DA Evans said yes, it is being investigated and has a grand jury meeting on Monday about some of these very same things. He needs Mr. Purpera to release the audit or at least the LACE part and needs it badly because of the Brady obligation ban. Senator Martiny said that is the Legislative Auditor's call and did not know if they could order him to release it.

DA Evans said the legislators look at the program from a different perspective but from a DA's management perspective it is just not a lot of money in the LACE program.

Senator Walsworth said every DA in the state is doing the same and no different from others. But the complaint is for the DAs to give the same percentages as they would receive from regular tickets, then everyone would be quiet. Everyone tries to get along but some DAs give a lower percentage and others do not give anything to anybody. There is absolutely no uniformity. All the entities on page 8 of the report are important too and being left out of receiving funds. Crime Stoppers is important but only receives \$2 per ticket. All would agree that the crime lab is needed especially in North Louisiana. He noted that DA Evans' office has had more tickets written than all the rest of them combined. They must figure out a way to help fund those entities.

DA Evans shared that he offered to take surplus income that he helped build in the CCF and give \$45 per ticket to the Indigent Defenders Board (Board) which is greatly important. That is the same amount allowed in law, but the Board has been fighting him on that. He has been trying to make these things right for the different agencies.

Senator Walsworth suggested sending the same percentage, not necessarily the same amount, of what the entities would receive on a regular ticket just so they get some funding. DA Evans offered to do that but when he tried to pay the Board a judge sued him and said that the DA could not give the Board anything. He is fighting that litigation all the way up to the Supreme Court.

DA Evans said that many DAs all over the state are helping their local Indigent Defender Board. But the bottom line is that the legislature does not have the money. All the DAs are trying to do is help wherever they can because there is a lack of money for the state and we all know that. He wished he had enough money to give everybody everything they need but does not.

Chairman Stokes said Mr. Adams who is the head of the District Attorneys Association (Association) might have a few comments that might shed some light on this.

Mr. Purpera shared his concern that there is no clear legislation in a clearly state program. In Articles 16 and 17, it mentions that the DA may assess and collect a reasonable fee from participants in pretrial diversion or pretrial intervention programs to support and maintain victims' assistance and our diversionary programs. But it appears that it is totally up to the DA to determine what that reasonable amount is. This does not give the DA the authority to keep a certain amount and distribute the remainder in all these different ways because that is not in law. He recommended something more solid to establish these programs consistently across the state rather than having over 40 different programs.

Mr. Purpera referred to the comments about the CCF saying that he has not audited it and has no idea the myriad of reasons why the fund may have increased over the last year. He also stated that he never issues

any of the Legislative Auditor reports based on any political reasons or elections or anything like that. He issues the reports when they are finished and the one mentioned by DA Evans was not finished.

Mr. Pete Adams, Executive Director of the DA Association, said that he spoke with many legislators privately and the last thing he wanted to do was get involved in this but felt compelled to do so because of a great deal of misunderstanding. First of all, he asked to not make a hasty generalization about expanding the experience heard today to all across the state. There are just a couple of areas in which diversion has created the turmoil like witnessed here throughout the state. Most of the judicial districts are running just fine. A second thing is diversion is not traffic diversion and then another program, misdemeanor diversion and felony diversion. A DA's diversion program is their diversion program. One thing he believes that all agree about especially after justice reentry investment is that if a young first time offender who's committed a misdemeanor or even a minor felony can be kept out of the system and without a conviction and rehabilitate them in an informal manner, that is a win-win for everybody. It saves a lot of money and saves careers. It is good for the system. It reduces jail overcrowding, prison overcrowding, everything. He offered to bring a score of people that would testify how much diversion has changed their lives.

Diversion has been around since the 1990's. The Association adopted their first set of pretrial diversion guidelines in 2000. They have amended and upgraded those at least four times, and are now in the fifth revision of the diversion standards and guidelines. This one is massive and covers every weakness, including some of those that were mentioned today. The Association has looked at every weakness across the state in uniformity and the way the programs are run, the goals of the program and seeking now to make sure that DAs understand and operate in a uniform way. The state provides zero dollars for misdemeanor and felony diversion services

Local governments did not have the money to fund the essential basic services of the DA's offices even though it is their obligation. So if a DA is going to run a diversion program on misdemeanors or on minor felonies and he is going to give those people any meaningful kind of rehabilitative educational services then it has to be paid for. Just look at the indigent defender rate and they will tell you that 80 to 90 and sometimes over 90 percent of the defendants get a public defender because they have no money. So we have got to be able to pay for services for people who cannot afford to pay a diversion fee for misdemeanors and felonies. Guess where we get that money - pretrial diversion. So it is altogether the expenses of diversion, it is not just traffic put on the side and misdemeanor and felony put on the side. It all runs together.

Mr. Adams continued sharing that a district or two may have around 91 % which does not look good. But when it gets to less than 50 percent, that would indicate a LACE program which is generating tickets that would not be generated otherwise. So what you have is not a lessening of money to the CCF, to the public defender, to crime stoppers, to the traumatic head injury. Actually you have more funds than you would have if there was no LACE program. The unfortunate thing is the drastic reduction in the number of state troopers from 2004 to today. At one point in time, we went from around 1,300 state troopers to about 800. We might have had a class at two since then, but we do not have much more than that. Colonel Reeves is a fine man and a good gentlemen and he'll put people out on the highways but as soon as there is an accident or a crime, those guys are off the highways and they are doing something else. Look at the number of tickets written by sheriffs around the state in 2004 and look at them now. It almost does not happen. There are handfuls here and there and I do not have to tell you because you drive to Baton Rouge. I set my speedometer on 78 and people pass me like I am going 20 miles an hour.

Mr. Adams said there is a tremendous effect in public safety when nobody is writing speed tickets. I can tell you right now with the exception of a few areas in which LACE, which by the way in most cases the LACE expenses are completely covered by the DAs from the proceeds in PTD. So but for the DAs and LACE,

even with state police or with deputy sheriffs, it would be even worse and not only that but those tickets that are not diverted go through the system and they comprise revenues that but for diversion would not be there. So pass all the money out on diversion just like every other ticket and you will not have diversion. You will not have LACE and the revenues would go down for everybody. Everybody in the vast majority of districts – DAs, sheriffs, police jurors and public defenders are happy with diversion because they understand. Some districts still do not understand. If you want to force sharing the fees, my prediction is not only do you kill traffic diversion, but you kill misdemeanor and felony diversion as well. The Association is working very diligently on trying to close every loophole with these diversion standards. Why not legislation? Throw that legislation on the floor and see what comes out. Because this is about money and everybody wants money regardless of the collateral consequences. I'm going to submit to you that one more time, please don't hastily generalize. Mr. Evans is working with the other DAs. I think he is making corrections to his program. We are working our way through this thing and we want to do the right thing and I will be glad to answer any questions.

Senator Ward said he always appreciates Mr. Adams' perspective and tends to agree. I think it would be hasty to run to legislation. A lot of times when you can have a program that runs perfectly in 100 different areas and if you have some hiccups in one area, people want to run and knee jerk to legislation and the problem with something like this, it can be run in so many different ways based on the needs of a very diverse state with very diverse jurisdictions. And so for us to kind of handcuff the relationships - you have varying relationships. A lot of the DAs, sheriffs and judges get along very well. They can sit down and have a conversation and in 30 minutes workout this whole situation. And let me add to that the public defender's office and they will get their financial situation worked out on how they want these things to work. You have other places that it may take a little longer. You have other places where they may never be able to work it out. But to me, for us to come and bring legislation that tells everybody across the state from parishes with a population of 10,000 all the way to Orleans Parish or East Baton Rouge parish where they have hundreds of thousands of people that all are going to do it the same way, it would not make sense.

Mr. Adams made one more point with regard to the authority. That is not the only statute that authorizes PTD. There are at least six or eight statutes, two or three of which were amended and enacted this past session that recognize and support PTD. PTD is also a product of the constitutional authority of the DA. There's jurisprudence throughout the years that recognize and support the authority of DAs to run PTD programs. Is there a statute that says you must do it 1,2,3,4...? No, and I would urge you not to do that because I think you would do more damage than you would do progress, in my opinion.

Senator Ward gave an example of a local sheriff's office was riding 100 tickets a month before any LACE programs started and the CCF was dividing up the money amongst everyone from those 100 tickets. Then the LACE program came about and it started writing 100 tickets a month and 75 of those ran through the PTD program and the other 25 went through the normal program and those funds went into the CCF or the District Court Fund. That would be an actual addition of dollars.

Mr. Adams answered if they were writing 100 tickets before and 100 tickets after, I would submit to you that that's not fair if you're diverting 75 of those. But if you are writing 100 tickets before and have 500 after, which is what is happening now, CCF has more money. Senator Ward commented that if the LACE program goes away then you would have less money. Mr. Adams added then you have less money and then you have no PTD and felony and misdemeanor.

Chairman Stokes thanked Mr. Adams for his testimony. She asked if there is something that we can do and not sure what can be done.

Mr. Purpera explained that this audit report does not attack the existence or the idea of the existence of LACE programs. Nor does it suggest that LACE program should go away. But there is a statutory method of distributing funds that has been long established and the PTD cases are not done that way. That does not mean it cannot be done another way. Auditors do like the 1,2,3,4 and like to see the law and the law says there shall be a DA's PTD program and it shall look like this. We just do not have that in this state. He would look up the other six to eight laws that Mr. Adams was talking about. However, from an auditor's perspective if we are going to audit PTD programs, we need criteria to audit against and not sure what that criterion is because it can change in every district as to what that particular DA wants to collect.

Chairman Stokes read the statement in the audit, "This arrangement may violate the state constitution and state law.", but yet it seems like we are allowing latitude for these DAs to promulgate their own system in every case.

Mr. Purpera explained that statement refers to this particular statute that does say that DAs can collect a reasonable fee to support and maintain victims' assistance and/or diversionary programs. It does not give the DAs the ability to decide where he wants to spread the money from the PTD. Auditors like to see firmly set in statute how these diversion programs are supposed to work. So then we can look to see is it working that way and having the results with evidence to show that.

Chairman Stokes said something is missing to allow DAs some latitude for them to give \$45 to the public defenders. She believes the DAs need to be given latitude so that they are not in front of this committee with fear of maybe having violated the constitution because nobody wants that. But DA Evans was only trying to give the \$45 to offset the fact that the other program was suffering under the weight of all the tickets going under LACE. Mr. Purpera agreed and said the auditors are not saying that it is a bad idea but it just does not meet the law.

Chairman Stokes said it does sound like something might actually be needed to give the latitude to do this kind of thing unless we do not want to give that latitude. She left that as a closing thought so that legislators, DAs, DA organizations and the auditor can all talk about this and see if some sort of flexibility in the law needs to be done. She said after all the good debate everyone understands better and appreciates everyone attending and giving input. They will wait and see if any legislation comes out of it.

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

Mr. Cryer referred to the previous Council meeting where they began discussing the 3-Strikes Law that was passed three years ago. The law states basically that an agency that has three years of consecutive repeat findings without appropriate cause could have their state funding cut off by decision of this council. The LLA defines "without appropriate cause" to mean without good reason that the agency is unable to fix that problem themselves. Once again, the LLA is not recommending to the Council to cut off funding for anyone today. The findings just need to be fixed because repeated for at least three years. Some go beyond that and every year the CPA that does this work writes up those findings. Those findings continue to go on and on and are not being addressed. The mayors have been invited to explain to the Council what they are going to do to rectify the issues. The LLA proposes again that the entities return in six months for a follow up to find out exactly what has been fixed.

Currently there are about 34 entities on the LLA advisory staff's list and going through them systematically bringing the ones with the most significant findings or the worst financial condition. His staff has had limited contact in the past, but has spent the last three weeks going back and forth with the mayors, clerks, and auditors trying to get a full picture.

a. Village of Bonita

Beginning in 1997, we had identified problems with the Village of Bonita's (Bonita) budgeting, purchasing and disbursements. In 2006, an investigative audit found about \$1,400 was inappropriately provided to the mayor at that time. That report also cited the same problems again: budgeting, purchasing and disbursements. So now again in 2017 Bonita has a number of findings dealing with budgeting, purchasing and disbursements. The first finding is untimely payments. Bonita did not pay any of its federal taxes in 2017 which was a total \$31,000. From discussions with Bonita's personnel in the last couple of weeks, we understand that they have in fact paid those 2017 back taxes now. They were also late on some of 2018 taxes to the tune of about \$12,000 and they have now cleared those as of last week.

The issue here is anytime taxes are not on time, penalties and interest will accrue which is a waste of public dollars. And it goes toward the financial condition when an entity has to make decisions between paying taxes or paying bills that puts them in a bad position. There are remedies for that as well.

The next finding is net operating loss in the proprietary fund. In 2017, Bonita had an operating loss in its utility funds of \$60,000. The year before that was a \$62,000 loss and before that a \$108,000 loss. Part of the reason that that they are having problems paying bills, including those taxes, is that they are not generating enough fees off the utility system to cover costs. Specifically we mentioned \$71,000 in depreciation expense. They are bringing cash in the door today and paying bills today, but not covering real costs for setting aside money for utility repairs and replacement of pipe or for replacement of water towers.

This situation is similar to the Town of St Joseph which was also meeting their cash flow, and paying their bills, but they were not putting aside that money. The state put them under fiscal administration and the state spent close to \$11,000,000 in total with a number of grants to fix that water system because they had not been maintaining their infrastructure for all those years. Mr. Cryer said he is concerned that Bonita will be in the same position. The recommendation is that Bonita adjusts their utility rate to not just pay for operations and cash flow, but to cover real costs as well.

Mr. Cryer said the auditor also noted problems with the purchasing procedures, missing approvals and signatures on documents. This was the same thing that led to the theft of the \$1,400 several years ago with the prior mayor. We had noncompliance with the Local Government Budget Act (LGBA) and this is not just a compliance issue but deals with best practices for every municipality. Every month the mayor should prepare a budget to actual comparison and provide that to the council members for them to look at and decide whether or not to adjust the budget to make changes to where money is being spent. Bonita cannot adequately govern without good information nor make good decisions without knowing where they stand at a given point in time and very important to track finances each month.

The final issue here is inadequate segregation of duties. This is a small village and they have one employee in the office which raises all kinds of red flags with an auditor. There can be errors, there could be fraud and no one is ever going to catch it. The LLA recommends in these cases that other people get involved. Even if unable to hire somebody then the mayor may need to go in after hours to look at bank reconciliations, system reports, and the sequence of receipts that are received. Or they can have a treasurer from the council or the mayor Pro Tem reviewing all checks over X number of dollars. So there are ways of working around only one employee and have shared these and other recommendations with Bonita in the last couple of weeks.

At this point Bonita has operating losses in the utility fund. Overall there are no significant problems with the general fund operations but in discussions about the audit indicates Bonita is just getting by. Mr. Cryer

recommends that if Bonita would increase their utility rates it would go a long way toward resolving a lot of their financial problems. The mayor attended the meeting to share what they are doing to fix those problems.

Chairman Stokes asked for clarification of the 3-Strikes law and asked if the Council is actually in a situation right now where they could enact the 3-Strikes law and stop funds from going to the government. Mr. Cryer responded that is correct. Once an agency has three years of repeat findings without adequate cause then this Council can vote by two-thirds majority to take away the state funding until those issues are resolved. It is up to the Council to decide whether or not "with good reason" is being met and whether or not that situation is severe enough to take that action. Mr. Cryer explained that the LLA is certainly not opposed to enacting the 3-Strikes law but not recommending that action at this time but instead allow the villages the opportunity to fix some of their problems that they have not done before.

Village of Bonita Mayor Kathy Moses said they have a plan in place and everything is being taken care of right now dealing with how to go on and move forward to get these finding under control. She understands the three strikes and then out. She said dealing with the revenue that Bonita has to work with is hard sometimes but knows that they have to do what they have to do.

Chairman Stokes said she knows it can be tough but would like to see Bonita operating at a break even point at least. She asked what stops Bonita from being able to get the utility prices to a level that will cover depreciation and cover all the costs. Mayor Moses responded that she is dealing with the low income and a lot of people cannot afford their water bill going up. She tries to work with the citizens as best as she knows how but it is hard dealing with people that do not have the money.

Chairman Stokes asked how much Bonita would have to increase utility rates to cover the \$60,000 - \$70,000, or if it is a question of people just not paying. Mayor Moses said she has someone from Louisiana Rural Water Association (LRWA) coming out to let her know what needs to be done in order to fix this and if the rates have to go up then she will try. It would have to be approved by the board, but they will have to do whatever is necessary to fix their deficit. Chairman Stokes asked if utility rates would have to increase by 20% to generate an extra \$60,000 to \$70,000. Mayor Moses said she does not know but once LRWA goes in then she will know what has to be done.

Senator Walsworth said the problem sometimes is that the council does not approve and the mayor cannot raise the rates by herself. The constituents will not necessarily want to have the rates raised. And so they might have a fight going on. He was very pleased that other than the federal issue, basically Bonita's overall fiscal health is pretty good compared to many other smaller towns. This is a more rural area that does not have a whole lot of income. The mayor and council are trying to do a good job, and if they can just get the utility rates increased and try to do a little better, and pay the debt to the federal government then they should be good. He commented that the local rural development is back open again so there might be some money and assistance there especially on the water side. He thanked the mayor and clerk for attending.

Chairman Stokes asked Bonita to return in about six months to share their plan for remediating the issues. The first finding of the untimely payments should be rectified and no longer be late. She assumed that six months will allow time for meetings with LWRA and the council to determine how to break even on the utilities. Regarding segregation of duties, that is a really important concern to prevent anybody from taking money and they need to follow the LLA's recommendations. Chairman Stokes asked the mayor to come back with a plan for breaking even on the utilities and tightening up the procedures and then make sure that all the bills are paid on time. Once Bonita gets their finances under control and back in compliance it will take a load off their minds because no one wants to have these issues.

b. Village of Harrisonburg

Mr. Cryer explained that when compiling the list of 3-Strikes entities, they reviewed findings that they considered to be low risk, moderate risk or high risk. He defined a low risk finding as one that is just a compliance issue where it is a violation of law but does not have a real fiscal impact. Whereas one that is high risk has real impact on money or operations. The reason that the Village of Harrisonburg (Harrisonburg) was invited was because of the first finding regarding the utility cutoff policy. The LLA had worked with Harrisonburg in 2009 and there were a number of findings back then. They had worked to resolve those findings.

However, the issue being brought to the Council's attention is that utilities are not being cut off for customers that are not paying. Harrisonburg has a population of 348 people. As of June 30, 2017, 81 utility customers had not paid their bills but were still receiving service and that included village employees. The overall amount due at that point was \$27,590. Based on the most recent reports provided to the LLA over the last few weeks, that trend is continuing. Customers are not cutoff in accordance with policy and village employees are still being allowed to continue to receive services without paying their bills. Harrisonburg had an operating loss in 2017 at \$130,000 in its utility operations, then \$110,000 in 2016 and \$71,000 in 2015. The village is not raising the rates and more importantly, they are not collecting those amounts that are due. During that same period cash balances decreased from \$108,000 to \$18,000. And so it is getting to the desperate point where Harrisonburg is going to have to either increase the rates or collect those amounts that are due or some combination of both.

Mr. Cryer continued explaining that this small village has the same problem with segregation of duties because only two office staff. The LLA provides recommendations on how to address those issues. In fact, the LLA's Center for Local Government Excellence provides training on how to address this and many other small town situations. Harrisonburg is similar to Bonita because not a lot of problems with the general fund operations. Their main concern is the significant losses in the utility funds and the mayor can explain further.

Village of Harrisonburg Mayor Michael Tubre said the village has started taking some steps to generate more revenue. In May they had a study done on the gas rates on our gas system and new rates just went into effect May or June. They also had a study done by LWRA on their water rates. The results were supposed to be presented a couple of months ago but the LWRA employee had some conflicts and could not make the meeting, but is supposed to meet on the following Monday. Mayor Tubre explained that they are already looking at taking steps. Their water rate is \$12 flat rate which is probably one of the lowest in the state so planning to raise water and sewer rates. LWRA is also going to do a rate study on their sewerage. He explained that there has been a culture for many years to not disconnect residents from before he went into office. This offered him a reason to change that culture.

Chairman Stokes said that is hard to balance, trying to care for everybody and make sure that they can afford to pay their bills. But at the same time trying to make sure that the town is solvent which is very important. She asked about the segregation of duties issues.

Mayor Tubre said they do not really have any written policy and procedures about that but it will be on the agenda for Monday night's meeting to update and rewrite some policy and procedures. He will be receiving all the bank statements and go through those before anyone else does and then giving it to the clerk to be reconciled. Mr. Cryer said his staff has been working with the mayor on how to make that work effectively.

Chairman Stokes requested Mayor Tubre return in six month and share the steps taken to get into compliance and that will take a load off his mind to know that everything is taken care of. Mayor Tubre commented that he was not glad to be at the meeting but knows it will be beneficial and good to get things in order.

Mr. Cryer said to the extent that some of these issues can be headed off because of these meetings is beneficial to everyone because the last thing want to see are these villages put under fiscal administration or needing more active involvement with the day to day operations. So anything the LLA can do to help on the front end, they are willing to do that.

c. Village of Morse

Mr. Cryer referred to a 2005 investigative audit regarding a \$110,000 fraud by the former Village of Morse (Morse) clerk including cash receipts not being posted, personal purchases, and a whole number of problems. A follow-up on prior repeat findings was done a few years later and found a number of issues that were outstanding. The concern at this point is for the sixth year in a row a going concern identified by the auditor which means there is a high risk that the agency will not continue to meet its obligations needed to operate. To his knowledge, Morse has the most going concerns in a row and it ties back to these findings.

Morse has a flat rate because there are no water meters. The losses were \$35,000 in 2017; \$78,000 in 2016; and \$105,000 in 2015. The losses include depreciation but the village should be putting aside money to deal with infrastructure and other large repairs. Those losses have continued in spite of rate increases for every one of those three years. So the village is incrementally increasing those rates but they have not reached that breakeven point yet. Understandably, the village does not want to make a large increase in the rates and cause problems for their customers, but Morse must do something to get above the zero point. Morse has had operating losses for multiple years and the audit going concern for six years in a row

Mr. Cryer said that bank reconciliations for some of the low activity accounts were not being performed during the year and these sorts of reconciliations were the very thing that would have identified that theft many years ago before it ever reached \$110,000. The LLA always recommend that every account needs to be reconciled and reviewed by the mayor and/or by the board to make sure there is not something really obvious sticking out. And then similar to Bonita, Morse also has a violation with the LGBA, not adjusting the budget for variances more than five percent. And more importantly, the village must be monitoring where operations are, providing that information to the council so they can make decisions about where to cut and where to increase so they are not running six years in a row with financial losses.

Morse has \$27,000 of past due accounts on top of the normal losses, plus owe FEMA \$26,000 and the village is really struggling to make it. Increasing the utility rates is necessary and Mr. Cryer's staff has been providing recommendations but with the large number of financial issues it will take longer to make a turnaround in operations.

Chairman Stokes commented on the more serious situation for Morse. She asked how many bank reconciliations are not being done. Mr. Cryer said based on the discussions with village personnel in the last couple of weeks, he understands that they have caught up at this point, but the mayor or the clerk could provide more details about their current situation.

Village of Morse Mayor Darlene Thibodeaux testified that they are back on track with reconciliations. She shared that she was elected in a special election in 2016 and most previous mayors were unfamiliar with accounting but good people. The village is very small and has very low income people with many

uneducated. Mayor Thibodeaux shared her accounting background from owning several businesses but not in the village office full time. She devised some policies and procedures which were never in place before for the bank reconciliations and now they get it all done and keep a log. She receives that bank statements, the mail and bills when in the office every night. She stamps received on everything with the date and her initials then gives all to the clerk with a note saying that she has a maximum of three business days to reconcile it. There are several small accounts that they do not have any activity in. For deposits, the mayor leaves a note for the clerk to reconcile the appropriate account. They keep a log which is dated and initialed and then confirmed that all has been taken care of.

Chairman Stokes recommended for accounts with no activity to make a copy of the last one and keep rolling it forward with the set of reconciliations every month because eventually when activity happens in the account they need to know the status of that account. Mayor Thibodeaux said they have a notebook that they keep every year by the month for each account and it is reconciled and confirmed every night. She knows that previous mayors did not do that and not sure if the future mayors will continue it.

Chairman Stokes said best thing that the mayor can do is have a good policy and procedures statement so that the people that come after will have something to follow and have a firm foundation. She asked for clarification 5% budget violation because the budget needed to be amended.

Mr. Cryer said the law requires anytime a municipality is aware of a variance of revenue or expenses to adjust the budget. He wants to be sure that every month the council is getting budget to actual comparisons. Because if there is anything that is causing problems including deficits of the utility funds, which are not required to be budgeted under law, but is considered a best practice, the village needs that timely information in order to make decisions. Also by having the comparison prepared each month it helps the mayor keep tabs on what things are working as far as collections and what things need to be addressed. So if they have shortfalls they can see that cut backs on expenditures are necessary accordingly.

Chairman Stokes asked if Morse has a plan to make sure no further losses on the utilities. Mayor Thibodeaux said they are working on that and increases their rate every year including on businesses. The village had not increased rates in about 16 years until LWRA did a study about six years ago and recommended water meters. The village council did not vote on it and turned down getting water meters. But she knows that water meters are needed because required before able to receive some funding. The residents currently pay \$52 a month for water and sewer but do not want water meters because afraid their rates will go even higher. Mayor Thibodeaux said if a resident is late on their bill the arm for their water meter is completely taken out and they cannot get back into the water system.

Chairman Stokes said the latest year had a loss of \$35,000 and that's down from \$78,000 and down from \$104,000 and based on that trajectory theoretically by 2018 the village should not have a loss. Mayor Thibodeaux said she prays so.

Mr. Cryer said he has seen that trend continuing for the last three years but Morse just need to get to the breakeven point and start coming out ahead in order to get out of that going concern. Chairman Stokes noted that the village has been increasing the fees and are doing the reconciliations. Mr. Cryer said his staff will follow up on the village's financials but still recommends bringing them back in six months for an update on their finances and what changes have taken place.

Chairman Stokes asked when their fiscal year ended. Mayor Thibodeaux said June 30th. Chairman Stokes said six months from now would be around April. Mr. Cryer added that their audit report will be due at the end of December so they would have good information for the next meeting. Chairman Stokes said she is

pulling for the mayor and clerk to have all the reconciliations done and if their trend of improving \$30,000 each year holds, they will be close to break.

Ms. Pamela Cormier, Clerk of Court, explained that a lot of the reconciliation reports were from accounts that do not have a lot of activity. She finds the errors and all the reconciliations are backed up but does not keep the old ones, so that is why it appeared that she was not reconciling timely. Chairman Stokes asked if she slips a new sheet in every time she reconciles each account. Mayor Thibodeaux said that is exactly what she does. Chairman Stokes asked if the latest one that agrees to the current balance sheet is on top every time. Mayor Thibodeaux agreed and said they list every account whether it has activity or not and documents that date posted when she updates the accounts even if nothing for her to reconcile. She said they are working on closing some of the inactive accounts that are unnecessary. She has opened up a sewer repair and maintenance account and depositing money every month so they can have money available for repairs. Morse also has a grant for sewer repair.

Chairman Stokes asked if anybody has grants for water meters because that would be amazing. Mr. Cryer said his staff has been working with the Town of Melville on water meters and can certainly find out. He was not sure if the grant funds are for installing meters or if they have to get the meters first before they can get the grant funds

Mayor Thibodeaux said when she started in 2016 there were no policy and procedures in place. The council was unaware of budgets. When she gives the council the budget and financial statements, they do not even look at it because they have no clue what they are looking at and do not ask questions. An alderman that recently passed away had worked with the police jury on budgets and was doing the village's budget. Then Cindy came into this position and was never trained on how to do any of this. She was unaware that a budget can be put in Quickbooks. Since Mayor Thibodeaux went into office she and Ms. Cormier have worked hard getting the financials right and now have policies and procedures. However, she will be out of office December 31st due to health reasons but promises to help if the new mayor would be willing.

Chairman Walsworth commended the mayor for her love of the community and thanked her for her public service. He wished her better health and hopes she will decide to get back in public service one day. He commented that he has seen many mayors that just try to do it one day at a time, but Mayor Thibodeaux has a vision and leads people do what they need to do. Chairman Stokes thanked them for attending and would follow up in six months.

Other Business

No other business was discussed.

Adjournment

Representative Schexnayder offered the motion to adjourn and with no objection, the meeting adjourned at 12:03 p.m.

Approved by LAAC on: November 15, 2018