

MINUTES OF THE MEETING OF THE
CADDO PARISH COMMISSION'S
AUDIT & FINANCE COMMITTEE
HELD ON THE 10TH DAY OF NOVEMBER, 2022

The Caddo Parish Finance Committee met in legal session on the above date at 12:00 p.m., in the Government Plaza Chambers Conference Room, with Mr. Atkins, Chairman, presiding, and the following members in attendance: Commissioners Atkins, Jones, and Lazarus (3). ABSENT: Commissioner Jackson (1).

Mr. Lazarus gave the invocation, and Mr. Chavez led the Committee in the Pledge of Allegiance.

NEW BUSINESS

- *Internal Audit of Purchasing and Procurement Services*

Kailey Armbruster, with Postlethwaite & Netterville (P&N), explained that an internal audit of the Caddo Parish purchasing and procurement process was conducted to assess applicable internal controls, compliance with regulations, and compliance with internal policies and procedures. The following areas were included in the scope are the bid process, including compliance with Louisiana Public Bid Law, purchase order process, and procurement/purchase card process. Mrs. Armbruster said that P&N performed interviews with purchasing department personnel, obtained performance sample testing on bids, purchase orders, and p-cards, and made five observations. She explained that one high-risk observation has identified one employee's ability to exceed their P card monthly limit. They notified the vendor bank and management identified two additional card holders being able to exceed their monthly limits.

Mrs. Barnett said that JP Morgan is the Parish's current p-card administrator and that JP Morgan was unable to provide a definitive answer for why a p-card has exceeded their monthly limit. Mrs. Barnett also said that Finance is looking into changing p-card providers. Mr. Atkins wanted to know how p-card limits are designated. Mrs. Barnett responded that p-cards have a limit on how much could be spent per month and per transaction. She explained that the employee is staff of the Facilities and Maintenance Department, and their limit is \$500 per transaction or \$1,500 per month. Mrs. Barnett said that JP Morgan explained that transactions can take place due to its transaction date versus its posting date. Mrs. Barnett explained that the employee did not do anything wrong and that it was not staff negligence, because Finance management did not know that the instance could occur. Dr. Wilson commented that technicians have a purchase card to order supplies from Home Depot or Lowe's, receive it and do a job.

Mrs. Armbruster said that each item would not be considered moderate risk in isolation, but the combined observations are considered moderate risk. Mrs. Armbruster said that the Parish purchasing policies and procedures required department head approval of requisitions; however, department head approval was not always obtained for purchase orders. Mrs. Armbruster also said that three quotes were not always obtained for purchases where it was required by Parish purchasing policies and procedures or recommended by the Louisiana Legislative Auditor. The other moderate observation was related to the bid process. Mrs. Armbruster said that a bid funded via ordinance was awarded before the ordinance was passed and final approvals were obtained. Mrs. Armbruster explained that there were two low-risk observations related to outdated policies and procedures and some p-card processes. She said that P&N provided individual recommendations on the page of observations, which is found in the report. Mrs. Armbruster said that the overall recommendation P&N made to management was to perform a full analysis of the population of p-card transactions to identify any additional instances of cardholders that may be exceeding their monthly limit and, if necessary, consider a new p-card vendor. Mrs. Barnett said Finance manually reviews receipts, but now Finance must ensure limits are not violated. She said that they are working with the Parish's current fiscal agent, Origin, which has a purchasing card service that is more robust than JP Morgan.

Mr. Chavez wanted to know if the Parish could use American Express. He explained that with American Express users can manually set limits and the process is automated. Mr. Chavez said that his employees can dictate which SIC codes they can use and what they cannot use, which means they cannot go to a specific business. Mrs. Barnett responded that the Parish has the same coding process that limits where p-card card holders can use their cards. She explained that she had never looked at American Express and has always worked with banks. Mr. Chavez said he can see what his employees are buying and where via email alerts. He also commented that American Express offers cashback on plane tickets.

Mrs. Armbruster explained that P&N recommended that management should ensure the policies and procedures for the purchase order process are followed in accordance with internal policies and procedures, as well as, recommended by the Louisiana Legislative Auditor. In addition, management should consider setting up a new formal process for bids funded via work events. Mrs. Barnett commented that typically any projects that require a bid are established during the budget process. Mrs. Barnett explained that the bid was ready, and Finance was waiting to award it. Mrs. Valarie Gunn, Finance Purchasing Manager, was watching the Commission meeting where the item was on the agenda to get a timeline for Finance to push it. Mrs. Barnett explained that the Commission voted unanimously to move the ordinance to Thursday's Regular Session. Mrs. Barnett said Finance was eager to get moving and awarded the bid a few days before the Commission passed the ordinance. She also said Finance has included on their checklist the date that an ordinance was adopted, so Finance can ensure that an ordinance was adopted instead of just being moved to Thursday's meeting.

Mr. Chavez wanted to know why the Parish must follow a three-bid process. Mrs. Gunn responded that in this case of the gateway signs, Finance has experienced bidders not submitting a quote. Mrs. Gunn explained that if one quote is received, then Finance contacts the vendor directly to request a quote. She further explained that Finance documents when a vendor does not provide a quote. Mr. Atkins wanted to know if the Parish only receives one quote after contacting three vendors, does Finance have to seek two more. Mrs. Gunn responded that Finance does not because it is not required by public bid law. Mr. Atkins wanted to know if the quotes must be requested or received. Mrs. Gunn responded that she would research for clarification on whether receiving bids is a shall, must or required. Dr. Wilson pointed out that regardless of the situation, bids may be requested but not awarded. Mr. Atkins wanted to know if asking for three bids is sufficient in compliance with the law. Dr. Wilson responded that historically the Parish placed bids to repair the marble columns of Government Plaza, but there were only two vendors locally that could do the job. Dr. Wilson said that the third bid came from out of state and pointed out that bids may be limited by the craft. Mrs. Bryant said Finance and Administration must document efforts to receive bids.

Mr. Chavez wanted to know how bids were presented and if bids are presented in the most efficient and effective manner. Mrs. Armbruster responded that P&N looked at the sample of bids and compared it to internal policies and procedures and Public Bid Law and did not find anything weird. Mrs. Gunn commented that public bids are advertised on Bid Express and with the Louisiana State General Contractors. She said that contract bids have outreach outside the community and Shreveport-Bossier area. Mrs. Gunn said that anybody can bid on a public bid, but Finance reaches out to known companies if a bid is under a particular threshold. Mrs. Gunn said that the threshold for public bids is for projects over \$60,000 and any projects under the threshold requires three quotes up to \$30,000. For small purchases, like \$1,000, Finance can go direct to the vendor.

- *Internal Audit of Parish Administration And Legal*

Mrs. Armbruster explained that P&N completed an internal audit of Caddo Parish Administration and Legal was conducted to assess compliance with internal policies and procedures and evaluate the underlying processes and applicable internal controls. The following areas were included in the scope Parish goals development and monitoring, Public records requests, Litigation matters including settlements, and Parish Administration Office and Parish Attorney Office travel expenses. Mr. Atkins wanted to know how P&N choose what to review because Administration does a lot more than those things. Mrs. Armbruster responded that P&N met with Administration to decide where to add the most value and to

understand what Administration's responsibilities are. Mrs. Bryant said much of what the Administration does is based on the department's processes, and the audit distinguished what Administration does in the business outside of those departments. Mrs. Armbruster said that P&N obtained the Parish Charter to understand the responsibilities of the Parish Administrator's Office, performed interviews and process walkthroughs in August 2022 with Caddo Parish Administration and Parish Attorney's Office personnel, performed sample testing to determine if departmental goals were monitored on an ongoing basis from January 1, 2022, through August 15, 2022, and performed sample testing to determine if travel expenditures incurred by employees of the Parish Administrator's Office and Parish Attorney's Office during June 1, 2021, through June 30, 2022 was for business purposes and complied with the Caddo Parish travel policy. Mr. Atkins explained the risk ranking of the observations in the P&N report to Mr. Jones.

Mrs. Armbruster explained that P&N observed three moderate risks. Mrs. Armbruster said that based on the procedures performed, travel expenses corresponding with employees of the Parish Administrator's Office and Parish Attorney's Office were related to business travel; however, the Parish Travel Guide was outdated and did not reflect current practices. As a result, documentation was not always maintained in alignment with the travel guide. Mrs. Armbruster said that the process to monitor departmental goals was not formalized. Mr. Atkins requested that Dr. Wilson provide an example of their goals. Dr. Wilson responded that each department identifies their department goals with many of those goals are five-year plans that Administration and Finance approves the goals before they are introduced to the budget process. Mrs. Bryant commented that departments provide Administration a biweekly status report and P&N recommends that Administration ensure goals are in the reports. Mr. Atkins commented that the Administration's process is aligning activities to goals. Dr. Wilson said one goal of Facilities and Maintenance is to install LED lights in all the Parish buildings included in the funding budget process. Dr. Wilson said that every two weeks Administration has staff meetings to review goals. Mrs. Armbruster said that in the Parish Attorney's Office, P&N observed the process for receiving, monitoring, or assigning public record requests was not consistent or documented, the review and approval process for high dollar litigation settlement amounts was not formalized, and the legal file room was not always kept locked, leaving sensitive legal documents accessible to Caddo Parish employees.

Mrs. Armbruster said that there were two low-risk observations. She explained that while departmental goals were developed as part of the annual budget process, there was no formal process for departmental goal review and approval by the Parish Administrator. Further, there was no process to align departmental goals with overall Parish goals. The other low-risk observation explained that departmental policies and procedures were the responsibility of the Parish Administrator's Office; however, there was no tracking process to ensure that departmental policies and procedures were reviewed on a scheduled basis. Mrs. Armbruster said that there were no formal or documented policies and procedures established for the Parish Attorney's Office.

Mr. Armbruster said that the overall recommendations for each of the individual observations were included in the report. The recommendations were:

- Management should update the Parish Travel Guide and consider performing a comprehensive travel expense audit to include all Parish entities.
- Management should consider establishing a formal review and approval process for the development of departmental goals and a formal process to monitor and supervise approved departmental goals.
- Management should consider establishing a formal review process to ensure that departmental policies and procedures are reviewed and approved on an on-going basis. Further, Management should evaluate areas of the Parish Attorney's Office function where policies and procedures should be established.
- Management should consider establishing additional procedures to the public records request process, such as creating educational materials to Parish

departments, centralizing the receipt of requests, and establishing a system to monitor requests.

- Management should consider developing an approval process for litigation settlements.
- Management should ensure that legal documents are physically secured and are not accessible to individuals outside of the Parish Attorney's Office.

Attorney Frazier commented that the public records requests and answers were documented in two separate places. Mrs. Armbruster said that the process was not documented. Attorney Frazier said the Legal Department maintains their records for public records requests and answers and is documenting their process. Attorney Frazier explained that the Legal Department is seeking a centralized mailbox where public records requests could be sent to, which would streamline the process across the organization, to be input in the newly developed system to track public records requests. Mr. Atkins wanted to know how many public records requests does Legal receive in one month. Attorney Frazier responded that without animal reports they receive four to five requests per month, and with animal reports they receive about ten to 20 requests. Dr. Wilson commented that any public records requests he receives is directly sent to Legal and agreed with Attorney Frazier to centralize where requests are sent. Attorney Frazier commented that Legal will lock the file room. Attorney Frazier said that Legal will provide written memos regarding litigations to Dr. Wilson and the memo will be included in the litigation files. Mr. Atkins wanted to know if the Commission would hear about all settlements. Attorney Frazier responded that any of the Parish settlements could not be disclosed in public meetings, but Legal would have to discuss the settlements one-on-one upon request. Mr. Atkins commented that the Commission should be notified of a settlement. Attorney Frazier responded that the Parish's money is not paying for the settlement. She explained that settlements are paid by the insurer and the insurer has the final approval on a settlement. Attorney Frazier said that the Parish pays the first \$50,000, the insurer selects attorneys and the attorneys determines whether the Parish should try a case. Mr. Atkins said that the oversight commission should be aware of settlements. Dr. Wilson commented that the Charter keeps the Commission out of the process. Mrs. Bryant commented that the Commission appropriates dollars for a claim settlement and that Administration determines how expenditures will occur. Mr. Atkins wanted to know how much the Commission appropriates. Mrs. Bryant responded that the limit is \$150,000 to \$200,000. Mrs. Bryant said that any claim over \$50,000 is handled by the insurer. Mrs. Bryant explained that if there is a significant settlement, Administration and Legal would inform the Commission. Mr. Atkins wanted to know what makes a settlement significant. Attorney Frazier responded that the Parish Administrator is always notified of settlements and that it would be in the Parish Administrator's purview to determine whether a settlement is significant. Dr. Wilson wanted to know how many settlements Legal has per year. Mrs. Barnett responded that to pull a settlement for P&N to audit, she had to go back at least three years. Mr. Atkins said that if a settlement were significant, it would affect the budget and the Commission would have been aware of it.

- *Internal Audit of Parish Administration And Legal*

Mrs. Laura Soileau discussed the 2022 internal audit status update and the internal audit follow up activities. Mrs. Soileau explained that the auditable areas of the approved internal audit plan for the P&N contract for 2022 include public works, Finance, and Parish Administration and Legal. Mrs. Soileau said that P&N will finalize their Finance and Parish Administration and Legal Audit reports then distribute them to the responsible and appropriate parties. She stated that in August 2022, P&N has issued the Public Works audit report. Mrs. Soileau pointed out that the internal audit follow-up activities report shows the completed follow up activities going back to 2018. She explained that P&N has completed some preliminary follow up procedures for the Information Systems audit completed in 2021. Mrs. Soileau mentioned that some observations were still being addressed and that P&N would like to follow up on those observations in 2023. Mr. Atkins asked Dr. Wilson about the hold up in the Information Systems department. Dr. Wilson responded that the Information Systems department will be coming up. Mrs. Barnett explained that the Information Systems is working on the cyber attack and the multi-level authorization. Mrs. Soileau commented that P&N initially did their follow up work in late Spring, early Summer and that there were

some things that required more time and effort to address. Mrs. Barnett said that in the last couple of months Finance has experienced increased expenditures for a third party to help protect from cyber-attacks. Dr. Wilson commented that the Parish and the agency had finally come to a position to move forward with their service and enhance security. Mrs. Soileau said that based on the observations from the 2022 audits, the follow ups for any high or moderate observations would be completed in 2023. She explained that P&N does not do follow ups on low-risk observations.

Mrs. Soileau pointed out that Appendix A is a snap shot of the areas covered in contract years one through four and that Appendix B is a list of auditable areas. Mrs. Soileau explained that when P&N responded to the RFP for internal audit services in 2017-2018, the RFP included a list of auditable areas that P&N used as a foundation for areas to include in their risk assessment. Mrs. Soileau said that P&N has completed an audit in each of the overall auditable areas over the last five years. She also said that Human Resources and Information Systems were listed as sub areas of Finance, so P&N identified the departments into separate auditable areas. Mrs. Soileau said that if P&N continues their work in 2023, then P&N could have an agreement on audit expectations for 2023 be provided. She explained that P&N could begin an early risk assessment.

Mr. Atkins wanted to know what the highlighted areas of Appendix B represents. Mrs. Soileau responded that green highlighted areas are areas that have already been audited, the yellow highlighted areas are the sub areas that were added by P&N, and the red highlighted areas are Parish funded agencies that have been removed from auditable areas. Mr. Atkins wanted to know what Mrs. Barnett's objective is for the meeting. Mrs. Barnett responded that the current contract with P&N ends after 2022. Mrs. Barnett explained that P&N does three auditable areas per year and Administration and Finance have discussed reducing auditable areas to two per year. Mrs. Bryant commented that Administration works with P&N for a recommendation, which is brought to the Finance Committee and then to the full body. Mr. Atkins requested for P&N for reduce the list of auditable areas of only areas that have not been audited and present it to the full body. Mrs. Bryant commented that the Finance Committee does not have to take a vote, but it is in the policy that P&N must present a report to the Committee and Administration.

It was **moved by Mr. Lazarus**, seconded by Mr. Jones, *to request Administration to provide the Committee with three or four auditable areas for 2023. Motion carried*, as shown by the following roll call votes: AYES: Commissioners Atkins, Jones, and Lazarus (3). NAYS: None (0). ABSENT: Commissioner Jackson (1). ABSTAIN: None (0).

There being no further business to come before the Committee, the meeting was adjourned at 12:47 p.m.



Linda J. Montgomery
Office Specialist I