

# Plaquemines Parish Government

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## INTERNAL AUDIT DEPARTMENT

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## Council Members

District 1 - John L. Barthelemy Jr.  
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## MEMORANDUM

**To:** Council Member Mr. Benny Rousselle  
Chair - Audit Committee

**Date:** July 10, 2018

Council Member Ms. Audrey Trufant - Salvant  
Audit Committee Member

Council Member Mr. Irvin Juneau  
Audit Committee Member

**From:** Randy A. Duke, CPA, CIA, CIGA  
Chief Internal Auditor

**Re:** The Ferries Department Internal Audit Follow-Up Report  
**Project # 2018-01**

### **Background:**

In accordance with the PPG Charter Section 7.08: Audit Committee. The Internal Audit Department has performed a follow-up audit of the Plaquemines Parish Ferries Department.

**Objectives, scope and methodology:** Internal Audit Standard 2500.A1 - The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

My **objective and methodology** were as follows:

- 1) To determine compliance with Internal Audit Standard 2500.A1. 2500.A1 - The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

The scope of the audit was the Ferries Internal audit report dated January 26, 2018.

### **Professional Standards:**

The audit was conducted in accordance with the Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing, (the Red Book).

**Conclusions:** Because of the high risk related to the theft of cash, best practice discourages the use of cash whenever possible. The recommendations/controls that the Internal Auditor has stated in this report will improve the Ferries internal controls and help to reduce the risk that cash could be misappropriated. However, it is noted that management accepts the risk of not implementing certain Internal Audit recommended controls as stated in the Internal Audit Standard 2500.A1 under Objectives, scope and methodology section.

### **Acknowledgements:**

The Internal Audit Department would like to thank Mr. Joel Horton the Ferries Manager for his cooperation and assistance while conducting the follow-up audit.

cc: Mr. Amos Cormier III, President of Plaquemines Parish Government  
Mr. Michael Jiles, Director of Public Service  
Mr. Joel Horton, Ferries Manager  
Mr. Jim Peoples C.P.A. Director of Administration  
Mr. Tommy Serpas, C.P.A. Manager of Finance

**FOLLOW-UP INTERNAL AUDIT OF  
THE FERRIES DEPARTMENT**

<b>Observation # 1</b>		
<u>Ferries Profit or Loss</u>		
<b>Condition:</b> The Ferries Departments generated a loss during 2016 and 2017, as noted below.		
<i>Ferries</i>	<b><u>2016 Actual</u></b>	<b><u>2017 Actual</u></b>
Cash Collections (Budget Report)	\$437,303.50	\$389,901.00
Expenditures (Budget Report)	\$4,227,428.96	\$3,720,616.43
<b>Total</b>	(\$3,790,125.46)	(\$3,330,715.43)
<b>Recommendation:</b> Determine the Ferries Department profit breakeven point.		
<b>Status:</b> The Ferries Department is operating at a loss. The cost to operate the Ferries (toll expenses) are more than the toll collections (revenue).		
<b>Auditor's Response:</b> It appears that the Parish is willing to accept the benefit of having this service even through the Ferries are operating at a loss to the taxpayers.		
<b>Exposure:</b> A loss to the taxpayer's in the amounts of (\$3,790,125.46) and (\$3,330,715.43) during 2016 and 2017 respectively.		
<b>Management Response:</b> No current management response.		
<b>Responsibility for Action(s)</b> Mr. Michael Jiles, Director of Public Services, Joel Horton Ferries Department Manager		

<b>Observation # 2</b>		
<u>Time Clocks</u>		
<b>Condition:</b> Ferries Department doesn't use a time clock. If a crew member (not just deckhands) doesn't show up for work, the vessel does not leave the dock until they have a full crew. A crew member calls the Ferries Manager to let him know if someone doesn't show up or is late for work and he will adjust their time sheets.		
<b>Recommendation:</b> The internal auditor is in agreement with the Ferries Department that a time clock is not necessary. The Ferries Department has the following compensating control in place. If a crew member (not just deckhands) doesn't show up for work, the vessel does not leave the dock until they have a full crew. A crew member calls the Ferries Manager to let him know if someone doesn't show up or is late for work and he will adjust their time sheets.		
<b>Status:</b> As per the initial audit, the Ferries department does not use a time clock system but it uses a time adjustment system, whereas the Ferries department manager is contacted whenever crew members are tardy or absent and he adjusts their timesheets accordingly.		
<b>Auditor's Response:</b> The Ferries Department does not use a time clock. There is a compensating control in place. If the entire crew is not present for work or on time, then the vessel does not leave the dock until all hands are on deck, and the crew member will have their timesheets adjusted.		
<b>Exposure:</b> At this time, the compensating control reduces the risk of employee payroll fraud to an acceptable level. However, if employee time issues arise in the future a time clock should be implemented.		
<b>Management Response:</b> No current management response.		

**Responsibility for Action(s)** Mr. Michael Jiles, Director of Public Services, Joel Horton Ferries Department Manager

**Observation # 3**

**Consideration of Toll Tags and Credit Cards**

**Condition:** Because of the high risk related to the theft of cash, best practice discourages the use of cash whenever possible.

**Recommendation:** The Ferries Department should look into the cost benefit analysis of converting from a cash collection system to credit card system to reduce this cash risk. In addition, the possibility and the cost of using a toll tag system similar to the Causeway can be considered.

**Status:** The Ferries department is on a cash collection system.

**Auditor's Response:** To reduce the risk of the theft of cash a credit card or toll system should be implemented.

**Exposure:** Because of the high risk related to the theft of cash, best practice discourages the use of cash whenever possible.

**Management Response:** No current management response.

**Responsibility for Action(s)** Mr. Michael Jiles, Director of Public Services, Joel Horton Ferries Department Manager

**Observation # 4**

**Cash Management**

**Condition:** The deckhand collects the cash from the customers and takes the money to the Pilot House. The captain confirms the cash collected and places the money into an unlocked desk drawer in the Pilot House. At the end of the shift the captain and the deckhand review the money collected and the captain drops the money into the safe. Joel Horton or Anthony Cacioppo collects the money from the safe and makes the bank deposit.

**Recommendation:** The money should be put into a locked desk drawer in the Pilot House until the bank deposit can be made. Mr. Joel Horton and Mr. Anthony Cacioppo should be the only ones that that have the keys to the desk drawer.

**Status:** A lock on the desk drawer in the pilot house has been implemented.

**Auditor's Response:** To reduce the risk of cash theft, management is locking the cash money drawer.

**Exposure:** Management has reduced the risk by locking the cash money drawer.

**Management Response:** No current management response.

**Responsibility for Action(s)** Mr. Michael Jiles, Director of Public Services, Joel Horton Ferries Department Manager

**Observation # 5**

**Independent Reconciliations**

**Condition:** There does not appear to be an independent employee that separately checks the number of vehicles getting on the **Ferries** and then calculates the cash collected and reconciles this amount to the deckhand and captain cash collections. (Calculations in accordance with

Council Ordinance No. 15-158).
<b>Recommendation:</b> Have an independent employee that separately checks the number of vehicles getting on the Ferries and then calculates the cash collected and then reconciles this amount to the deckhand and captain cash collections. (Calculations in accordance with Council Ordinance No. 15-158). Any difference noted are investigated and resolved.
<b>Status:</b> The cash is collected by the deckhand and captain, and then the Ferries manager reconciles the cash collections.
<b>Auditor's Response:</b> To reduce the risk of cash theft there should be an employee who is independent to reconcile cash to the vehicle count.
<b>Exposure:</b> Without proper segregation of duties the risk that cash could be misappropriated is increased.
<b>Management Response:</b> No current management response.
<b>Responsibility for Action(s)</b> Mr. Michael Jiles, Director of Public Services, Joel Horton Ferries Department Manager

<b>Observation # 6</b>
<b>Customer Receipts</b>
<b>Condition:</b> In most instances a customer receipt is not provided.
<b>Recommendation:</b> Ferries customers should receive a detailed numbered customer receipt.
<b>Status:</b> Ferries does not issue receipts unless requested by customer
<b>Auditor's Response:</b> Ferries Department should provide a receipt with each transaction. Providing receipts would vastly improve the end of the day reconciliations of cash collected.
<b>Exposure:</b> The risk of cash theft is increased by not having this control (customer receipts) in place.
<b>Management Response:</b> No current management response.
<b>Responsibility for Action(s)</b> Mr. Michael Jiles, Director of Public Services, Joel Horton Ferries Department Manager

<b>Observation # 7</b>
<b>Performance of Periodic Surprise Cash Counts</b>
<b>Condition:</b> It does not appear that periodic surprise cash counts are performed.
<b>Recommendation:</b> Surprise cash counts should be performed periodically by an independent employee.
<b>Status:</b> Periodic surprise cash counts by an independent employee are not conducted.
<b>Auditor's Response:</b> Surprise cash counts should be implemented.
<b>Exposure:</b> The risk is of cash theft is increased without surprise cash counts.
<b>Management Response:</b> No current management response.

**Responsibility for Action(s)** Mr. Michael Jiles, Director of Public Services, Joel Horton Ferries  
Department Manager

**Observation # 8**

**Segregation of Duties**

**Condition:** At the end of the shift the captain and deckhand review the collections and the captain drops the deposit into the safe. The captain prepares the cash deposit and the deposit ticket.

**Recommendation:** Another employee that does not handle the cash should prepare the cash deposit and deposit ticket.

**Status:** The cash collections reviewed are still conducted by boat captain and deckhand and dropped into safe box.

**Auditor's Response:** A manager should on a nightly basis come in and review all the cash collections and prepare the collections for deposit with the captain and deckhand present.

**Exposure:** There is an increased risk of cash theft without this control in place.

**Management Response:** No current management response.

**Responsibility for Action(s)** Mr. Michael Jiles, Director of Public Services, Joel Horton Ferries  
Department Manager