

Little Rock Wastewater

Independent Accountants' Report on Application of Agreed-Upon Procedures

January 28, 2014

BKD^{LLP}
CPAs & Advisors

Little Rock Wastewater
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Little Rock Sanitary Sewer Committee
Little Rock Wastewater
Little Rock, Arkansas

We have performed the procedures enumerated in the attachment to this report, which were agreed to by the Little Rock Sanitary Sewer Committee (the Committee), solely to assist you with respect to the investigation into utility expenditures related to moving mobile homes owned by Stan Miller to Fourche Creek Treatment Facility property (Fourche), nonemployee access to secured Little Rock Wastewater (Utility) property, and other matters related to mobile homes that were moved to Fourche or any other Utility property. The management of the Utility is responsible for its aforementioned items. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report for the purpose for which this report has been requested or for any other purpose.

The findings obtained are described in the attachment to this report.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified accounts and items described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

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1. In regards to Utility expenditures for labor and materials to move a mobile home belonging to Stan Miller, Operations Manager, to the Fourche Creek Treatment Facility property, as identified by the Committee:

- A. Conduct interviews with Utility Management¹ in order to obtain an understanding of current policies and procedures related to utility expenditures and work orders.
- B. Obtain any existing documentation of Utility policy and procedures regarding Utility expenditures and work orders from Utility Management¹.
- C. Obtain from Utility Management¹ copies of work orders, invoices and receipts and other supporting documentation for the identified expenditures¹ and review for evidence of approval by Utility Management¹.
- D. Determine if the identified expenditure transactions and work orders were executed in accordance with documented policies and procedures or in a consistent manner along with other Utility expenditures based upon discussion with Utility Management¹.
- E. Report a listing of the identified expenditures, who approved the identified expenditures and whether they were executed and approved in accordance with the Utility's typical policies and procedures based upon work performed in A-D, above.

Findings

Refer to the Schedule of Identified Expenditures.

2. In regards to nonemployee access to the public utility:

- A. Conduct interviews with Utility Management¹ and the Utility Security Coordinator in order to obtain an understanding of current policies and procedures related to employee and nonemployee access to secured Utility facilities and property.

¹ Utility Management, for purposes of these procedures, consists of the Director of Administration & Community Relations, Accounting Supervisor and Accounting Supervisor-Capital Projects.

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- B. Obtain from Utility Management¹ and the Utility Security Coordinator and any existing documentation of Utility policies and procedures related to employee and nonemployee access to secured Utility facilities and property.
- C. Obtain from Utility Management¹ and the Security Coordinator copies of supporting documentation for the distribution of security access cards to Stan Miller and review for evidence of approval by Utility Management.
- D. Determine from the information obtained from procedures 2.A through 2.C, above, if the distribution of security access cards to Stan Miller were executed and approved in accordance with policies and procedures.
- E. Report findings as to who approved the distribution of security access cards to Stan Miller and whether they were executed in accordance with the Utility's typical policies and procedures based upon work performed in A-D, above.

Findings

BKD noted the Utility's typical documentation of security access card distribution for both of Stan Miller's cards which were approved by the Chief Executive Officer. The distribution of the cards was performed consistently with the Utility's typical process for distributing all access cards.

- 3. **In regards to the trailer or trailers that were located at Fourche or any other Little Rock Wastewater property:**
 - A. Conduct interviews with Utility Management¹ in order to obtain information related to mobile homes, not owned by the Utility, that were moved onto Utility property.
 - B. Determine the nature and purpose of locating mobile homes to Utility property from discussions in 3.A, and report the nature and purpose of each such situation identified in 3.A.

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Findings

Per our discussion with Utility Management, the nature and purpose of locating Stan Miller's mobile home to Fourche in 2013, as indicated by the Chief Executive Officer, was as a result of the superintendent of the Fourche Treatment Facility taking an immediate transfer to the Engineering Services Department along with the superintendent of the Little Maumelle Treatment Facility taking a position in the Engineering Services Department and, within a week of the transfer, left the Utility with no experienced or qualified supervision of a fairly young Operations Department staff. The Chief Executive Officer instructed Stan Miller to temporarily locate his mobile home and himself to Fourche so there would be a qualified operator on-site when and if issues occurred during this transition period. This was accomplished, and Mr. Miller removed the mobile home from Fourche for a short period of time. On December 1, 2013, Mr. Miller moved another mobile home back to Fourche. This time, the nature and purpose for moving back to Fourche was for Mr. Miller to be available to train and supervise newly hired operators.

Based upon information obtained from Utility staff by Utility Management, Mr. Miller moved his mobile home to the Adams Field Treatment Facility and was living there as far back as 2010. Also, Utility staff had indicated to Utility Management that at some point in 2012, Mr. Miller moved back into his mobile home on the property because his girlfriend at the time had "trashed" his house. Documentation of when the mobile home was moved to and from the Adams Field Treatment Facility was not available.

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Schedule of Identified Expenditures

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DATE	VENDOR	AMOUNT	PO #	VOUCHER #	VENDOR INV #	DESCRIPTION	WORK ORDER #	AUTHORIZED BY	Comment
06/27/13	Irby Electrical Distributors	246.46	N/A	N/A	S007642830.002	Credit card purchase for electrical supplies	1052507	Paul Goodson; Tracy Kerr	()
06/27/13	Wholesale Electric Supply	30.31	N/A	N/A	S3699207.001	Credit card purchase for electrical supplies	1052507	Paul Goodson; Tracy Kerr	()
06/28/13	Irby Electrical Distributors	47.74	N/A	N/A	S007642830.001	Credit card purchase for electrical supplies	1052507	Paul Goodson; Tracy Kerr	()
10/24/13	Irby Electrical Distributors	411.59	N/A	N/A	S007908330.001	Credit card purchase for electrical supplies	1067806	Billy Varnell P-Card Purchase; "Supervisor Signature" in system by Stacey Qualls	()
10/29/13	Irby Electrical Distributors	271.76	N/A	N/A	S007915871.001	Credit card purchase for electrical supplies	1067806	Billy Varnell P-Card Purchase; "Supervisor Signature" in system by Stacey Qualls	()
10/29/13	Irby Electrical Distributors	311.66	N/A	N/A	S007919555.001	Credit card purchase for electrical supplies	1067806	Stacey Qualls P-Card purchase	()
10/29/13	Irby Electrical Distributors	1,349.26	20215	51	S007919706.001-IN	Various items; all for Work Order #1067806	1067806	Stacey Qualls P-Card purchase	()
10/30/13	Home Depot	247.13	N/A	N/A	N/A	Credit card purchase for supplies	1067806	Camber Thompson; Joe Freyer; Stacey Qualls on Purchase Requisition	()
10/30/13	Hum's Hardware	13.60	N/A	N/A	N/A	Credit card purchase for supplies	1067806	Billy Varnell P-Card Purchase; "Supervisor Signature" in system by Stacey Qualls	()
10/30/13	Hum's Rental	399.88	N/A	N/A	148768	Credit card purchase for equipment rental	1067806	Kirley White P-Card Purchase; "Supervisor Signature" in system by Stacey Qualls	()
10/31/13	Irby Electrical Distributors	276.01	N/A	N/A	S007923135.002	Credit card purchase for electrical supplies	1067806	Kirley White P-Card Purchase; "Supervisor Signature" in system by Stacey Qualls	()
10/31/13	Fasenal	31.99	N/A	N/A	Ref ARIJT04499	Credit card purchase for supplies	1067806	Stacey Qualls P-Card purchase	()
10/31/13	Fasenal	10.42	N/A	N/A	Ref ARIJT04495	Credit card purchase for supplies	1067806	Joe Chism P-Card purchase; "Supervisor Signature" in system by Stacey Qualls	()
10/31/13	Irby Electrical Distributors	580.44	N/A	N/A	S007924773.001	Credit card purchase for electrical supplies	1067806	Billy Varnell P-Card purchase	()
10/31/13	Wholesale Electric Supply	12.15	N/A	N/A	S3812362.002	Credit card purchase for supplies	1067806	Stacey Qualls P-Card purchase	()
11/01/13	Irby Electrical Distributors	219.05	N/A	N/A	S007928929.001	Credit card purchase for electrical supplies	1067806	Billy Varnell P-Card purchase; "Supervisor Signature" in system by Stacey Qualls	()
11/04/13	Irby Electrical Distributors	100.99	N/A	N/A	S00793135.001	Credit card purchase for electrical supplies	1067806	Joe Freyer P-Card purchase; "Supervisor Signature" in system by Stacey Qualls	()
11/14/13	Granite Mountain Quarries	2,765.01	N/A	228	23256-IN	Various items, including \$750.17 for Work Order #1067806	1067806	Joe Freyer P-Card purchase; "Supervisor Signature" in system by Stacey Qualls	()
11/14/13	Granite Mountain Quarries	2,645.89	N/A	442	23533-IN	Various items, including \$539.37 for Work Order #1067806	1067806	Joe Freyer	()
11/21/13	Granite Mountain Quarries	1,441.77	N/A	441	23778-IN	Various items, including \$561.95 for Work Order #1067806	1067806	Joe Freyer	()
Total		\$ 11,323.11							

() Expenditure was executed and approved in accordance with the Utility's typical policies and procedures.