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Governmental Review and Outlook is written by various contributors at our firm to give our readers a brief overview of pertinent topics. You should obtain professional advice before making financial or tax decisions.

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and reduce administrative costs by implementing a formal procedure that encourages staff to provide feedback and cost cutting and/or service improvement ideas.

- Investigate ways to increase revenues by researching funding sources for grants as well as federal resources.
- Compare costs for goods and services and utilize state-negotiated contracts, competitive bidding, outsourcing or other alternatives.

B Recommends: *The practices noted above represent an excerpt of Best Financial Practices: Louisiana Local Government as prepared by the Louisiana Legislative Auditor. The entire booklet is available online at www.la.state.la.us. If you have questions, please contact Shaunna Landry in our Houma office.*



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Governmental Review & Outlook

Best Financial Practices for Local Government

By Shaunna D. Landry

Local governmental agencies provide a service to the public by managing the community's financial resources. This article serves to suggest practices for local governments to improve their cost efficiency and current practices in financial areas.

One frequent area of concern is management structure. In order for the government to ensure that public programs operate effectively and efficiently, there are several practices that can be utilized:

- Prepare organizational charts and job descriptions that clearly identify expectations.
- Periodically review organizational structures and staffing levels to minimize duplication of duties.
- Compare organizational structures against budget



documents as well as to other comparable governments.

- Board members exercise oversight of the entity and its resources. They should review detailed budget to actual activity by function and department on a monthly basis; open communication with staff regarding important financial considerations; solicit feedback from the public and other governments for significant financial considerations and proposed budgets; and comply with state laws (i.e. open meetings and public records law).

Prepare a multi-year strategic plan with annual goals and measurable objectives and update and assess these goals throughout the year.

- Consider the entity's technology needs and develop a strategic plan to evaluate and prioritize them.
- Evaluate ways to improve the quality of services

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Do You Have a Related Organization?

By Michelle A. Gauthreaux, CPA

The Governmental Accounting Standards Board has issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. It is effective now.

Organizations must apply the guidance of this statement for the assessment of potential component units in determining the financial reporting entity.

Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. A legally separate tax exempt organization should be reported as a component unit if **all** of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government or its constituents.
- The primary government is entitled to, or has the ability to otherwise access, a majority of the

economic resources received or held by the separate organization. (This does not require *control* over the organization or its re-



sources. The ability to otherwise access the resources of an organization is not necessarily whether there was an actual transaction during the period. For example, the primary government **historically** may have received, directly or indirectly, a majority of the economic resources provided by the organization, the organization previously may have received and honored requests to provide resources to the primary government, or the organization is a

financially interrelated organization.)

- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are **significant** to that primary government.

An organization that meets the criteria mentioned above should be included as a component unit in the primary government's financial statements. Those component units must be audited. The primary government's failure to include these audited financial statements as part of its financial statements may result in a qualified opinion for the primary government's year end audited financial statements due to a scope limitation.

Adjustments resulting from a change to comply with this statement should be treated as adjustments of prior periods.

B *Recommends: Should you have questions concerning the inclusion of an organization in your financial statements, contact Michelle Gauthreaux in our Houma office.*

Fair Pay: Overtime Security for the 21st Century Workforce

By Deanna M. Zeringue, CPA

After 50 years, the U.S. Department of Labor (DOL), Wage and Hour Division, has updated and clarified federal overtime pay rules. The requirements of the Fair Labor Standards Act (FLSA) became effective August 23, 2004.

Under the new regulations, overtime protection is guaranteed for workers earning less than \$23,660 per year or \$455 per week. Previously, workers earning \$8,060 per year or \$155 per week automatically qualified for overtime pay. Manual laborers or other blue collar workers who perform work involving repetitive operations with their hands, physical skill and energy and various emergency service workers will not be affected by the new rules. It is believed that employers and workers will have clearer guidance on their rights and responsibilities under wage and labor laws.

Under the new rules, the DOL predicts 1.3 million additional workers making less than \$23,660 annually and not currently receiving overtime pay will qualify for an additional

\$375 million in overtime wages and that few, if any, workers making between \$23,660 and \$100,000 will lose overtime pay. It also expects that approximately 107,000 workers now earning more than \$100,000 could lose overtime pay because of changes to the definition of "highly compensated employee". The DOL suggests that American businesses



will incur a one-time implementation cost of \$700 million, but realize in excess of \$1 billion in savings annually from reduced penalties and

legal fees resulting from overtime disputes

The FLSA provides the various exemptions from both minimum wage and overtime pay. To qualify for exemption, employees generally must meet certain tests regarding their job duties and be paid on a salary basis at not less than \$455 per week. The following are specific exemptions:

- Executive
- Administrative
- Professional – learned or creative professional
- Computer employee
- Outside sales
- Highly compensated employees – compensation of \$100,000 or more

B *Recommends: The new overtime pay rules can be confusing. If you need further assistance, please contact Deanna Zeringue in our Houma office. Additional information can be obtained from the U.S. Department of Labor Employment Standards Administration Wage and Hour Division at www.wagehour.dol.gov or 1-866-487-9243.*