

R E P O R T

HERBERT WALLACE MEMORIAL
VOLUNTEER FIRE COMPANY

DECEMBER 31, 2018 AND 2017

HERBERT WALLACE MEMORIAL
VOLUNTEER FIRE COMPANY

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DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

June 25, 2019

Board of Directors
Herbert Wallace Memorial
Volunteer Fire Company

Report on the Financial Statements

We have audited the accompanying financial statements of the Herbert Wallace Memorial Volunteer Fire Company (a Louisiana nonprofit corporation) which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Herbert Wallace Memorial Volunteer Fire Company as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to agency head or chief executive officer on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of the Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, LA

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 644,866	\$ 708,161
Accounts receivable	<u>18,899</u>	<u>64,700</u>
Total current assets	<u>663,765</u>	<u>772,861</u>
 PROPERTY AND EQUIPMENT:		
Building and improvements	163,108	149,984
Equipment	234,586	226,368
Furniture and fixtures	109,161	106,614
Vehicles	<u>59,612</u>	<u>59,612</u>
Total	<u>566,467</u>	<u>542,578</u>
Less: accumulated depreciation	<u>(296,335)</u>	<u>(243,391)</u>
Net property and equipment	<u>270,132</u>	<u>299,187</u>
 TOTAL ASSETS	 <u>\$ 933,897</u>	 <u>\$1,072,048</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accrued liabilities	<u>\$ 15,722</u>	<u>\$ 18,564</u>
Total current liabilities	<u>15,722</u>	<u>18,564</u>
 NET ASSETS:		
Without donor restrictions	<u>918,175</u>	<u>1,053,484</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 933,897</u>	 <u>\$1,072,048</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUES:		
Jefferson Parish contract	\$ 756,000	\$ 739,990
Jefferson Parish capital purchases	49,526	-
Jefferson Parish insurance rebate	16,209	17,691
Insurance rebates	22,547	27,879
Other revenue	552	556
Total revenues	<u>844,834</u>	<u>786,116</u>
EXPENSES:		
Firefighting	833,794	792,821
Support services:		
Administrative and general	<u>146,349</u>	<u>134,101</u>
Total expenses	<u>980,143</u>	<u>926,922</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(135,309)	(140,806)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF PERIOD	<u>1,053,484</u>	<u>1,194,290</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ 918,175</u>	<u>\$ 1,053,484</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Firefighting</u>	<u>Administrative and General</u>	<u>Total</u>
EXPENSES:			
Auto repairs and upkeep	\$ 9,670	\$ -	\$ 9,670
Depreciation	52,944	-	52,944
Dues and fees	-	225	225
Insurance	145,886	16,210	162,096
Meeting expenses	-	1,827	1,827
Miscellaneous	25	1,381	1,406
Office expense	-	1,832	1,832
Payroll service	-	6,839	6,839
Payroll taxes	44,752	4,972	49,724
Professional services	-	19,620	19,620
Repairs - equipment, radios, trucks	34,765	-	34,765
Salaries	536,637	59,626	596,263
Station supplies	-	8,785	8,785
Telephone	-	2,508	2,508
Training and supplies	6,867	-	6,867
Uniforms	2,248	-	2,248
Utilities	-	22,524	22,524
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 833,794</u>	<u>\$ 146,349</u>	<u>\$ 980,143</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Firefighting</u>	<u>Administrative and General</u>	<u>Total</u>
EXPENSES:			
Auto repairs and upkeep	\$ 10,863	\$ -	\$ 10,863
Depreciation	46,529	-	46,529
Dues and fees	-	319	319
Employee benefits	-	307	307
Insurance	123,612	13,735	137,347
Meeting expenses	-	1,241	1,241
Miscellaneous	1,321	1,212	2,533
Office expense	-	2,393	2,393
Payroll service	-	6,991	6,991
Payroll taxes	42,798	4,755	47,553
Professional services	-	13,965	13,965
Repairs - equipment, radios, trucks	25,902	-	25,902
Salaries	529,046	58,783	587,829
Station supplies	-	7,783	7,783
Telephone	-	2,405	2,405
Training and supplies	598	-	598
Uniforms	12,152	-	12,152
Utilities	-	20,212	20,212
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 792,821</u>	<u>\$ 134,101</u>	<u>\$ 926,922</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (135,309)	\$ (140,806)
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	52,944	46,529
Decrease in accounts receivable	45,801	300
(Decrease) Increase in accrued liabilities	<u>(2,842)</u>	<u>3,136</u>
Net cash used by operating activities	<u>(39,406)</u>	<u>(90,841)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	<u>(23,889)</u>	<u>(58,426)</u>
Net cash used in investing activities	<u>(23,889)</u>	<u>(58,426)</u>
 DECREASE IN CASH	(63,295)	(149,267)
 Cash and cash equivalents at beginning of period	<u>708,161</u>	<u>857,428</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 644,866</u>	<u>\$ 708,161</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

ORGANIZATION:

The Herbert Wallace Memorial Volunteer Fire Company (the fire company) began operating as a nonprofit corporation on March 17, 2003 to provide the citizens in the Seventh Fire Protection District with fire protection and related services. The fire company also responds to emergencies such as floods and hurricanes. The fire company operates one fire station and has ten paid employees and no volunteers. The fire company's main source of revenue is a fire protection contract with Jefferson Parish effective for the period September 2, 2014 through September 2, 2023. The contract was adopted by the Jefferson Parish Council on February 5, 2014 by resolution number 122371.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the fire company's significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting and Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

- a) *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Revenues are reported as increases in net assets without restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions.
- b) *Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Sources of Revenue:

The Herbert Wallace Memorial Volunteer Fire Company is one of five contractual fire companies of the Seventh Fire District, Parish of Jefferson. The Seventh Fire District of the Parish of Jefferson levies an ad valorem tax on assessed property of the district. The sum of this collection is distributed to the five contractual volunteer fire companies of the district on a monthly pro-rata basis. The monthly allocation to the fire company for 2018 was \$63,000. The monthly allocation to the fire company for 2017 was \$61,666.

The fire company also participates in a fire insurance tax rebate program with Jefferson Parish. Jefferson Parish receives a rebate on the State of Louisiana's two percent (2%) fire insurance tax collected by the Commissioner of Insurance. The State of Louisiana determines the amount to be received by each fire district based on total population served. The Herbert Wallace Memorial Volunteer Fire Company shares in the amount received by the Seventh District with each of the other four fire companies. The insurance rebate received during 2018 and 2017 was \$16,208 and \$17,691, respectively.

Property and Equipment:

The fire company capitalizes purchases of assets with a cost of \$500 or more. Property and equipment consists of equipment, vehicles, and furniture and fixtures that are carried at historical cost. All assets are depreciated over their estimated useful lives (ranging from five to ten years) on the straight-line basis. Property and Equipment for 2018 and 2017 was \$933,897 and \$1,072,048, respectively. Depreciation expense for 2018 and 2017 was \$52,944 and \$46,529, respectively.

The fire company's policy is to depreciate the equipment over their estimated useful lives using the straight-line method and to annually evaluate the remaining useful lives. It is at least reasonably possible that the fire company's estimate of the remaining useful lives will change in the near term. Routine repairs and maintenance are expensed as incurred.

Cash and Cash Equivalents:

For the purposes of reporting of cash flows, the fire company considers cash in operating bank accounts, demand deposits, cash on hand, and highly-liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. Supplemental disclosures of cash flow information are as follows:

Cash paid during the year for:			
Interest	\$	-	\$ -
Income Taxes	\$	-	\$ -

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deposits:

The fire company maintains cash balances at Capital One Bank and Regions Bank. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution.

At December 31, 2018 and 2017, cash balances at Capital One Bank exceeded the FDIC limitation by \$177,151 and \$215,593, respectively. Cash balances at Regions Bank exceeded the FDIC limitation by \$0- and \$272 at December 31, 2018 and 2017.

Donated Services:

Amounts have not been reflected in the financial statements for donated services because the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the fire company's program services.

New Accounting Pronouncement

During the year ended December 31, 2018, the fire company adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is a change in the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with restrictions. A footnote on liquidity and availability of financial statements has also been added to the financial statements (Note 10).

2. INCOME TAXES:

The fire company is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit organization and, accordingly, the financial statements do not reflect a provision for income taxes. The fire company's federal Return of Organization Exempt from Income Tax (Form 990) for 2018, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they are filed.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. COMPENSATED ABSENCES:

The fire company's policy is that unused compensated absences cannot be carried over to the subsequent year. If vacation time is not utilized by December 31 of each year, the time is forfeited. Due to this policy there is no liability for compensated absences as of December 31, 2018 and 2017.

5. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the fire company, they are not included in these financial statements.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS:

FASB ASC 825-10, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The book value of cash and cash equivalents, accounts receivable, and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

7. ECONOMIC DEPENDENCY:

Substantially all of the fire company's public support is derived from funds provided by Jefferson Parish. The fire company has a 10-year contract with Jefferson Parish, effective September 2, 2014, under which the fire company receives a percentage of certain ad valorem taxes assessed within the Seventh Fire Protection District of Jefferson Parish, as well as additional funding from sales taxes and fire insurance rebates. Management is not aware of any plans on the part of Jefferson Parish to terminate the contract.

8. USE OF ASSETS OWNED BY JEFFERSON PARISH:

The fire station and fire trucks are owned by Jefferson Parish. The fire company uses these assets as part of the contract with Jefferson Parish. All other equipment is owned by the fire company.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

9. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These allocations are based upon management's estimate of usage applicable to conducting the programs and supporting services.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the fire company's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

	<u>2018</u>	<u>2017</u>
Financial assets, at year end:		
Cash and cash equivalents	\$ 644,866	\$ 708,161
Accounts receivable	18,898	64,700
Total financial assets at year end	663,764	772,861
Less contracted or donor-imposed restrictions:		
Total contractual or donor-imposed restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 663,764	\$ 772,861

11. LITIGATION:

The fire company was a defendant in a lawsuit filed by a former employee for wrongful termination and slander. The fire company responded by denying the allegations and filing countersuit against the former employee for allegations of payroll theft regarding overtime and leave pay. There has been no recent activity in the case other than the insurance company counsel assuming defense of the case. During 2016, another former employee filed suit against the fire company for wrongful termination. The lawsuit will be handled by the insurance company whose attorney submitted a request for dismissal. During 2014, the fire company won a case against a former employee accused of theft. The former employee was ordered to pay \$22,761 in restitution to the fire company. Accounts receivable of \$18,899 and \$19,389 during the years ended December 31, 2018 and 2017, respectively, represents this receivable.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

12. DATE OF MANAGEMENT'S REVIEW:

Subsequent events have been evaluated through June 25, 2019, which is the date the financial statements were available to be issued.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
DECEMBER 31 2018

Agency Head Name: Christian Collins, Fire Chief

Purpose	Amount
Salary	\$ 110,100
Benefits - insurance	25,140
Cell phone	1,068



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 25, 2019

To the Board of Directors
Herbert Wallace Memorial
Volunteer Fire Company

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Herbert Wallace Memorial Volunteer Fire Company (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Herbert Wallace Memorial Volunteer Fire Company's (the fire company) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the fire company's internal control. Accordingly, we do not express an opinion on the effectiveness of the fire company's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Herbert Wallace Memorial Volunteer Fire Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the fire company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the fire company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion on the financial statements of the Herbert Wallace Memorial Volunteer Fire Company for the year ended December 31, 2018, was unqualified.

2. Internal Control
Material weaknesses: none noted
Significant deficiencies: none noted

3. Compliance and Other Matters
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None noted.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF PRIOR YEAR FINDINGS:

None.

HERBERT WALLACE MEMORIAL
VOLUNTEER FIRE COMPANY

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

DECEMBER 31, 2018

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

June 25, 2019

Board of Directors
Herbert Wallace Memorial Volunteer Fire Company and
the Louisiana Legislative Auditor

We have performed the procedures enumerated below which were agreed to by Herbert Wallace Memorial Volunteer Fire Company (HWMVFC) and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed Upon Procedures (SAUPs) for the period of January 1, 2018 through December 31, 2018. HWMVFC's management is responsible for the C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

- 1) We requested the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions, as applicable:

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- a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) Disbursements, including processing, reviewing, and approving.
- d) Receipts, including receiving, recording, and preparing deposits.
- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Upon applying the agreed upon procedures above, we noted the following:

- HWMVFC does not have written policies over budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, or travel and expense reimbursements.

Management's Response:

We will work on developing written policies and procedures in these areas.

Board or Finance Committee

- 2) We obtained and inspect the board/ finance committee minutes for the fiscal period as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one

meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Upon applying the agreed upon procedures above, we noted the following:

- HWMVFC's board minutes did not reference or include monthly budget-to-actual comparisons.

Management's Response:

We will review budget-to-actual numbers at future board meetings.

Collections

- 3) Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

No findings were noted as a result of applying the procedure above.

- 4) For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Upon applying the agreed upon procedures above, we noted the following:

- We noted the employee responsible for handling cash is the same employee who is responsible for preparing/making bank deposits.
- We noted the employee responsible for handling cash is the same employee who post collections entries to the general ledger.
- We noted the employee responsible for handling cash is the same employee who reconciles cash collections to the general ledger.
- We observed that job duties are not properly segregated at HWMVFC.

Management's response:

We will work on adopting a cash receipts policy that includes procedures to determine completeness of all collections including electronic transfers by a person who is not responsible for collections. The board also reviews revenues for completeness through monthly treasurer report.

- 5) Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Upon applying the agreed upon procedures above, we noted the following:

- We noted HWMVFC's employees are not covered by bond/insurance policy for theft.

Management's response: We will evaluate and attempt to obtain bond or insurance policy for theft.

- 6) Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Upon applying the agreed upon procedures above, we noted the following:

- We observed receipts are not sequentially pre-numbered.
- We observed no deposit slips exist in order to trace supporting documents.
- We noted as no deposit slips exist, we were unable to track actual deposit per the bank statement.
- We noted two out of eight deposits that in the amount over \$100.00 were not deposited within one business day.

Management's response:

In response to number 6 above, 99.9% of the Stations revenues/collections are included in the State Contract. The funds are send via EFT directly to the bank.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 7) Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No findings were noted as a result of applying the procedure above.

- 8) For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Upon applying the agreed upon procedures above, we noted the following:

- HWMVFC does not have a requisition/purchase order system in place.
- As there is no purchase order system in place, HWMVFC does not have a written approval policy where purchases are approved by a person who did not initiate the purchase.
- We noted that the administrator is responsible for processing payments as well as adding vendors to the entity's purchasing/disbursement system.
- The employee who is responsible for processing payments is the same employee who mails out checks.

Management's response:

We will evaluate the cost benefit analysis of implementing a purchase order system. Due to the nature of transactions and staff size, a purchase order system was not implemented in the past.

- 9) For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Upon applying the agreed upon procedures above, we noted the following:

- Disbursement documentation did not include evidence of segregation of duties as described in procedure #8 above.

Management's response:

This is due to our limited staff size. We will evaluate and attempt to separate these duties.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana