

# ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7

INVESTIGATIVE AUDIT SERVICES

Issued April 26, 2023

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April 26, 2023

**CHRIS HNATYSHYN, CHAIRMAN  
AND MEMBERS OF THE BOARD OF COMMISSIONERS  
ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 7**  
Pearl River, Louisiana

We are providing this report for your information and use. This investigative audit was performed in accordance with Louisiana Revised Statutes 24:513, *et seq.* to determine the validity of complaints we received.

The procedures we performed primarily consisted of making inquiries and examining selected financial records and other documents and do not constitute an examination or review in accordance with generally accepted auditing or attestation standards. Consequently, we provide no opinion, attestation or other form of assurance with respect to the information upon which our work was based.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 22<sup>nd</sup> Judicial District of Louisiana and others as required by law.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

MJW/aa

STPFD#7





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## EXECUTIVE SUMMARY

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### **District 7 Failed to Withhold Payroll Deductions for Dependents and/or Spouses' Insurance Premiums**

St. Tammany Parish Fire Protection District No. 7 (District 7) failed to withhold payroll deductions for full amounts full-time employees (FTEs) owed for their dependents and/or spouses' health, dental, and vision insurance coverage and, instead, paid the premiums itself. As a result, four employees were overpaid an aggregate of \$17,597 over an eight-year, one-month period (from March 2014 to April 2022). District 7 Administrative Assistant Lisa Polk was responsible for calculating all payroll deductions, including her own. Records show that Ms. Polk failed to: (1) deduct the appropriate amounts owed by employees, including herself; (2) recalculate the deductions after annual premium increases; and (3) make any deductions for one employee. By failing to deduct the appropriate amounts for dependents and/or spouses' insurance premiums, Ms. Polk overpaid four FTEs and may have violated the Louisiana constitution, which prohibits the donation of public funds, and state law.





## **BACKGROUND AND METHODOLOGY**

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St. Tammany Parish Fire Protection District No. 7 (District 7) was created by the St. Tammany Parish Government on August 20, 1972, pursuant to Louisiana Revised Statute (La. R.S.) 40:1492. District 7 is governed by a five-member Board of Commissioners. The St. Tammany Parish Council nominates and appoints four commissioners, and the St. Tammany Parish President nominates and appoints one commissioner. District 7 covers 176 Square Miles in the northeastern corner of St. Tammany Parish. District 7 is responsible for maintaining and operating five fire stations and providing fire protection and emergency services to residents within its boundaries.

In July 2022, the Louisiana Legislative Auditor (LLA) received a complaint indicating District 7's former administrative assistant failed to deduct appropriate funds from her payroll checks for health insurance premiums. LLA initiated this investigative audit to determine the validity of this complaint. The procedures performed during this audit included:

- (1) interviewing District 7 employees and officials;
- (2) interviewing other persons, as appropriate;
- (3) examining selected District 7 documents and records;
- (4) gathering and examining external parties' documents and records; and
- (5) reviewing applicable state laws and regulations.



## FINDING AND RECOMMENDATIONS

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### **District 7 Failed to Withhold Payroll Deductions for Dependents and/or Spouses' Insurance Premiums**

**St. Tammany Parish Fire Protection District No. 7 (District 7) failed to withhold payroll deductions for full amounts full-time employees (FTEs) owed for their dependents and/or spouses' health, dental, and vision insurance coverage and, instead, paid the premiums itself. As a result, four employees were overpaid an aggregate of \$17,597 over an eight-year, one-month period (from March 2014 to April 2022). District 7 Administrative Assistant Lisa Polk was responsible for calculating all payroll deductions, including her own. Records show that Ms. Polk failed to: (1) deduct the appropriate amounts owed by employees, including herself; (2) recalculate the deductions after annual premium increases; and (3) make any deductions for one employee. By failing to deduct the appropriate amounts for dependents and/or spouses' insurance premiums, Ms. Polk overpaid four FTEs and may have violated the Louisiana constitution,<sup>1</sup> which prohibits the donation of public funds, and state law.<sup>2,3,4</sup>**

Records show District 7 offers its FTEs health, dental, and vision insurance coverage (hereinafter insurance). Prior to February 2014, the District paid 100% of each employee's insurance premiums; however, the employee was responsible for paying 100% of the insurance premiums for dependents and/or spouses who were added to District 7's group insurance policy through payroll deduction. Each year, District 7 opens enrollment from November to January to allow FTEs to elect or change the benefit options available through District 7, including health, dental, and vision insurance. After FTEs made their election/changes, Administrative Assistant Lisa Polk was responsible for providing the changes to the insurance carrier who updated the total new premium amount to be billed to District 7, beginning in February. District 7 then paid the monthly premium, including dependents and/or spouse's benefits, on behalf of all employees. Ms. Polk was responsible for updating employee payroll, based on the insurance carrier's rate sheets, to ensure that District 7 deducted the cost of dependents and/or spouse's benefits from each employee's payroll checks.

The District 7 Board of Commissioners (Board) voted for District 7 to pay \$100 "towards dependent's insurance coverage a month for premiums, for one year and after that year this benefit will be evaluated as to cost and the availability for the district to still support (eliminated, changed, or go up after the year)" during the February 14, 2014, Board meeting. Records show that Ms. Polk recalculated the payroll deductions for each employee, including herself, with dependents and/or spouses to reduce their monthly deduction by \$100 the following month (March 2014). Although District 7 could not provide any documentation to show that the

Board reevaluated the \$100 per month benefit after one year, Ms. Polk continued to calculate payroll deductions based on District 7 providing \$100 per month towards dependents and/or spouse's coverage until she resigned from her position on May 5, 2022.

District 7 hired Ms. Polk as an administrative assistant in June 2007. As administrative assistant, Ms. Polk prepared checks, processed payroll, performed other accounting functions, and prepared minutes of Board meetings. In July 2022, LLA received a complaint that Ms. Polk improperly used District 7 funds to pay the full amount of her spouse's insurance coverage. Based on this complaint, we reviewed payroll records, insurance records, and Board minutes for the period February 2014 to May 2022. We then compared the amounts deducted from payroll for insurance premiums to the amounts that should have been deducted based on the insurance premiums paid by District 7 and the Board's policy of providing \$100 per month to each employee towards dependents and/or spouse's coverage.

During our audit, we found that Ms. Polk failed to: (1) deduct the appropriate amounts owed by employees; (2) recalculate the deductions after premium increases; and (3) make any deductions for one employee. As a result, District 7 overpaid a total of \$17,597 in dependents and/or spouse's insurance premiums for four employees, including \$8,939 on Ms. Polk's behalf, from March 2014 to April 2022.

#### Incorrect Payroll Deductions

District 7 records show Ms. Polk implemented the Board's policy of contributing \$100 per month toward the insurance premiums for FTEs' dependents and/or spouses beginning in March 2014. At the time, District 7 had three full-time employees, including Ms. Polk, with a dependent/spouse who received insurance. According to payroll records, Ms. Polk properly calculated her own payroll deductions in March and April 2014 for insurance which included health, dental, and vision. Two months later, in May 2014, she reduced the amount being deducted from her payroll check in an amount equal to the cost of her dental and vision insurance premiums. Although Ms. Polk's premiums increased in 2015, she continued to deduct the same amounts from her payroll checks through the first pay period of February 2016 at a cost of \$1,263. District 7 records further show that Ms. Polk improperly calculated the payroll deductions for the other two employees during the same period. For one employee, it appears that Ms. Polk failed to include the vision portion of the premium and only made deductions for half of the pay periods<sup>A</sup> for the first five months (February 2014 to June 2014). For the second employee, Ms. Polk deducted a flat amount (per pay period) that was insufficient to cover this employee's portion of the premiums. As a

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<sup>A</sup> According to District 7 records, payroll was processed every two weeks (26 pay periods). As such, one-half of each employee's portion of the premium was deducted during the months in which payroll was processed twice. For months in which payroll was processed three times, one-half of the employee's portion of the premium was deducted from two of the three payroll checks.

result, District 7 overpaid a total of \$723 for these two employees from March 2014 to the first pay period of February 2016.

Records also show Ms. Polk recalculated the payroll deductions for each participating employee in February 2016, and again in February 2017; however, the amounts she deducted for each employee were insufficient to cover the employee's portion of the premiums, which resulted in District 7 making overpayments totaling \$1,653 from February 2016 to January 2018.

#### Failure to Recalculate and Deduct Premiums

For each plan year from February 2018 to February 2021, premiums for dependents/spouses increased. During this time, only Ms. Polk and one other employee participated in dependent/spouse coverage and had amounts deducted from their payroll checks. Although dependent/spouse premiums increased, District 7 payroll records show that Ms. Polk did not recalculate payroll deductions from February 2018 until she resigned in May 2022, resulting in a \$10,148 overpayment. In addition, it appears that District 7 added another employee with dependent/spouse benefits in August 2020 and made no deductions for his premiums. District 7 overpaid a total of \$3,810 for this employee's dependent/spouse premiums from August 2020 to February 2021.

The overpayment calculations presented above included the benefit of District 7 providing \$100 per month toward each employee's dependents and/or spouse's premiums for the entire period. Had the District 7 Board re-evaluated this benefit after one year and eliminated the benefit, the overpayments would have totaled \$35,747 from March 2015 to April 2022. The table below shows the difference in overpayments for the four FTEs, including Ms. Polk, with the \$100 benefit for the entire period versus elimination of the \$100 benefit after the first year.

| <b>Comparison of Overpayments</b> |                         |  |
|-----------------------------------|-------------------------|--|
| <b>Employee</b>                   | <b>Benefit Included</b> | <b>Benefit Eliminated After One Year</b> |
| Lisa Polk                         | \$8,939                 | \$17,689                                 |
| FTE #2                            | (22)                    | 2,228                                    |
| FTE #3                            | 4,870                   | 11,320                                   |
| FTE #4                            | 3,810                   | 4,510                                    |
| <b>Total</b>                      | <b>\$17,597</b>         | <b>\$35,747</b>                          |

District 7 Fire Chief Gary Whitehead told us Ms. Polk was responsible for calculating and updating the annual change in the payroll deductions for employees' dependents and/or spouse's insurance premiums. Chief Whitehead stated that he took over processing payroll after Ms. Polk's resignation and discovered that Ms. Polk had not updated her payroll deductions since February 2017. Chief

Whitehead said he updated Ms. Polk's last two pay checks with the correct payroll deduction for her premiums.

Ms. Polk told us that she was responsible for calculating the payroll deductions for dependents and/or spouse's insurance. She stated that she calculated the payroll deductions based on rate sheets provided by the insurance carrier. Ms. Polk stated that she thought the rate sheets represented the premiums for health, dental, and vision and was not aware the rate sheets only included health. Ms. Polk stated she stopped calculating payroll deductions for dependents and/or spouse's insurance premiums because she stopped receiving the insurance rate sheets. She stated that, without the rate sheets, she could not perform the calculations necessary to compute the payroll deductions. Ms. Polk could not explain why she did not have the rate sheets and stated she assumed the insurance carrier stopped sending them. Ms. Polk further stated that she did not contact the insurance carrier to obtain them and did not discuss the matter with Chief Whitehead.

### Conclusion

District 7 failed to withhold payroll deductions for full amounts FTEs owed for their dependents and/or spouses' health, dental, and vision insurance coverage and, instead, paid the premiums itself. As a result, four employees were overpaid an aggregate of \$17,597 over an eight-year, one-month period (from March 2014 to April 2022). District 7 Administrative Assistant Lisa Polk was responsible for calculating all payroll deductions, including her own. Records show that Ms. Polk failed to: (1) deduct the appropriate amounts owed by employees, including herself; (2) recalculate the deductions after annual premium increases; and (3) make any deductions for one employee. By failing to deduct the appropriate amounts for dependents/spouses' insurance premiums, Ms. Polk overpaid four FTEs and may have violated the Louisiana constitution<sup>1</sup>, which prohibits the donation of public funds, and state law.<sup>2,3,4</sup>

### **Recommendations**

We recommend District 7 consult with its legal counsel to determine the appropriate course of action, including recovery of any overpayments of insurance premiums. We further recommend that District 7:

- (1) Adjust current employee payroll deductions to current insurance rates;
- (2) Reconcile employee payroll deductions for insurance prior to payment;
- (3) Develop and implement policies and procedures to ensure payroll deductions are updated on an annual basis;
- (4) Require monthly review of payroll records to ensure that the proper amounts are deducted from employees' paychecks for dependent and/or spouse's insurance premiums; and

- (5) Require Board approval for insurance benefits to paid on behalf of employees. Any benefits approved by the Board should codified in District 7's policies and procedures manual and included in District 7's annual budget.





## LEGAL PROVISIONS

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<sup>1</sup> **Louisiana Constitution Article VII, Section 14(A)** provides, in part, "Prohibited Uses. Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

<sup>2</sup> **La. R.S. 14:67(A)** states, "Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential."

<sup>3</sup> **La. R.S. 14:134(A)** states, "Malfeasance in office is committed when any public officer or public employee shall: (1) Intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; or (2) Intentionally perform any such duty in an unlawful manner; or (3) Knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him, or to perform any such duty in an unlawful manner."

<sup>4</sup> **La. R.S. 42:1461(A)** states, "Officials, whether elected or appointed and whether compensated or not, and employees of any "public entity", which, for purposes of this Section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed."



## **APPENDIX A**

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Management's Response





## St. Tammany Parish Fire Protection District 7

Fire Chief Gary C. Whitehead

73469 Highway 41 Pearl River La. 70452

Office: 985-863-5111 Fax: 985-863-51110

April 10, 2023

To Whom It May Concern:

We have received your draft Findings dated March 28, 2023. Though not final yet, we would like to respond.

First, on behalf of the Board and the entire District, **we thank you for fully investigating the complaint against Lisa Polk that we forwarded to your office for investigation.**

This same complaint was simultaneously referred to the Louisiana Department of Justice (Attorney General) and the Office of the District Attorney for St. Tammany Parish. As of this date, we are under the impression that the complaints are being investigated and were awaiting your official Findings. Upon formal release, your Report will be delivered to these agencies.

Second, it is important to note that *we self-reported the payroll discrepancy to your Office immediately upon discovery of the irregularity in May, 2022*, all of which occurred upon Ms. Polk's termination of employment on or about May 5, 2022.

Third, *we took immediate and pre-emptive action* within a month to draft and implement formal District rules, policies and practice to safeguard and address the actions of Ms. Polk to ensure better checks & balances of public funds oversight.

Fourth, and in response to your draft "Recommendations" of March 28, 2023, please allow the District to respond. We would like to report that we addressed each of your Recommendations BEFORE your investigation was complete and issuance of your proposed Findings on March 28:

YOUR RECOMMENDATION (1) : Adjust current employee payroll deductions to current insurance rates.

OUR RESPONSE TO (1): In May, 2022, any payroll deductions would have been correctly adjusted. Safeguards have been put in place to ensure proper payroll deductions and oversight of payments.

YOUR RECOMMENDATION (2): Reconcile employee payroll deductions ... prior to payment OUR

RESPONSE TO (2) : In May, 2022, any payroll deductions were reconciled and will be correctly paid in the future, if any. Safeguards have been put in place to ensure proper payroll deductions.

A.1

Chris Hnatyshyn  
Chairperson

Albert Hollie  
Vice-Chair

Shannon Thornhill  
Secretary/Treasurer

David Howell  
Commissioner

Gary L. Ranatza  
Commissioner



## St. Tammany Parish Fire Protection District 7

Fire Chief Gary C. Whitehead

73469 Highway 41 Pearl River La. 70452

Office: 985-863-5111 Fax: 985-863-51110

YOUR RECOMMENDATION (3): Develop and implement policies and procedures to ensure payroll deductions are updated on an annual basis.

OUR RESPONSE TO (3): In May, 2022, this Board initiated a complete overhaul of all policies and rules of the District. We have simultaneously addressed all known issues that arose as a result of Mrs. Polk's actions/inactions. At this time, payroll deductions are initially reviewed by our Fire Chief. Then our Board Treasurer likewise reviews expenses and payroll matters on a monthly basis. Thereafter, all payroll issues are reviewed at the monthly Board meeting. It is our intent to ensure that any expenditure is thoroughly reviewed.

YOUR RECOMMENDATION (4): Require monthly review of payroll records to ensure that proper amounts are deducted...

OUR RESPONSE TO (4): For the same reasons and explanation in (3) above, the District has adopted a 'belt & suspender' approach to ensure oversight.

Upon discovery of Mrs. Polk's action in May, 2022, FD7 established policies within 30 days and thereafter established a monthly practice of reviewing payroll deductions, such as:

- (A) Fire Chief creates Quickbook reports for his review before submission to the Board Treasurer
- (B) Board-designated Treasurer reviews payroll and certifies that transactions have been reviewed and approved before each monthly Board meeting
- (C) Corresponding spreadsheets and statements are reviewed at each monthly District Board meeting

YOUR RECOMMENDATION (5): Require Board approval for insurance benefits to (be) paid on behalf of employees ...

OUR RESPONSE TO (5): Echoing our Response to (3) and (4), *the Board has already addressed this exact issue several times* at monthly public Board Meetings. Currently, there is no Policy in place that authorizes any subsidy or payment of any benefits for any employee.

If and when such a subsidy is to be authorized, it will be done only through Board action.

Again, thank you for assisting and working with the District.

Sincerely yours,

Christopher J. Hnatyshyn

Chairman, Board, Fire Protection District No. 7

A.2

Chris Hnatyshyn  
Chairperson

Albert Hollie  
Vice-Chair

Shannon Thornhill  
Secretary/Treasurer

David Howell  
Commissioner

Gary L. Ranatza  
Commissioner

## **APPENDIX B**

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Lisa Polk's Response





Lisa Polk  
Pearl River, LA

Date: April 28, 2023

Re: Response to Letter and Audit

To Whom It May Concern:

I am writing to response even thou it is late I would appreciate it if included in the report.

I would like to say that I only received the information by email and not as I was told during the meeting with the auditors; I was told I would be contacted and there would be an exit interview. I did not receive the email right away it went in a spam folder and I do not check my personal email everyday. Also I would like to inform you that my family has had to deal with some severe health issues ( I had a heart attach and surgery within a 2 month span, my husband had issues also) and my mother just passed away which caused delay.

As I informed the auditors I could only change amounts when the information was given to me; I informed the Board of Commissioners on several occasions that a lot of things had been taken from me this being one of the items that I used to receive. And the amounts were on a sheet by age. Also the Fire Chief approved every payroll that was done and verified; he was receiving the paperwork and signing the contracts for the health insurance. I also informed the auditors of this during the meeting as well. I went into work on numerous occasions where accounting software would be open and with no explanation. I also reported this to the Board of Commissioners. Also our payroll was reviewed by the regular auditors each calendar year, with nothing being stated in regards to this matter.

I informed the auditors that if there was a discrepancy that I would be more than happy to pay it and that it was not done intentionally and that I could only due what was given to me and that I would never have done anything on purpose.

Sincerely,

Lisa Polk