

MARRERO-ESTELLE VOLUNTEER FIRE
COMPANY NO. 1
MARRERO, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2017

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-10 |
| OTHER SUPPLEMENTAL INFORMATION | |
| Schedule of compensation, benefits, and other payments to Agency Head or Chief Executive Officer | 11 |
| INTERNAL CONTROL AND COMPLIANCE | |
| 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 <i>Government Auditing Standards</i> | 12-13 |
| Schedule of Current and Prior Year Audit Findings | 14-17 |

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INDEPENDENT AUDITOR'S REPORT

To Board of Directors of
Marrero-Estelle Volunteer Fire Company No. 1
Marrero, Louisiana

We have audited the accompanying financial statements of Marrero-Estelle Volunteer Fire Company No. 1 (a Louisiana nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

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 risk 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 Marrero-Estelle Volunteer Fire Co. No. 1 as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Marrero-Estelle Volunteer Fire Co. No. 1's basic financial statements. The schedule of compensation, benefits and other payments to agency head or chief executive officer for the Marrero-Estelle Volunteer Fire Co. No. 1 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head or chief executive officer for the Marrero-Estelle Volunteer Fire Co. No. 1 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 13, 2018 on our consideration of Marrero-Estelle Volunteer Fire Co. No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Marrero-Estelle Volunteer Fire Co. No. 1's internal control over financial reporting and compliance.



Harvey, Louisiana
June 13, 2018

FINANCIAL STATEMENTS

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:

| | |
|-----------------------------|--------------|
| Cash and cash equivalents | \$ 914,247 |
| Certificates of deposit | 365,007 |
| Accrued interest receivable | <u>1,590</u> |

Total current assets 1,280,844

INVESTMENTS:

| | |
|-----------------------|---------|
| Marketable securities | 812,495 |
|-----------------------|---------|

OTHER ASSETS:

| | |
|-----------------------------|---------------|
| Property and equipment, net | 2,604,028 |
| Insurance deposit | <u>25,460</u> |

Total other assets 2,629,488

Total assets \$ 4,722,827

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|----------------------|---------------|
| Accounts payable | \$ 39,471 |
| Accrued payables: | |
| Salaries | 53,127 |
| Compensated absences | <u>72,668</u> |

Total current liabilities 165,266

NET ASSETS:

| | |
|--------------|------------------|
| Unrestricted | <u>4,557,561</u> |
|--------------|------------------|

Total Liabilities and Net Assets \$ 4,722,827

See accompanying notes to financial statements.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

| | <u>Unrestricted Net Assets</u> |
|--|------------------------------------|
| REVENUES: | |
| Jefferson Parish: | |
| Fire protection contract | \$ 2,400,000 |
| Fire insurance premium tax | 55,501 |
| Insurance dividend (LWCC) | 61,865 |
| Interest income | 11,312 |
| Miscellaneous | <u>1,171</u> |
| Total revenues | <u>2,529,849</u> |
| EXPENSES: | |
| Program services - firefighting | 2,431,914 |
| Supporting services - management and general | <u>178,685</u> |
| Total expenses | <u>2,610,599</u> |
| DECREASE IN UNRESTRICTED NET ASSETS | (80,750) |
| NET ASSETS - Beginning of year | <u>4,638,311</u> |
| NET ASSETS - End of year | \$ <u>4,557,561</u> |

See accompanying notes to financial statements.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

| | <u>Program Services</u> | <u>Supporting Services</u> | |
|-------------------------|-----------------------------|-----------------------------------|---------------------|
| | <u>Firefighting</u> | <u>Management and General</u> | <u>Total</u> |
| Salaries and wages | \$1,482,845 | \$ 63,555 | \$1,546,400 |
| Depreciation | 210,511 | 5,308 | 215,819 |
| Fuel | 14,982 | - | 14,982 |
| Insurance | 328,507 | 14,775 | 343,282 |
| Miscellaneous | - | 33,096 | 33,096 |
| Office expense | - | 4,195 | 4,195 |
| Payroll taxes | 120,094 | 4,862 | 124,956 |
| Pension contributions | 36,971 | 1,907 | 38,878 |
| Professional services | - | 12,200 | 12,200 |
| Repairs and maintenance | 121,483 | 17,262 | 138,745 |
| Supplies | 28,906 | - | 28,906 |
| Training | 25,294 | - | 25,294 |
| Uniforms | 13,407 | - | 13,407 |
| Utilities and telephone | <u>48,914</u> | <u>21,525</u> | <u>70,439</u> |
| Total | <u>\$ 2,431,914</u> | <u>\$ 178,685</u> | <u>\$ 2,610,599</u> |

See accompanying notes to financial statements.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

| | | |
|---|----------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Decrease in unrestricted net assets | \$ (80,750) | |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 215,819 | |
| Increase in accounts and accrued payables | <u>9,891</u> | |
| Net cash provided by operating activities | | \$ 144,960 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Decrease in investments | 239,000 | |
| Acquisition of property and equipment | (92,292) | |
| Decrease in interest receivable | 273 | |
| Increase in insurance deposit | <u>(1,330)</u> | |
| Net cash provided by investing activities | | <u>145,651</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 290,611 |
| CASH AND CASH EQUIVALENTS - Beginning of year | | <u>623,636</u> |
| CASH AND CASH EQUIVALENTS - End of year | | \$ <u>914,247</u> |
| SUPPLEMENTAL DISCLOSURES: | | |
| Interest incurred and paid | | \$ <u>-0-</u> |
| Income tax paid | | \$ <u>-0-</u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

ORGANIZATION

Marrero - Estelle Volunteer Fire Company No. 1 (the Fire Company) was incorporated under the laws of the State of Louisiana on July 25, 1951 to provide fire protection and related services in Jefferson Parish, Louisiana in an area comprising part of Fire Protection District No. 8 (a separate entity) of Jefferson Parish. The Fire Company has three fire stations located in Marrero, Louisiana and has nineteen full-time paid employees and 25 active volunteer firefighters. The Fire Company's main source of revenue is a fire protection contract with Jefferson Parish which expires December 1, 2027.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting and Financial Statement Presentation

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

The financial statements are presented in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, Financial Statements of Not-For-Profit Organizations. Under this standard, the Fire Company is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2017 the Fire Company had only unrestricted net assets.

The statement of activities presents expenses of the Fire Company's operations functionally between program services for firefighting and administrative and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

2. Contributions and Donated Services

The Fire Company records contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence and nature of any donor restrictions.

A significant contribution of time is made by unpaid volunteers to accomplish the purpose for which the Fire Company was established. The value of this donated service is not included in the accompanying financial statements because it is not susceptible to objective measurement or evaluation.

All members of the Board of Directors serve without compensation for their services.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2017

3. Income Tax

The Fire Company is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit organization and accordingly no provision for income taxes is made in the financial statements.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fire Company has defined cash and cash equivalents as cash in banks, money market accounts and certificates of deposit with original maturities of three months or less.

5. Property and Equipment

Acquisitions of property and equipment in excess of \$100 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at acquisition cost, or estimated fair value if donated. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

| | |
|---------------------------|-------------|
| Building and improvements | 10-40 years |
| Equipment | 5-20 years |

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

At December 31, 2017, the aggregate carrying amount of the Fire Company's cash and cash equivalents was \$914,247 and the aggregate bank balances were \$542,278. All of the Fire Company's bank accounts are in a local bank and are insured by federal deposit insurance of \$250,000 and a pledge of securities with a market value of \$600,000 at December 31, 2017. The Fire Company's money market account of \$375,180 is uninsured. The Fire company's certificates of deposit are with an investment banker and are fully covered by federal deposit insurance.

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1**

**NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2017**

C. INVESTMENTS

The investments at December 31, 2017 consist of 122,777.151 shares of Franklin US Government Securities Fund Class A which is stated at cost. The net asset value of those shares was \$744,030 at December 31, 2017.

D. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and depreciation activity for the year ended December 31, 2017.

| | Balance 1/1/17 | Additions | Deletions | Balance 12/31/17 |
|--------------------------------|---------------------|---------------------|---------------|---------------------|
| Land | \$ 153,000 | \$ -0- | \$ -0- | \$ 153,000 |
| Building and improvements | 1,442,102 | 15,699 | -0- | 1,457,801 |
| Equipment | <u>3,268,124</u> | <u>76,593</u> | <u>-0-</u> | <u>3,344,717</u> |
| Total | <u>4,863,226</u> | <u>92,292</u> | <u>-0-</u> | <u>4,955,518</u> |
| Less accumulated depreciation: | | | | |
| Building and improvements | 750,833 | 46,867 | -0- | 797,700 |
| Equipment | <u>1,384,838</u> | <u>168,952</u> | <u>-0-</u> | <u>1,553,790</u> |
| Total | <u>2,135,671</u> | <u>215,819</u> | <u>-0-</u> | <u>2,351,490</u> |
| Net, property and equipment | <u>\$ 2,727,555</u> | <u>\$ (123,527)</u> | <u>\$ -0-</u> | <u>\$ 2,604,028</u> |

Fire trucks and some other assets which are being used by the Fire Company in its operations are not included in the above summary because they were purchased by Jefferson Parish with bond money and belong to the Parish.

E. RETIREMENT PLAN

The Fire Company has a SIMPLE IRA Retirement Plan for its employees. The plan is a defined contribution salary reduction plan. Under the Plan, the Fire Company matches the employees' salary contributions to the plan up to a limit of 3% of the employees' compensation for the year. The maximum annual contribution by the employee for 2017 was \$11,500, plus an additional \$2,500 catch-up contribution for those at least age 50. For 2017 the employees' total contributions were \$109,381 and the Fire Company's matched contributions were \$38,878.

F. FIRE PROTECTION CONTRACT

Substantially all of the Fire Company's revenue is derived from funds provided by Jefferson Parish. Under the contract with Jefferson Parish, the Fire Company receives one-third of the net proceeds of the property tax levied annually by Fire Protection District No. 8. The Fire Company also receives from the Parish one-third of the 2% fire insurance premium tax which the Parish receives from the State of Louisiana for Fire Protection District No. 8.

G. CONCENTRATION OF CREDIT RISK

The Fire Company's income is derived principally from the proceeds of a property tax and other funding under a contract with Jefferson Parish to support fire protection and related services.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2017

G. SUPPLEMENTAL PAY

The Fire Company's full-time firefighters receive supplemental pay from the State of Louisiana. These payments are made directly to the firefighters and do not pass through the Fire Company and are not included in the Fire Company's financial statements, except for the employer's share of the social security and medicare tax which is borne by the Fire Company.

H. EVALUATION OF SUBSEQUENT EVENTS

The Fire Company's management evaluated events occurring subsequent to the date of the financial statements to determine the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 13, 2018 which is the date the financial statements were available to be issued. No events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER SUPPLEMENTAL INFORMATION

MARRERO-ESTELLE VOLUNTEER FIRE CO. NO. 1

Marrero, Louisiana

Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer

For the Year Ended December 31, 2017

Agency Head Name: Blake Hunter

Purpose

| | | |
|---|----|------------|
| Salary | \$ | -0- |
| Benefits – insurance | | -0- |
| Benefits – retirement | | -0- |
| Benefits – other (match deferred comp) | | -0- |
| Car allowance | | -0- |
| Vehicle provided by government | | -0- |
| Per diem | | -0- |
| Reimbursements – cell phones, tolls, car rental | | -0- |
| Travel | | -0- |
| Registration fees | | -0- |
| Conference travel | | -0- |
| Continuing professional education fees | | -0- |
| Housing | | -0- |
| Unvouchered expenses | | -0- |
| Meals | | -0- |
| | \$ | <u>-0-</u> |

INTERNAL CONTROL AND COMPLIANCE

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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*

To Board of Directors of
Marrero-Estelle Volunteer Fire Co. No. 1
Marrero, Louisiana

We have audited, in accordance with the 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 Marrero-Estelle Volunteer Fire Company No. 1 (a Louisiana nonprofit corporation), which comprise the statement of financial position as December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marrero-Estelle Volunteer Fire Company No. 1's internal control over financial reporting 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 Marrero-Estelle Volunteer Fire Company No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marrero-Estelle Volunteer Fire Company No. 1's internal control.

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 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, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings, that we consider to be significant deficiencies in internal control over financial reporting. Material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marrero-Estelle Volunteer Fire Company No. 1'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 result 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 organization'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 organization's internal control and compliance.

This report is intended solely for the information and use of management, the Board of Directors and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 25.513, this report is distributed by the Legislative Auditor as a public document.



Harvey, Louisiana
June 13, 2018

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

Schedule of Findings
Year Ended December 31, 2017

SUMMARY OF AUDITOR'S REPORTS

1. The opinion issued on our audit of the financial statements of Marrero-Estelle Volunteer Fire Co. No. 1 for the year ended December 31, 2017 is unqualified.
2. Internal Control:
Significant deficiencies: 2017-01, 2017-02
No material weaknesses were noted
3. Compliance and other matters:
No instances of noncompliance material to the financial statements were noted.

FINANCIAL STATEMENT FINDINGS

2017-01 – Year-End Journal Entries

Condition and Criteria

The Fire Company maintains its books on the cash basis of accounting. Therefore, journal entries were required as part of the audit for financial statement misstatements related to accruals and property and equipment accounts. Generally accepted auditing standards now consider year-end adjusting entries prepared by the auditor to be a significant deficiency in internal control.

Cause

Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting control deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Fire Company has relied on its auditor to identify and correct such financial statement misstatements.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies noted under SAS 115. In this case, we do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, we do not believe any corrective action is necessary.

Management's Response

Management believes that it is more prudent to use the services of its auditor to prepare the year-end journal entries and agrees with the auditor's recommendations.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

Schedule of Findings - Continued
Year Ended December 31, 2017

2017-02 – Preparation of Financial Statements

Condition and Criteria

The Fire Company does not have any personnel with the technical ability to prepare its financial statements in accordance with generally accepted accounting principles. As is common in small organizations, the Fire Company has chosen to engage the auditor to prepare its annual financial statements. This condition is intentional by management, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Cause

Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies noted under SAS 115. In this case, we do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, we do not believe any corrective action is necessary.

Management's Response

Management believes that it is more prudent to use the services of its auditor to prepare its annual financial statements and agrees with auditor's recommendation.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

Schedule of Prior Year Audit Findings
Year Ended December 31, 2017

SUMMARY OF AUDITOR'S REPORTS

FINANCIAL STATEMENT FINDINGS

2016-01 – Year-End Journal Entries

Condition and Criteria

The Fire Company maintains its books on the cash basis of accounting. Therefore, journal entries were required as part of the audit for financial statement misstatements related to accruals and property and equipment accounts. Generally accepted auditing standards now consider year-end adjusting entries prepared by the auditor to be a significant deficiency in internal control.

Cause

Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting control deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Fire Company has relied on its auditor to identify and correct such financial statement misstatements.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies noted under SAS 115. In this case, we do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, we do not believe any corrective action is necessary.

Management's Response

Management believes that it is more prudent to use the services of its auditor to prepare the year-end journal entries and agrees with the auditor's recommendations.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

Schedule of Prior Year Audit Findings - Continued
Year Ended December 31, 2017

2016-02 – Preparation of Financial Statements

Condition and Criteria

The Fire Company does not have any personnel with the technical ability to prepare its financial statements in accordance with generally accepted accounting principles. As is common in small organizations, the Fire Company has chosen to engage the auditor to prepare its annual financial statements. This condition is intentional by management, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Cause

Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies noted under SAS 115. In this case, we do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, we do not believe any corrective action is necessary.

Management's Response

Management believes that it is more prudent to use the services of its auditor to prepare its annual financial statements and agrees with auditor's recommendation.

**MARRERO-ESTELLE VOLUNTEER
FIRE COMPANY #1**

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Year Ended December 31, 2017

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Independent Accountant's Report On Applying Agreed-Upon Procedures

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

To the President and the Board of Directors of the Marrero-Estelle Volunteer Fire Company #1 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Marrero-Estelle Volunteer Fire Company #1, and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period January 1, 2017 through December 31, 2017. Marrero-Estelle Volunteer Fire Company #1's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirements that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements and (4) debt service requirements.

RESULTS: The Fire Company has no formal written policies and procedures.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

RESULTS: Upon review, the Board meets with a Quorum on a quarterly basis.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

RESULTS: Our review found that, the Treasurer presents budget-to-actual data to the Board at the board meeting on a monthly basis. The minutes of the meeting reflect this.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

RESULTS: Our review found that the minutes of the board meeting's do reference a multitude of non-budgetary financial information, such as expense and repair approvals, requires for disbursements, etc.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

RESULTS: We obtained a list of bank accounts from the Fire Company and management's representation that the list was complete. Per the listing, the Fire Company maintained 4 bank accounts during the fiscal year.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared.
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

RESULTS: Upon review, based on the number of accounts maintained by the Fire Company, we selected all bank accounts for testing. Our review found that the bank reconciliations were prepared by an independent accountant and reviewed by the Treasurer. Initials of each are evident on the bank reconciliations. The Treasurer does review the bank reconciliations for old outstanding items. The stated appointee includes notes on the bank reconciliation on what the disposition of the researched item should be (e.g., needs to be voided and re-issued, etc.). For those accounts selected, I did not note any item outstanding more than 6 months.

Collections

5. Obtain a listing of cash/check/money order collection locations and management's representation that the listing is complete.

RESULTS: *We obtained a list of cash collection locations from the Fire Company and management's representation that the list was complete. Per the listing, the Fire Company's main station is the only cash collection location.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). **For each cash collection selected:**
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

RESULTS: *A review of the Fire Company's insurance policies shows that the employees who handle deposits are not bonded. The Fire Company does not collect "cash" per se. Their main collections come from the Parish via ACH deposits. Most, if not all, charitable donations come in the form of checks. Due to the small size of the Fire Company, the same employee receiving cash or checks makes up the deposits.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

RESULTS: *As noted previously, there are typically no cash collections during the year. No pre-numbered receipts are used. There are also no subsidiary ledgers in use.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

RESULTS: *The Fire Company utilizes the services of an outside bookkeeping service to post and maintain its general ledger. The ledger is posted in monthly batches, not daily or weekly. As such, we could not select or test the highest dollar "week" of cash collections. Instead, we selected the highest dollar "month" of collections and used it for testing. Based on this testing, we noted that 2 deposits were made in the month of April and all cleared the bank within one (1) day or receipt.*

- Using sequentially numbered receipts, system reports, and other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

RESULTS: We examined each deposit to its supporting documentation and noted that each deposit was complete and properly supported.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

RESULTS: Upon review, main source of revenue to the Fire Company is the allocation of ad valorem taxes and the State Fire Insurance Rebate received from Jefferson Parish. Each year, the Parish's Budget Department sends the Fire Chief a letter notifying him of that year's allocation and the monthly amount that they will be receiving. Each ACH is preceded by an email from the Parish's Finance Department supporting the ACH remittance for the month. Again, due to limited staff size of the Fire Company, the one that these letters and emails go to is the one responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card Purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

RESULTS: We obtained the general ledger posted during the fiscal year and we obtained management's representation that this ledger was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for the purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

RESULTS: *Based on the number of disbursements made by the Fire Company, we previously selected 45 disbursements at random during a test of transactions from the general ledger. For this test, we expanded the procedures to include examining the supporting documentation for evidence of initiation of purchases, approval of the purchase separate from the person initiating it, and for evidence of a review and approval of all documents and/or receiving reports prior to paying the invoice. Requisitions are not used by the Fire Company. It does, however, use a limited purchase order system, in that not all items require a PO. Recurring costs, such as utility bills, do not require a PO.*

Of the 45 items sampled, all showed evidence of a proper separation from the initiation of the purchase to the approval of the purchase. When a PO was utilized, it was approved by a person who did not initiate the purchase (they are issued by the Fire Chief). Payments were not processed without the proper approved PO or invoice.

Upon review, some payments were processed without proper approved PO, and PO was prepared after the fact. Recommendation was made that PO be made and approved before purchase.

- 10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

RESULTS: *Upon review, the Fire Company's system is such that only manual checks are used, and an approved vendor list is not actually maintained. The person processing payments does not have signature authority. Two (2) designated signers approve disbursements.*

- 11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure) report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

RESULTS: *As mentioned above, the Fire Company requires two (2) signatures on each check - one from the President, Vice-President, Board Secretary or the Financial Secretary. The Fire Chief is the initiator of the PO. An independent accountant records the purchases.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

RESULTS: *Blank check stock are maintained by an independent accountant in a locked file cabinet.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

RESULTS: *Non applicable – All signatures are manual written on checks.*

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

RESULTS: *We obtained listing of all active credit cards, including card numbers and the names of persons assigned to the cards. We also obtained management's representation that the listing is complete. During the year, the Fire Company had five (5) corporate credit cards.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of the Lawrason Act municipality); these instances should not be reported)]

RESULTS: *As a part of our review, we selected three (3) cards and obtained the monthly statements for each card. We examined the largest dollar volume monthly statement and found that it was reviewed and approved by the Fire Chief.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

RESULTS: Our review found there were not finance charges or late fees on the statements selected for testing.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e. g., purchase order, written authorization).

RESULTS: Of the three (3) cards tested, we examined supporting documents for fifteen (15) transactions. Of these transactions, all fifteen (15) of the transactions had an original itemized receipt, had the business purpose noted, and any other documentation that might be required.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

RESULTS: Our review found that the fifteen (15) transactions tested appear to be in compliance with the Fire Company's purchasing policies, as well as the Louisiana Public Bid Laws.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

RESULTS: Our review found that the business/public purpose noted on the fifteen (15) transactions tested appear to be in compliance with Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

RESULTS: AS a result of our review, we obtained a listing of all travel and related expenditures charged to the various general ledger accounts. We obtained management's representation that the general ledger was complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U. S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

RESULTS: Our review found that all the transactions tested appear to be within the guidelines set forth by GSA.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

RESULTS: Our review found that only one (1) person was reimbursed a significant amount of travel expenses and compared the reimbursements to established policies and rates. All reimbursements were proper and were supported.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt].
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

RESULTS: *In our review, we selected the one (1) person who was reimbursed the most travel expenses and compared his reimbursements to established policies and rates. We examined any receipts and/or per diem rates paid and noted all reimbursements were proper and were supported.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

RESULTS: *Our review found that the business/public purpose noted on the transactions tested appear to be in compliance with Article 7, Section 14, of the Louisiana Constitution.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

RESULTS: *Our review found that each expense report tested was reviewed and approved by the Fire Chief.*

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

RESULTS: *As a result of our review, we obtained the general ledger from the Fire Company and scanned it for contract payments. We obtained management's representation that the general ledger is complete.*

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal year period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

RESULTS: *Our review found that the Fire Company did not enter into any contracts in the fiscal year.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

RESULTS: Not applicable – The Fire Company did not enter into any contracts for the fiscal year ended December 31, 2017.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

RESULTS: Not applicable – The Fire Company did not enter into any contracts for the fiscal year ended December 31, 2017.

- d) Select the largest payment from each of the five (5) contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

RESULTS: Not applicable – The Fire Company did not enter into any contracts for the fiscal year ended December 31, 2017.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

RESULTS: Not applicable – The Fire Company did not enter into any contracts for the fiscal year ended December 31, 2017.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

RESULTS: We obtained a listing of all employees and elected officials during the fiscal year and we obtained management's representation that the listing was complete.

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

RESULTS: Our review found all salaries were paid in accordance with the terms and conditions of the employment pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

RESULTS: Upon review all changes made to hourly pay rates/salaries were in writing and in accordance to the Fire Company's written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees (or randomly select one-third of employees if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

RESULTS: We selected 5 employees from the October 27, 2017 payroll and vouched their attendance and leave to their time cards and/or time schedule without exception.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

RESULTS: Upon review of the 5 employees selected, time cards and/or time schedule was initiated by a supervisor and the Fire chief approving the attendance and leave noted. If sick or annual leave was taken, the employee electronically submitted the request and was approved electronically by the Fire Chief.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

RESULTS: The Fire Chief maintains a listing of vacation leave earned, used and balances available for each employee.

24. Obtain from management a list of those employees that terminated during the fiscal period and management's representation that the list is complete.

RESULTS: We obtained a listing of all employees who were terminated during the fiscal year and management's representation that the list is complete.

If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

RESULTS: We selected the two highest termination pay outs and vouched their last check to the attendance and leave record. We noticed that upon termination, the employees were not paid sick leave, which is in accordance with Fire Company policy. They were paid the amount of annual leave that was being carried on their leave record and time worked in accordance with the Fire Company policy.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

RESULTS: As part of our review we obtained the Fire Department's quarterly 941 reports and state tax forms for each quarter and noted all forms were filed in a timely manner and all taxes were paid.

The Fire Company allows the employees to participate in a Simple IRA Plan. All reports and withholdings for that plan have also been filed.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

RESULTS: We obtained a copy of the ethics certificate of the five selected employees and documentation that the required ethics training was complete.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

RESULTS: *We inquired of management as to whether any allegations of violations were reported to the entity during the fiscal period. Per management, there were none.*

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

RESULTS: *Not applicable – No new debt issued.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

RESULTS: *Not applicable – No bonded debt.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

RESULTS: *Not applicable – No tax millages related to outstanding debt.*

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

RESULTS: *As part of our review, we inquired of management about whether any misappropriations of public funds or assets had occurred during the fiscal year. Per management, no misappropriations occurred or were known about.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R. S. 24:523.1 This noticed (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

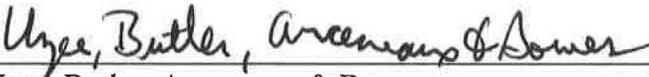
RESULTS: *Our review found that the Fire Company has posted the LLA Fraud Hotline Poster in its station. It does not have an official website; therefore, the requirement to post to the website is not applicable.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

RESULTS: Our review found that this procedure is not applicable.

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 control and compliance areas identified in the Statewide Agreed-Upon Procedures. 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 solely to describe the scope of testing performed on those control and compliance areas identified in the Statewide Agreed-Upon Procedures, 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 Louisiana Legislative Auditor as a public document.


Uzee, Butler, Arceneaux & Bowes
Certified Public Accountants
Harvey, Louisiana

June 13, 2018



MARRERO-ESTELLE VOLUNTEER FIRE CO. NO. 1

2248 BARATARIA BOULEVARD

MARRERO, LOUISIANA 70072

June 29, 2018

Independent Accountant's Report on Applying Agreed-Upon Procedures Management Response

Year Ended December 31, 2017

1) WRITTEN POLICIES AND PROCEDURES

Procedure #1:

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- 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.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirements that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements and (4) debt service requirements.

FINDING

Marrero-Estelle Volunteer Fire Company #1 does not have a formal written policies and procedures manual.

MANAGEMENT'S RESPONSE

Marrero-Estelle Volunteer Fire Company #1 is actively working on a new policies and procedures manual that includes procedures for all of the required and is expected to be completed within 90 days. Unfortunately, it was not completed at the time of this audit and we accept that it must be noted as a finding.

2) COLLECTIONS

A. Procedure #6a:

- 6. Using the listing provided by management, select all of the Organization's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). **For each cash collection location selected:**
 - a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

FINDING

Upon our inspection, those persons responsible for collecting cash were not bonded. Due to the size of the Fire Company, the same employee receiving cash or checks makes up the deposit.

MANAGEMENT'S RESPONSE

The Fire Company will begin inquiring with their insurance agent as to a cash collection bond policy for its employees and directors who participate in cash collections.

3) DISBURSEMENTS

A. Procedure #9c:

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Organization had less than 25 transactions during the period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

FINDING

Upon our review, we found some payments were processed without the approved purchase order or were initialed after the items were purchased.

MANAGEMENT'S RESPONSE

It is at times, necessary for emergency repairs or equipment needed to be purchased without an issued purchase order due to the fact that there may not be anyone on duty with access to the system. During these times personnel first receive written or verbal approval from management personnel authorized to approve and issue Purchase Orders. Personnel are then, upon receipt of approval, instructed to use their badge number as the temporary purchase order number. Once management personnel receives the transaction receipt it is then entered into the system and a number assigned. We will have generated and approved purchase orders for all purchases, prior to the purchase, when at all times possible. No purchases are made by any personnel without prior approval.

Respectfully submitted,



Kevin Coleman
President



Blake Hunter
Fire Chief