

**SCOTT VOLUNTEER FIRE DEPARTMENT**

Scott, Louisiana

Financial Report

Years Ended December 31, 2021 and 2020

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# KOLDER, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Scott Volunteer Fire Department  
Scott, Louisiana

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Scott Volunteer Fire Department (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scott Volunteer Fire Department as of December 31, 2021, and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Scott Volunteer Fire Department and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Scott Volunteer Fire Department's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Scott Volunteer Fire Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Scott Volunteer Fire Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022 on our consideration of the Scott Volunteer Fire Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Scott Volunteer Fire Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
June 20, 2022

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Statements of Financial Position  
December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and interest-bearing deposits	\$ 323,217	\$ 281,457
Due from governmental agencies	-	89,955
Prepaid expenses	32,205	30,303
Total current assets	355,422	401,715
Property, plant, and equipment, net	486,876	628,815
Total assets	\$ 842,298	\$ 1,030,530
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 29,740	\$ 1,820
Due to governmental agencies	-	30,768
Current portion of note payable	56,558	54,619
Interest payable	1,556	2,294
Total current liabilities	87,854	89,501
Long-term liabilities:		
Note payable, less current portion	58,564	115,122
Total liabilities	146,418	204,623
Net assets:		
Without donor restrictions -	695,880	825,907
Total liabilities and net assets	\$ 842,298	\$ 1,030,530

The accompanying notes are an integral part of this statement.

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Statements of Activities  
Years Ended December 31, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions:		
Support and revenue -		
Support:		
Contributions -		
Federal sources -		
Federal grants	\$ 91,314	\$ 288,355
City of Scott -		
Annual appropriation	50,000	50,000
In-kind contributions	604,380	564,760
Lafayette Parish - fire insurance tax	85,040	84,552
Calcasieu Parish Government	-	94,078
Miscellaneous donations	36,390	27,122
Total public support	867,124	1,108,867
Revenue:		
Contract service fees -		
City of Scott	75,000	75,000
Lafayette Consolidated Government	71,322	42,188
Interest income	-	244
Other income	1,249	160
Total revenue	147,571	117,592
Total support and revenue	1,014,695	1,226,459
Expenses:		
Program services -		
Fire fighting	1,083,171	1,064,216
Support services -		
General and administrative	56,484	49,332
Fundraising expense	5,067	8,224
Total expenses	1,144,722	1,121,772
Change in net assets	(130,027)	104,687
Net assets, beginning of year	825,907	721,220
Net assets, end of year	\$ 695,880	\$ 825,907

The accompanying notes are an integral part of this statement.

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Statements of Functional Expenses  
Years Ended December 31, 2021 and 2020

	2021	2020
Program service expenses:		
Fire fighting -		
Communications	\$ 3,761	\$ 3,140
Depreciation	155,225	163,209
Dues and subscriptions	1,797	1,412
Education and training	4,240	907
Incentive pay	57,260	43,097
Insurance	119,190	95,146
Interest expense	5,286	7,261
Repairs and maintenance - building	1,792	423
Repairs and maintenance - equipment	62,725	44,296
Salaries and benefits	543,242	509,481
Appropriations to City of Scott	85,559	147,240
Supplies	10,566	15,331
Telephone	5,772	6,571
Truck fuel	16,764	11,485
Uniforms	525	9,264
Utilities	9,467	5,953
Total program service expenses	1,083,171	1,064,216
Support service expenses:		
General and administrative -		
Bank fees	146	202
Contract labor	17,631	11,292
Volunteer fire fighter's expenses - meals	1,270	854
Licenses and permits	7,239	8,113
Miscellaneous	6,033	825
Office expense	2,037	2,027
Office supplies	1,750	954
Professional fees	19,785	24,265
Travel and entertainment	593	800
Total general and administrative	56,484	49,332
Fundraising expense	5,067	8,224
Total expenses	\$ 1,144,722	\$ 1,121,772

The accompanying notes are an integral part of this statement.

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Statements of Cash Flows  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (130,027)	\$ 104,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	155,225	163,209
(Increase) decrease in due from governmental agencies	89,955	(89,955)
(Increase) decrease in prepaid expenses	(1,902)	5,614
Increase in accounts payable	27,920	255
Increase (decrease) in due to governmental agencies	(30,768)	30,768
Decrease in interest payable	<u>(738)</u>	<u>(675)</u>
Net cash provided by operating activities	109,665	213,903
Cash flows from financing activities:		
Principal paid on notes payable	(54,619)	(52,727)
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	<u>(13,286)</u>	<u>(143,268)</u>
Increase in cash and cash equivalents	41,760	17,908
Cash and cash equivalents, beginning of period	<u>281,457</u>	<u>263,549</u>
Cash and cash equivalents, end of period	<u>\$ 323,217</u>	<u>\$ 281,457</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 6,024</u>	<u>\$ 7,936</u>

The accompanying notes are an integral part of this statement.

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Notes to Financial Statements

(1) Organization and Purpose

The Scott Volunteer Fire Department (Organization) is a non-profit corporation formed under the laws of the State of Louisiana for the purpose of impeding, preventing, and extinguishing all types of destructive fires within or near the City of Scott, Louisiana; supervising, directing and controlling the proper care and use of all types of inflammable or combustible material found within the City; acquiring and holding property for purposes of the Organization, and other related purposes.

(2) Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting for financial reporting purposes in accordance with accounting principles generally accepted in the United States of America. Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will either (1) expire by incurring expenses satisfying the restricted purpose (purpose restricted), and/or the passage of time or other events (time restricted), or (2) will never expire (perpetual in nature). When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

B. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all instruments with maturities of three months or less to be cash equivalents.

C. Property and Equipment

The Organization capitalizes additions, improvements, and betterments to property and equipment. Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. The Organization maintains a threshold level of \$500 or more for capitalizing property and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Notes to Financial Statements (Continued)

Depreciation is provided in amounts sufficient to allocate the cost of depreciable assets to operations over their estimated useful lives using the straight-line depreciation method. The estimated useful lives of the individual assets are as follows:

Buildings	7- 39 years
Building improvements	10 - 31 years
Equipment, furniture and fixtures	5 years
Fire engines	10 years

D. Revenue and Expense Recognition

The Organization receives grants, contributions, contract services and other miscellaneous revenues. Grant revenues are recognized only to the extent that related expenses have been incurred. Contribution revenues are recognized when the donor makes a commitment to give to the Organization. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contract service fees received from the City of Scott and Lafayette Consolidated Government are earned annually representing the period over which the Organization satisfies the performance obligation. Other revenues are recognized when earned. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

E. Functional Expenses

Expenses are charged directly to program or support services in general categories based on specific identification.

F. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c) (4) of the Internal Revenue Code and therefore, has no provision for federal income taxes. The Organization's forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2018, 2019, and 2020 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

G. Donated Services

A substantial number of volunteers have donated time to the Organization's program and supporting services. No amounts have been included in the statement of activities for donated services because the criteria for recognition under professional standards have not been satisfied.

H. Use of Estimates

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

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Notes to Financial Statements (Continued)

(3) Asset Liquidity

The Organization's financial assets available within one year for general expense use as of December 31, 2021 and 2020 are as follows:

	2021	2020
Cash and interest-bearing deposits	\$ 323,217	\$ 281,457
Due from other governmental agencies	-	89,955
Total	\$ 323,217	\$ 371,412

In order to manage liquidity, the Organization has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations become due.

(4) Property, Plant and Equipment

The following is a summary of property, plant and equipment at December 31, 2021 and 2020:

	2021	2020
Land	\$ 14,000	\$ 14,000
Building	76,804	76,804
Building improvements	63,265	57,327
Equipment	1,317,844	1,310,496
Furniture and fixtures	13,798	13,797
Fire engines	1,502,279	1,502,279
Trucks	137,188	137,188
Total property, plant and equipment	3,125,178	3,111,891
Less: Accumulated depreciation	(2,638,302)	(2,483,076)
Net property, plant and equipment	\$ 486,876	\$ 628,815

Depreciation expense charged to operations amounted to \$155,225 and \$163,209 for the years ended December 31, 2021 and 2020, respectively.

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Notes to Financial Statements (Continued)

(5) Long-term Debt

The following is a summary of long-term debt at December 31, 2021 and 2020:

	2021	2020
Note payable to Home Bank, dated August 15, 2016, original principal of \$370,112, due in annual payments through August 15, 2023 of \$60,643, including interest at 3.5% and secured by the 2016 Ferrara fire truck having a net book value of \$225,000 and \$270,000 at December 31, 2021 and 2020, respectively	\$ 115,122	\$ 169,741
Less: current portion of notes payable	(56,558)	(54,619)
Long-term notes payable	\$ 58,564	\$ 115,122

Maturities of long-term debt are as follows:

2022		56,558
2023		58,564
		\$ 115,122

(6) City of Scott - Contributions

The City of Scott pays for expenses on behalf of the Organization, which are recorded as in-kind revenue contributions and included in the various program and supporting services expenses. In-kind contributions in the amount of \$604,380 and \$564,760 were paid by the City of Scott for the years ending December 31, 2021 and 2020, respectively.

Program services:

Salaries and related benefits	\$ 543,242	\$ 509,481
Insurance	29,928	10,427
Uniforms	472	9,160
Utilities and communication	3,762	4,452
Total program services	577,404	533,520
Supporting services - management and general		
Contract labor	7,416	7,200
Professional fees	19,560	24,040
Total supporting services - management and general	26,976	31,240
Total in-kind contributions	\$ 604,380	\$ 564,760

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Notes to Financial Statements (Continued)

(7) Concentration of Credit Risk

The Organization maintains cash balances at one financial institution, which at times exceeds federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had unsecured cash balances in the amount of \$120,693 and \$43,689 at December 31, 2021 and 2020, respectively.

(8) Compensation, Benefits, and Other Payments to Agency Head

A detail of amounts paid to Chad Sonnier, Fire Chief, by all sources, for the year ended December 31, 2021 follows:

Purpose:	<u>Amount</u>
Salary	\$ 39,125
Benefits - retirement and other taxes	<u>2,421</u>
Total	<u>\$ 41,546</u>

(9) Litigation

As of December 31, 2021, the Organization was involved in one lawsuit claiming damages. In the opinion of the Organization's legal counsel, the only exposure to the Organization would be any costs in defense of the lawsuit with no liability in excess of insurance coverage.

(10) Risks and Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may have and may continue to impact the Organization's ongoing activities. The extent and severity of the potential impact on future operations is unknown at this time.

(11) Subsequent Event Review

The Organization's management has evaluated events through June 20, 2022, the date which the financial statements were available to be issued.

**INTERNAL CONTROL,  
COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

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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 the Board of Directors  
Scott Volunteer Fire Department, Inc.  
Scott, 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 the Scott Volunteer Fire Department (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 20, 2022.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Scott Volunteer Fire Department's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Scott Volunteer Fire Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Scott Volunteer Fire Department'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2021-001 through 2021-003, that we consider to be a material weaknesses.

## **Compliance and Other Matters**

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

## **Scott Volunteer Fire Department's Response to Findings**

Scott Volunteer Fire Department's response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and corrective action plan. Scott Volunteer Fire Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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. Accordingly, this communication is not suitable for any other purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
June 20, 2022

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Summary Schedule of Current and Prior Year Findings  
and Management's Corrective Action Plan  
For the Year Ended December 31, 2021

Part I. Current Year Findings and Management's Corrective Action Plan

A. Internal Control Findings –

**2021-001 Inadequate Segregation of Accounting Functions**

Fiscal year finding initially occurred: Unknown

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

CRITERIA: The Organization should have a control policy according to which no person should be given responsibility for more than one related function.

CAUSE: Due to the size of the Organization, there are a small number of available employees.

EFFECT: The Organization has employees that are performing more than one related function.

RECOMMENDATION: The Organization should establish and monitor mitigating controls over functions that are not completely segregated.

MANAGEMENT'S CORRECTION ACTION PLAN: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

**2021-002 Inadequate Controls Over Financial Statement Preparation**

Fiscal year finding initially occurred: 2021

CONDITION: The Organization does not have a staff person who has the qualifications and training necessary to apply GAAP in recording the Organization's financial transactions or preparing its financial statements, including the notes.

CRITERIA: The Organization should be able to record financial transactions and prepare financial statements in accordance with generally accepted accounting principles (GAAP).

CAUSE: The Organization does not have the personnel with the qualifications needed to perform this function.

EFFECT: The Organization's financial transactions and financial statements may not be prepared in accordance with GAAP.

RECOMMENDATION: The Organization should outsource this task to ensure the financial statements and transactions are in accordance with GAAP.

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Summary Schedule of Current and Prior Year Findings  
and Management's Corrective Action Plan (Continued)  
For the Year Ended December 31, 2021

MANAGEMENT'S CORRECTION ACTION PLAN: The Organization has evaluated the cost vs. benefit of establishing internal controls over the financial statements in accordance with GAAP and determined that it is in the best interest of the Organization to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

**2021-003 Inadequate Controls Over the Payroll Function**

Fiscal year finding initially occurred: 2021

CONDITION: Ineffective internal controls allowed for an employee of the Organization to be overpaid \$2,186 during the fiscal year.

CRITERIA: The Organization should have an effective control policy in place to ensure that employees are paid for time worked.

CAUSE: The Organization did not have effective controls over the payroll function.

EFFECT: An employee of the Organization was overpaid \$2,186 during the fiscal year.

RECOMMENDATION: Management of the Organization should review their policies and procedures relative to the payroll function. Procedures should be established to require that all payroll amounts be reviewed by a member of management and compared to supporting payroll documentation to identify any errors in the payroll function.

MANAGEMENT'S CORRECTION ACTION PLAN: As of the date of issuance, the affected employee has paid back all amounts overpaid to the Organization. Additionally, management of the Organization will update internal control procedures, including requiring a review of payroll amounts by a member of management and comparison of payroll amounts to the supporting documentation in order to identify any errors in the payroll function.

B. Compliance Findings -

There are no findings to report under this section.

SCOTT VOLUNTEER FIRE DEPARTMENT  
Scott, Louisiana

Summary Schedule of Current and Prior Year Findings  
and Management's Corrective Action Plan (Continued)  
For the Year Ended December 31, 2021

Part II. Prior Year Findings

A. Internal Control Findings -

**2020-001 Inadequate Segregation of Accounting Functions**

Fiscal year finding initially occurred: Unknown

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: The Organization should establish and monitor mitigating controls over functions that are not completely segregated.

CURRENT STATUS: Unresolved. See finding 2021-001.

B. Compliance Findings -

There are no findings to report under this section.

**SCOTT VOLUNTEER FIRE DEPARTMENT**  
Scott, Louisiana

**Agreed-Upon Procedures Report**

Year Ended December 31, 2021

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of the  
Scott Volunteer Fire Department  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Fire Department's management is responsible for those C/C areas identified in the SAUPs.

Scott Volunteer Fire Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, SVFD has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed

The procedures and associated findings are as follows:

### *Written Policies and Procedures*

1. We obtained and inspected SVFD's written policies and procedures and observed that they address each of the following categories and subcategories if applicable to public funds and SVFD's operations:
  - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- 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) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

### ***Board or Finance Committee***

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- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) Observe that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.
  - c) Obtain the prior year audit report and observe the unassigned fund balance in the General Fund. If the General Fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the General Fund.

### ***Bank Reconciliations***

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3. We obtained a listing of SVFD's bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify SVFD's main operating account. We selected SVFD's main operating account and randomly selected 4 additional accounts (or all accounts if less than 5). We randomly selected one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected accounts, and observed that:
  - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

### ***Collections (excluding electronic fund transfers)***

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4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. We randomly selected 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. We obtained from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. We observed the bond or insurance policy for theft was enforced during the fiscal period.

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

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

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8. We obtained a listing of locations that process payments for the fiscal period and management’s representation that the listing was complete. We randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and we observed that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, we obtained SVFD’s non-payroll disbursement transaction population (excluding cards and travel reimbursements) and we obtained management’s representation that the population is complete. We randomly selected 5 disbursements for each location, we obtained supporting documentation for each transaction and:
  - a) We observed whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) We observed that the disbursement documentation includes evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

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11. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management’s representation that the listing is complete.

12. Using the listing prepared by management, we randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, we randomly selected one monthly bank statement), we obtained supporting documentation, and:
  - a) We observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
  - b) We observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, we observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, we described the nature of the transaction and noted whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

#### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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14. We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. We randomly selected 5 reimbursements, we obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, we observed the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) We observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

#### ***Contracts***

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15. We obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* We obtained management’s representation that the listing is complete. We randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
  - a) We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) We observed that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

- c) If the contract was amended (e.g., change order), we observed that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- d) We randomly selected one payment from the fiscal period for each of the 5 contracts, we obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

### ***Payroll and Personnel***

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#### **(The following procedures were not applicable to SVFD.)**

- 16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected 5 employees/officials, we obtained related paid salaries and personnel files, and we agreed paid salaries to authorized salaries/pay rates in the personnel files.
- 17. We randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, we obtained attendance records and leave documentation for the pay period, and:
  - a) We observed that all selected employees/officials 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.)
  - b) We observed that supervisors approved the attendance and leave of the selected employees/officials.
  - c) We observed that any leave accrued or taken during the pay period is reflected in SVFD's cumulative leave records.
  - d) We observed the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- 18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected two employees/officials, we obtained related documentation of the hours and pay rates used in management's termination payment calculations and SVFD's policy on termination payments. We agreed the hours to the employee or officials' cumulate leave records, agreed the pay rates to the employee/officials' authorized pay rates in the employee or officials' personnel files, and agreed the termination payment to entity policy.
- 19. We obtained management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

### ***Ethics***

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#### **(The following procedures were not applicable to SVFD.)**

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, we obtained ethics documentation from management, and:
  - a) We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b) We observed whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

### ***Debt Service***

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#### **(The following procedures were not applicable to SVFD.)**

21. We obtained a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. We selected all debt instruments on the listing, obtained supporting documentation, and observed State Bond Commission approval was obtained for each debt instrument issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

### ***Fraud Notice***

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23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing was complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that SVFD reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which SVFD is domiciled.
24. Observe that SVFD has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

### ***Information Technology Disaster Recovery/Business Continuity***

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25. We performed the following procedures, **verbally discussed the results with management, and reported "We performed the procedure and discussed the results with management."**
  - a) We obtained and inspected the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observed that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), we observed evidence that backups are encrypted before being transported.
  - b) We obtained and inspected the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observed evidence that the test/verification was successfully performed within the past 3 months.
  - c) We obtained a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. We randomly selected 5 computers and observed while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

## ***Sexual Harassment***

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### **(The following procedures were not applicable to SVFD.)**

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, we obtained sexual harassment training documentation from management, and observed the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. We observed the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
28. We obtained the entity’s annual sexual harassment report for the current fiscal period, observed that the report was dated on or before February 1, and observed it includes the applicable requirements of R.S. 42:344:
  - a) Number and percentage of public servants in the agency who have completed the training requirements;
  - b) Number of sexual harassment complaints received by the agency;
  - c) Number of complaints which resulted in a finding that sexual harassment occurred;
  - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e) Amount of time it took to resolve each complaint.

### **Exceptions:**

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No exceptions were found as a result of applying the procedures listed above except:

#### **Written Policies and Procedures**

1. SVFD’s written policies and procedures do not include sufficient information regarding travel and expense reimbursement.

***Management’s response:*** SVFD will update the written policies and procedures to include information addressing dollar thresholds by category of expense for travel and expense reimbursement.

2. SVFD does not have written policies and procedures for receipts/collections and information technology disaster recovery/business continuity.

***Management’s response:*** SVFD will develop written policies and procedures to address the categories specified above.

#### **Board of Directors**

3. Per SVFD bylaws, board meetings are to be held monthly. Per review of the minutes, meetings were not held in April 2021 or September 2021.

***Management’s response:*** SVFD will hold board meetings on a monthly basis.

## Bank Reconciliations

4. Of the four bank reconciliations selected, one did not have evidence that checks outstanding greater than 12 months had been reviewed by management.

*Management's response:* Management will maintain documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

## Collections

5. For the one deposit site tested, the following was determined: (a) employees share cash registers; (b) employees collecting cash are also able to prepare deposits; and (c) employees collecting cash are also able to post collection entries to the general ledger.

*Management's response:* Management of the SVFD will implement policies and procedures to ensure appropriate segregation of duties.

6. The SVFD did not have a bond or insurance policy for theft covering all employees who have access to collections for the fiscal period.

*Management's response:* SVFD will obtain a bond or insurance policy for theft covering all employees who have access to collections.

## Credit Cards

7. Of the 20 transactions selected, one did not have an original itemized receipt and written documentation of its purpose.

*Management's response:* Management will update procedures to enforce filing vendor files with the correct invoices in order to be located.

We were engaged by Scott Volunteer Fire Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Scott Volunteer Fire Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
June 20, 2022