

BRIDGE CITY VOLUNTEER FIRE CO. #1
BRIDGE CITY, LOUISIANA

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2019

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	
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	14-19

UZEE, BUTLER, ARCENEUX & BOWES

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CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To Board of Directors of
Bridge City Volunteer Fire Co. # 1
Bridge City, Louisiana

We have audited the accompanying financial statements of Bridge City Volunteer Fire Co. # 1 (a Louisiana nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, 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 Bridge City Volunteer Fire Co. # 1 as of December 31, 2019, 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 Bridge City Volunteer Fire Company No. 1's basic financial statements. The schedule of compensation, benefits and other payments to agency head or chief executive officer for the Bridge City Volunteer Fire Company 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 Bridge City Volunteer Fire Company 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 financials 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 May 20, 2020 on our consideration of Bridge City Volunteer Fire Company 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 Bridge City Volunteer Fire Company No. 1's internal control over financial reporting and compliance.

Uzee, Butler, Arceneux & Bowes

Harvey, Louisiana
May 20, 2020

FINANCIAL STATEMENTS

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:

Cash	\$ 1,174,640
Prepaid insurance	<u>12,207</u>

Total current assets	1,186,847
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Property and equipment, net	<u>582,819</u>
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Total assets	<u><u>1,769,666</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	2,063
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Accrued payables:

Salaries	4,729
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Compensated absences	19,302
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Garnishments	<u>683</u>
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Total current liabilities	26,777
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NET ASSETS:

Unrestricted	<u>1,742,889</u>
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Total Liabilities and Net Assets	\$ <u><u>1,769,666</u></u>
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See accompanying notes to financial statement.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

		<u>Unrestricted Net Assets</u>
REVENUES:		
Contract Revenue:		
Fire protection	\$ 762,000	
Fire insurance premium tax	<u>16,125</u>	\$ 778,125
Donations		2,150
Insurance dividend (LWCC)		35,832
Interest income		2,337
Fundraisers		11,277
Reimbursements		3,613
Miscellaneous		<u>9,594</u>
Total revenues		<u>842,928</u>
EXPENSES:		
Program services - firefighting		857,374
Supporting services - management and general		<u>24,394</u>
Total expenses		<u>881,768</u>
DECREASE IN UNRESTRICTED NET ASSETS		(38,840)
NET ASSETS - Beginning of year		<u>1,781,729</u>
NET ASSETS - End of year		<u>\$ 1,742,889</u>

See accompanying notes to financial statements.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Firefighting</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 421,329	\$ -	\$ 421,329
Conventions, conferences and meetings	-	2,524	2,524
Depreciation	56,286	-	56,286
Dues and subscriptions	-	447	447
Fuel	7,336	-	7,336
Insurance:			
General	43,943	-	43,943
Group medical, disability and life	165,395	-	165,395
Worker's compensation	35,042	-	35,042
Loss on disposal of assets	14,387	-	14,387
Membership activities	-	1,154	1,154
Miscellaneous	4,755	5,665	10,420
Office expense	-	3,338	3,338
Payroll taxes	36,788	-	36,788
Pension contributions	2,340	-	2,340
Professional services	-	11,266	11,266
Repairs and maintenance	29,201	-	29,201
Supplies	9,623	-	9,623
Uniforms	3,901	-	3,901
Utilities and telephone	<u>27,048</u>	<u>-</u>	<u>27,048</u>
Total	\$ <u>857,374</u>	\$ <u>24,394</u>	\$ <u>881,768</u>

See accompanying notes to financial statements.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in unrestricted net assets	\$ (38,840)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	56,286
Increase in prepaid insurance	(1,259)
Decrease in accounts and other accrued payables	<u>(1,440)</u>

Net cash provided by operating activities \$ 14,747

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(29,206)
Loss on disposal of assets	<u>24,894</u>

Net cash used by investing activities (4,312)

NET INCREASE IN CASH 10,435

CASH - Beginning of year 1,164,205

CASH - End of year \$ 1,174,640

SUPPLEMENTAL DISCLOSURES:

Interest incurred and paid (none capitalized)	\$ <u>2</u>
Income tax paid	\$ <u>-0-</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

ORGANIZATION

Bridge City Volunteer Fire Co. #1 (the Fire Company) was incorporated under the laws of the State of Louisiana on March 15, 1949 to provide fire protection and related services in Jefferson Parish, Louisiana in an area comprising part of Fire Protection District No. 7 (a separate entity) of Jefferson Parish. The Fire Company has one fire station located in Bridge City, Louisiana and has ten full-time paid employees and 15 volunteers. The Fire Company's main source of revenue is a fire protection contract with Jefferson Parish which expires September 2, 2024.

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. Revenues are recognized when earned and expenses are recognized when incurred.

The financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, Financial Statements for Not-for-Profit Organizations. Under this Standard, information regarding financial position and activities is reported according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2019, 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. Only unrestricted contributions were received in the year ended December 31, 2019, consisting of cash and equipment.

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.

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2019

3. Income Tax

The Fire Company is exempt from income taxes under Internal Revenue Code Section 501(c)(4) as a nonprofit organization and accordingly no provision for income taxes is made in the financial statements.

4. Cash and Cash Equivalent

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. There were no cash equivalents at December 31, 2019.

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 required by purchase are stated at acquisition cost, or estimated historical cost if acquisition cost is not available. Equipment acquired as contributions are recorded at their estimated fair value at the time of acquisition. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Building and improvements	15-50 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

At December 31, 2019, the aggregate carrying amount of the Fire Company's three bank accounts was \$1,174,640 and the aggregate bank balances were \$1,193,937. All of the fire Company's bank accounts are in one local bank and are covered by federal depositary insurance of \$250,000 and a pledge of securities held by a federal bank which had a market value of approximately \$976,257 at December 31, 2019.

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS (continued) December 31, 2019

C. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and depreciation activity for the year ended December 31, 2019.

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Land	\$ 100,031	\$ -0-	\$ -0-	\$ 100,031
Building and improvements	341,317	25,660	11,837	355,140
Equipment	785,117	3,546	29,175	759,488
Total	<u>\$1,226,465</u>	<u>\$ 29,206</u>	<u>\$ 41,012</u>	<u>\$ 1,214,659</u>
Less accumulated depreciation:				
Building and improvements	166,730	11,027	1,331	176,426
Equipment	424,942	45,259	14,787	455,414
Total	<u>591,672</u>	<u>56,286</u>	<u>16,118</u>	<u>631,840</u>
Net, property and equipment	<u>\$ 634,793</u>	<u>\$ (27,080)</u>	<u>\$ 24,894</u>	<u>\$ 582,819</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.

D. RETIREMENT PLAN

In April 1997, the Fire Company adopted 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 2019 was \$11,500 plus an additional catch-up contribution of \$2,500 for those at least age 50. For 2019 the employees' total contributions were \$5,000 and the Fire Company's matched contributions were \$2,340.

E. FIRE PROTECTION CONTRACT

Substantially all of the Fire company's support is derived from funds provided by Jefferson Parish. Under the contract with Jefferson Parish, the Fire Company receives one-fifth of the net proceeds of the property tax levied annually by Fire Protection District No. 7. The Fire Company also receives from the Parish one-fifth of the 2% fire insurance premium tax which the Parish receives from the State of Louisiana for Fire Protection District No. 7.

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2019

F. 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.

G. SUPPLEMENTAL PAY

The 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 evaluates 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 May 20, 2020 which is the date the financial statements were available to be issued. A strain of coronavirus was reported in Louisiana in March 2020, and continues to spread throughout the United States. The COVID-19 outbreak has disrupted business. While the disruption is currently expected to be temporary, there is considerable uncertainty concerning the duration. The related financial impact and duration cannot be reasonably estimated at this time.

OTHER SUPPLEMENTAL INFORMATION

BRIDGE CITY VOLUNTEER FIRE CO. #1

Bridge City, Louisiana

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

For the Year Ended December 31, 2019

Agency Head Name: Gary Girard

Purpose

Salary	\$ 82,634
Benefits – insurance	1,897
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>\$ 84,531</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
Bridge City Volunteer Fire Co. #1
Bridge City, 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 Bridge City Volunteer Fire Co. #1 (a Louisiana nonprofit corporation), which comprise the statement of financial position as December 31, 2019, 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 May 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bridge City Volunteer Fire Co. #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 Bridge City Volunteer Fire Co. #1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bridge City Volunteer Fire Co. #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. During our audit we identified a deficiency in internal control that we consider to be a material weakness. Also, we identified certain deficiencies in internal control that we consider to be significant deficiencies. The findings are described in the accompanying schedule.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridge City Volunteer Fire Co. #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.

Uzee, Butler, Arceneux & Bowes

Harvey, Louisiana
May 20, 2020

INTERNAL CONTROL AND COMPLIANCE

Bridge City Volunteer Fire Co. #1
Schedule of Current Year Audit Findings
Year Ended December 31, 2019

Summary of Auditor's Results

1. Type of audit report issued – Unqualified
2. Internal control over financial reporting:

Material weakness identified – Yes, 2019-01
Significant deficiencies identified – Yes, 2019-02, 2019-03
3. Noncompliance material to financial statements – none noted

Financial Statement Findings

2019-01 Segregation of duties:

Condition and Criteria

All financial functions are performed by one employee, the Fire Chief. This employee makes all purchases, prepares the payroll, writes all checks, records cash receipts and disbursements, makes the bank deposits, reconciles the bank accounts and posts the general ledger. To achieve effective internal control, the various duties relating to financial matters described above should be segregated so that no one person is in complete control. Some control is achieved to a limited extent since dual signatures are required on all checks written. This same condition existed in the previous year and was included as a finding in our report for the year ended December 31, 2018.

Cause

Bridge City Volunteer Fire Co. #1 is a small organization with a limited number of employees, mostly firefighters. To cure the deficiency in internal control described above would require the employment of additional personnel with the financial ability to perform some of the functions described above. This would not be prudent from a cost effective standpoint.

Recommendation

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with the auditor's recommendation.

Bridge City Volunteer Fire Co. #1
Schedule of Current Year Audit Findings (continued)
Year Ended December 31, 2019

2019-02 – 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

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with the auditor's recommendations.

Bridge City Volunteer Fire Co. #1
Schedule of Current Year Audit Findings (continued)
Year Ended December 31, 2019

2019-03 – 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

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with auditor's recommendation.

Bridge City Volunteer Fire Co. #1
Schedule of Prior Year Audit Findings
Year Ended December 31, 2019

FINANCIAL STATEMENT FINDINGS

2018-01 Segregation of duties:

Condition and Criteria

All financial functions are performed by one employee, the fire Chief. This employee makes all purchases, prepares the payroll, writes all checks, records cash receipts and disbursements, makes the bank deposits, reconciles the bank accounts and posts the general ledger. To achieve effective internal control, the various duties relating to financial matters described above should be segregated so that no one person is in complete control. Some control is achieved to a limited extent since dual signatures are required on all checks written. This same condition existed in the previous year and was included as a finding in our report for the year ended December 31, 2017.

Cause

Bridge City Volunteer Fire Co. #1 is a small organization with a limited number of employees, mostly firefighters. To cure the deficiency in internal control described above would require the employment of additional personnel with the financial ability to perform some of the functions described above. This would not be prudent from a cost effective standpoint.

Recommendation

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with the auditor's recommendation.

Bridge City Volunteer Fire Co. #1
Schedule of Prior Year Audit Findings (continued)
Year Ended December 31, 2019

2018-02 – 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

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with the auditor's recommendations.

Bridge City Volunteer Fire Co. #1
Schedule of Prior Year Audit Findings (continued)
Year Ended December 31, 2019

2018-03 – 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

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with auditor's recommendation.

BRIDGE CITY VOLUNTEER FIRE COMPANY NO. 1

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Year Ended December 31, 2019

UZEE, BUTLER, ARCENEUX & BOWES

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Independent Accountant's Report On Applying Agreed-Upon Procedures

To the President and Board of Director of Bridge City Volunteer Fire Co., #1 and Bridge City Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Bridge City Volunteer Fire Co. #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, 2019 through December 31, 2019. Bridge City Volunteer Fire Co., #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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public finds and the entity'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, 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 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) requirement that all employees annually attest through signature verification that they have read 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) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a 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.

RESULTS: *We obtained the Bridge City Volunteer Fire Co. #1's written policies and procedures manual. The policies and procedures manual addresses each of the following categories and subcategories as listed above, except debt service which is not applicable to the Bridge City Volunteer Fire Co. #1 and disaster recovery/business continuity, which is explained below:*

- **Budgeting.**
- **Purchasing.**
- **Disbursements.**

- *Receipts/Collections.*
- *Payroll/Personnel.*
- *Contracting.*
- *Credit Cards, Debit Cards, Fuel Cards, and P-Cards.*
- *Travel and Expense Reimbursement.*
- *Ethics.*
- *Debt Service (not applicable).*

Bridge City Volunteer Fire Co. #1 has backup procedures to address some of the items listed under disaster recovery/business continuity. The Fire Company is in the process of updating their policies and procedures manual to fully address all of the remaining items listed under disaster recovery/business continuity.

Board or Finance Committee

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

RESULTS: Our review found the board meets with a quorum on a monthly basis. Upon review of board minutes, budget to actual data is discussed on a monthly basis.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the period, obtain

and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged).
- b) Bank reconciliations include 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).
- 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.

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

For each month, a reconciliation was prepared on all accounts by the Fire Chief. All reconciliations were prepared within two months of the related statements.

All of the bank statements were signed by the Fire Chief and reviewed by the Fire Company President. The initials of both were evident on all bank reconciliations.

The bank reconciliations reflect no reconciling items that have been outstanding for more than twelve months from the statement closing date.

Collections

4. Obtain a listing of deposit sites for the period where deposits for cash/checks/money orders are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location 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 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 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. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits, and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

RESULTS: We obtained a listing of cash collection locations from the Fire Company and management's representation that the list was complete.

The only deposit and collection location for the Bridge City Volunteer Fire Co. #1 is their one fire station.

We selected the fire station as the deposit site and collection location for our examination, obtained and inspected written policies and procedures related to employee job duties.

The Fire Company does not collect "cash" per se. Their main collections come from the Parish via ACH deposits. Most charitable donations come in the form of checks. Due to the small size of the Fire Company the employee receiving cash or check, making up the deposits and posting them to the general ledger is the same person, the Fire Chief.

Our review of the Fire Company's insurance policies shows that the employee who handles deposits is bonded.

As we noted previously, there is typically no cash collections during the year. No prenumbered receipts are used. There is no subsidiary ledger in use.

We traced the deposit slip totals to the actual deposit per the bank statement. All deposits were made within one day of collection.

We traced the deposits per the bank statements to the general ledger. All deposits examined were properly recorded and accounted for in the Bridge City Volunteer Fire Co. #1's general ledger.

All collection documentation, because of the size of the Fire Company, does not include segregation of duties.

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

8. Obtain a listing of locations that process payments for the period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee 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, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

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

RESULTS: *We obtained a listing of the Fire Company's disbursements from the entity's check register and we obtained management's representation that this listing was complete.*

As mentioned earlier, due to the size of the Fire Company, the Fire Chief, the President and any board members can requisition or initial a purchase. The Fire Chief processes payments and adds vendors to the Fire Company's accounting system.

The Fire Company requires two signatures on each check any board member, the President or the Fire Chief. The Fire Chief is responsible for mailing the checks.

We selected 25 disbursements at random from the above check register and obtained supporting documentation for each transaction. As mentioned earlier, because of the limited number of employees and because of the nature of the types of disbursements made, requisition/purchase orders are not used. However, all disbursements are approved by the Fire Chief who also initiates the purchase.

All disbursements selected for review show approval by the Fire Chief, purchase shows receipt of goods or services purchased and approval for payment by the Fire Chief.

All disbursement documentation, because of the size of the Fire Company, does not include evidence of segregation of duties.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards for the period, 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.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe 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, by someone other than the authorized card holder.
 - b) Observe 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 randomly select 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, observe 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).

RESULTS: We obtained a listing of all active credit cards, including card numbers and the names of the persons assigned the cards. We also obtained management's representation that the listing is complete. During the year, the Fire Company had four credit cards.

We select all 4 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.

No finance charges or late fees were assessed on the statements we selected for review.

We obtained supporting documentation for the transactions on each of the cards selected. All of the transactions were supported by documentation that identifies precisely what was purchased, had the business purpose noted, and any other documentation that might be required.

None of the credit card charges were for meals, and as such, documentation was not required that would list the individuals participation in the meals.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain 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, agree the reimbursement rate to those rates established either by the State of Louisiana or the U. S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

RESULTS: *Upon review no Fire Company personnel were reimbursed for any travel expense during the year.*

Contracts

- 15. Obtain 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 period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe 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) Observe 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), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

RESULTS: *Non applicable – The Fire Company did not enter into any contracts during the year.*

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials who were employed during the period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees'/officials' cumulative leave records, and agree the pay rates to the employees'/officials' authorized pay rates in the employees'/officials' personnel files.
- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and worker's compensation premiums have been paid, and associated forms have been filed, by required deadlines.

RESULTS: We obtained a listing of all employees from the Fire Company and management's representation that the listing is complete.

We selected five employees and obtained their salaries and personnel files. We examined payments made to each employee and found that the payments made to the employees were made in accordance with the terms and conditions of the employee's employment contract or pay rate structures.

We obtained the entity's attendance and leave records, selected the same employees as above, and examined their attendance and leave records. All attendance and leave was properly documented by the employees, computed and approved by the Fire Chief. The entity maintains a proper cumulative listing of leave earned and used, and the balances available for each employee.

Our examination showed that no employee was terminated during the period.

Management stated that all of the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums were paid, and the associated forms were filed by their required deadlines, in their management representation letter. We obtained copies of the Fire Company's payroll tax reports and records of their payroll tax payments. All were processed and paid on a timely basis. We also examined the check vouchers and reports, and verified that pension contributions, health insurance premiums, and worker's compensation premiums were paid timely.

Ethics

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

- b) Observe that documentation demonstrates that each employee/official attested through signature verification that he or she has read the entity's ethics policy during the period.

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

The ethics documentation received from the Fire Company demonstrates that each employee attested through signature verification that he has read the entity's ethics policy during the period.

Debt Service

21. Obtain a listing of bond/notes issued during the period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

RESULTS: *This section is not applicable to the Bridge City Volunteer Fire Co. #1.*

Other

23. Obtain a listing of misappropriations of public funds and assets during the period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity 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.

RESULTS: *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.*

The Fire Company has posted the LLA Fraud Hotline Post in its station. It does not have an official website, therefore, the requirement to post the website 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.

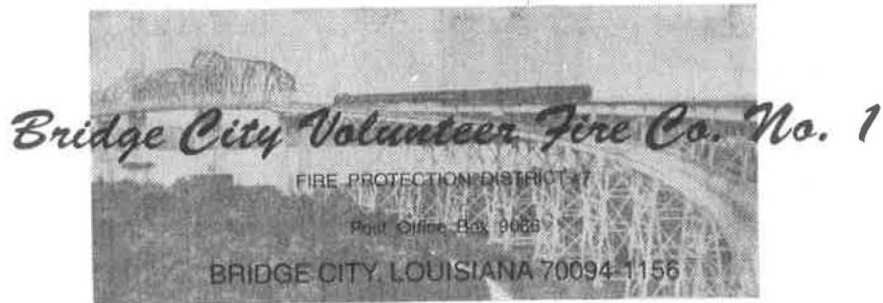
UZEE, BUTLER, ARCENEAUX & BOWES

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

May 20, 2020



May 20, 2020

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

Year Ended December 31, 2019

1) WRITTEN POLICIES AND PROCEDURES

Procedure #1:

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity'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, 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 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) requirement that all employees annually attest through signature verification that they have read 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) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a 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.

FINDING

We obtained Bridge City Volunteer Fire Co. #1's written policies and procedures manual. The policies and procedures manual addresses each of the following categories and subcategories as listed above, except debt service which are not applicable to the Bridge City Volunteer Fire Co. #1 and disaster recovery/business continuity which is explained below:

- *Budgeting (not applicable)*
- *Purchasing.*
- *Disbursements.*
- *Receipts/Collections.*
- *Payroll/Personnel.*
- *Contracting.*
- *Credit Cards, Debit Cards, Fuel Cards, and P-Cards.*
- *Travel and Expense Reimbursement.*
- *Ethics (not applicable).*
- *Debt Service (not applicable).*

Bridge City Volunteer Fire Co. #1 has backup procedures to address some of the items listed under disaster recovery/business continuity. The Fire Company is in the process of updating their policies and procedures manual to fully address all of the remaining items listed under disaster recovery/business continuity.

MANAGEMENT'S RESPONSE

We will ensure that our policies and procedures manual is fully updated to address all of the remaining items listed under disaster recovery/business continuity.

2) COLLECTIONS

A. Procedure #5:

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection that:
 - a) Employees that are responsible for cash collections do not share cash drawer/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee 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 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.

FINDING

The Fire Chief is responsible for depositing cash in the bank, recording related transactions, recording the transaction and reconciling the related bank accounts.

MANAGEMENT'S RESPONSE

Due to the Fire Company's limited staff it may not be possible to achieve the separation of duties between reconciling verses handling cash collections.

3) NON-PAYROLL DISBURSEMENTS

A. Procedure #9:

9. For each location under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of

employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

FINDING

The Fire Company does not use a requisition/purchase order system for initiating purchases. All disbursements are initialed and approved for payment by the Fire Chief. The Fire Chief processes payments and adds vendors to the Fire Company's accounting system. The Fire Company requires two signatures on each check any board member, the President or the Fire Chief. The Fire Chief is responsible for mailing the checks.

MANAGEMENT'S RESPONSE

Due to the Fire Company's limited staff it is not possible to achieve separation of duties between initiating purchases, processing payments, adding vendors, approval for payments and for signatory authority to the Fire Company's accounting system.

Respectfully submitted,



Gable St. Pierre
President



Gary Girard
Fire Chief