

VACHERIE VOLUNTEER FIRE DEPARTMENT NO. 1



INVESTIGATIVE AUDIT
ISSUED AUGUST 7, 2019

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 7, 2019

**ANTHONY JOSEPH, PRESIDENT
AND MEMBERS OF THE BOARD OF DIRECTORS
VACHERIE VOLUNTEER FIRE DEPARTMENT NO. 1**
Vacherie, Louisiana

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

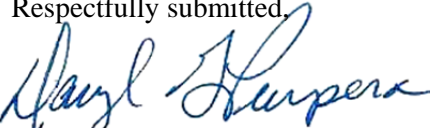
After reviewing the Department's bank records, as well as other documents, we found that the department president appeared to have converted \$56,500 in departmental funds for his personal use between February 2017 and January 2019.

Records showed the president wrote 37 unauthorized checks totaling \$54,006 either to himself or to "Cash." We also found that the president made 13 unauthorized electronic payments totaling \$2,494 from the Department's checking accounts to pay his personal bills.

In addition, we found that the president cashed department Certificates of Deposit and transferred the money to departmental checking accounts without the authorization of the Department's Board of Directors. In March 2019, board members removed the president from his position.

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

The accompanying report presents our findings and recommendations, as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the 23rd Judicial District of Louisiana and others, as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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EXECUTIVE SUMMARY

Former President May Have Converted Fire Department Funds for His Personal Use

From February 22, 2017 to January 23, 2019, former Vacherie Volunteer Fire Department No. 1 (Department) President Jacolby Octave appears to have converted Department funds totaling \$56,500 for his personal use. Mr. Octave signed and negotiated 37 unauthorized checks totaling \$54,006 made payable to himself or "Cash." In addition, Mr. Octave made 13 unauthorized electronic payments totaling \$2,494 from Department checking accounts to pay personal bills. Department bank records show that Mr. Octave cashed Department Certificates of Deposit and transferred the proceeds to Department checking accounts without authorization. If Mr. Octave converted Department funds for his personal use, he may have violated the Louisiana constitution and state law.

BACKGROUND AND METHODOLOGY

The Vacherie Volunteer Fire Department No. 1 (Department) is a Louisiana nonprofit corporation that registered with the Louisiana Secretary of State on November 13, 1959. The Department provides fire protection and emergency medical services in Vacherie, Louisiana. The Department is one of four volunteer fire departments located in St. James Parish and is a component unit of the St. James Parish Council (Parish) for financial reporting purposes. The Department is financially supported by an ad valorem tax that is collected and administered by the Parish, fundraisers, and private donations. The Department is governed by a 12-member board elected by active members (volunteers) with at least one year of membership. Board members serve two-year terms.

In December 2018, the Louisiana State Police (LSP) requested our assistance regarding a complaint they received that Department President Jacolby Octave converted Department funds for his personal use. We initiated an audit to determine the validity of this complaint.

The procedures performed during this audit included:

- (1) interviewing Department employees and officials;
- (2) examining selected Department and St. James Parish Council documents and records;
- (3) gathering and examining external parties' documents and records; and
- (4) reviewing applicable state laws and regulations.

During our audit, we received assistance from representatives of the LSP. Their participation was instrumental to the completion of this audit.

FINDINGS AND RECOMMENDATIONS

Former President May Have Converted Fire Department Funds for His Personal Use

From February 22, 2017 to January 23, 2019, former Vacherie Volunteer Fire Department No. 1 (Department) President Jacolby Octave appears to have converted Department funds totaling \$56,500 for his personal use. Mr. Octave signed and negotiated 37 unauthorized checks totaling \$54,006 made payable to himself or “Cash.” In addition, Mr. Octave made 13 unauthorized electronic payments totaling \$2,494 from Department checking accounts to pay personal bills. Department bank records show that Mr. Octave cashed Department Certificates of Deposit and transferred the proceeds to Department checking accounts without authorization. If Mr. Octave converted Department funds for his personal use, he may have violated the Louisiana constitution¹ and state law.^{2,3,4,5,6,7}

The Department is a Louisiana nonprofit corporation that registered with the Louisiana Secretary of State on November 13, 1959, and is governed by a Board of Directors (Board) elected by active members (volunteers) with at least one year of membership. The Department is primarily funded by an ad valorem tax that is collected and administered by the St. James Parish Council (Parish); additional funding comes from Department fundraisers and private donations. According to Department bylaws, Board approval is required for all expenditures over \$500. The bylaws further require that all expenses be paid by the Treasurer in the form of check or money order signed by the Treasurer and the President (the Vice-President may sign in his absence). Prior to January 2016, the Department paid for all of its operating expenses from its separate accounts and was reimbursed by the Parish. In January 2016, the Parish began paying the Department’s operating expenses directly using funds collected from the ad valorem tax. However, the Department continued to maintain separate checking accounts and Certificates of Deposit (CDs) to account for funds collected before 2016.

Jacolby Octave served as the Department’s President from March 2016 to March 2019. In December 2018, the Louisiana State Police notified the Louisiana Legislative Auditor that Mr. Octave may have transferred funds from Department CDs to the Department’s checking account and converted those funds for his personal use. We reviewed Department bank records and found that the Department had \$104,000 invested in CDs as of December 31, 2016. From May 5, 2017 to November 18, 2018, the Department transferred \$58,916 from CDs to its checking accounts on seven different occasions. Records indicate that the Board authorized one transfer in the amount of \$9,989, and that Mr. Octave authorized the remaining six transfers totaling \$48,927 without Board approval. The Board removed Mr. Octave from his position on March 18, 2019, after we began our audit.

Mr. Octave Appears to Have Negotiated Department Checks Without Board Approval

We examined Department bank records and found that Mr. Octave issued and negotiated 37 checks totaling \$54,006 that were either made payable to himself or “Cash” between February 22, 2017 and November 20, 2018, that were not approved by the Board. There was no

documentation, other than the notes included in the memo section of each check, to support the purpose of these payments. Although Department bylaws require that the Treasurer maintain custody of the checkbook, we found that Mr. Octave maintained a separate checkbook with a different series of check numbers for the same bank account. The Department's former Treasurer told us that he thought he had custody of the only checkbook and was unaware that Mr. Octave had a separate checkbook. He further stated that Mr. Octave never responded to his repeated requests to see the Department's bank statements. In addition, the two board members who had signature authority on the Department's bank accounts told us that the signatures on 20 of these checks were not their signatures. The Vice-President told us that Mr. Octave routinely had him sign blank checks to pay workers to wash the trucks or clean the station, and that he never signed a check that was made payable to Mr. Octave.

We reviewed Mr. Octave's personal bank records and found that he deposited seven of the unauthorized checks, totaling \$13,787, into his personal bank accounts and negotiated the remaining checks, which appear to have been cashed, totaling \$40,219. We also found that Mr. Octave made cash deposits to his personal accounts totaling \$22,722 on days in which he negotiated unauthorized Department checks. The unauthorized checks issued and negotiated by Mr. Octave included the following:

- **Six checks, totaling \$28,896, that Mr. Octave represented as checks for assets such as an air conditioning unit, ice makers, and a new refrigerator.** Records show that Mr. Octave cashed five checks totaling \$22,909 and deposited one check totaling \$5,987 directly into his bank account. For example, on November 20, 2018, Mr. Octave wrote a check in the amount of \$8,709 made payable to "Cash" and noted on the memo that the check was for a "5-ton a/c unit." Bank records show that Mr. Octave cashed the check on November 21, 2018, and deposited \$8,000 in cash into two of his personal accounts on that same day. Five days later, Mr. Octave issued a \$5,000 check from his personal account for a down payment on a personal vehicle. During the next Board meeting (after Mr. Octave issued the unauthorized Department check), Mr. Octave reported that no checks had been issued and that the bank balance of the Department's checking account was the same as the previous month. Additionally, the Parish wrote a check directly to a vendor for new air conditioning units in February 2019.

We spoke with Mr. Octave regarding this check, and he initially told us that he used the funds to pay an undocumented worker named Julio to perform services on the air conditioner. We asked for Julio's contact information, and Mr. Octave told us that Julio went back to his home in Mexico. Mr. Octave later told us that he cashed fire department checks and kept the cash at the fire department to wash the fire trucks. He stated that the memos on the checks may be inaccurate.

- **Nine checks, totaling \$9,000, for maintenance and cleaning.** Bank records show that Mr. Octave negotiated these checks for cash. Mr. Octave told us that he routinely paid undocumented workers in cash to wash the fire trucks and perform repairs and maintenance at the fire stations because the workers did not want to go through the Parish's vendor registration process. However, Mr. Octave's personal

bank records show that he deposited \$4,575 in cash on the same days that he cashed these Department checks. Four of these checks appear to have been signed by the Department's Vice-President who told us that the signatures on the checks were not his signatures.

- **Eleven checks, totaling \$8,760, for Mr. Octave's travel expenses.** We reviewed these checks with the Board members that had signature authority on the bank account. These Board members informed us that the signatures on six of these checks were not their signatures. According to the Vice-President, Mr. Octave was not approved to spend Department funds for travel expenses from either the Department's accounts or the funds administered by the Parish. In addition, we found that Mr. Octave requested and received reimbursement from the Parish for some of these expenses. For example, Mr. Octave requested and was reimbursed \$1,993 by the Parish on November 2, 2017, for expenses he incurred related to a trip to attend the Fallen Firefighter Memorial in Gettysburg, Pennsylvania. However, from September 21, 2017 to October 3, 2017, Mr. Octave issued himself four checks from the Department's account totaling \$4,040 for this same trip. We asked Mr. Octave why he requested reimbursement from the Parish for travel expenses that had been paid by the Department, and he told us that he routinely wrote checks in advance so the memos on the checks may be inaccurate.
- **One check, totaling \$4,484, for a special event.** On August 23, 2018, Mr. Octave wrote a check for \$4,484 and noted on the check that it was for "bounce house/music/catering." This check appears to have been signed by the Vice-President; however, he told us that the signature on the check was not his signature. We spoke with three volunteer fire fighters and none of them could recall any event hosted by the Department where a bounce house, catering, and music were provided. Mr. Octave acknowledged that this event never took place, but stated that he wrote that check in advance and since there was a lack of member participation for the event, he cashed the check and kept the cash at the fire station. Bank records indicate that Mr. Octave deposited the check into his personal bank account on August 28, 2018.
- **Ten checks, totaling \$2,866, for meals, clothing, and training.** Bank records reveal that Mr. Octave cashed these checks and deposited cash totaling \$671 into his personal accounts on the days that he cashed these checks. According to Parish records, the Parish routinely pays vendors directly for meals provided during Department meetings. According to the Board members with signature authority on the account, the signatures on seven of these checks were not their signatures.

Mr. Octave acknowledged that he transferred funds from the CDs into the Department's checking account without Board approval but denied using Department funds for personal use. Mr. Octave told us that he wanted to run the Department the way that he wanted to run it, and he did not feel it was necessary to discuss things with the Board since he did the majority of the work for the Department. Mr. Octave indicated that he deposited some of the checks directly

into his account because he was either owed the money or uncomfortable having that much cash on hand at the fire station. When we asked Mr. Octave about the cash deposits into his personal accounts, he acknowledged that this “did not look good,” but was adamant that funds deposited into his personal account were not Department funds. We asked Mr. Octave to explain how he spent the Department funds on the checks that he negotiated, and he told us that he paid an individual \$1,000 twice each month to wash the trucks. Mr. Octave stated that he would provide us with the individual’s name and contact information but failed to do so.

Mr. Octave Appears to Have Paid Personal Bills Using Department Funds

Department bank records show that Mr. Octave initiated 13 electronic payment transactions, totaling \$2,494, from the Department checking account from September 27, 2017 to January 23, 2019. These transactions include eight loan payments to Credit One Bank and five payments to AT&T. The Department does not have any loans with Credit One Bank and does not receive services from AT&T. Mr. Octave acknowledged that these electronic payments were for his personal bills. Mr. Octave stated that the Department owed him money for purchases that he made with his own funds and rather than write himself a check for reimbursement, he paid his personal bills out of the Department’s bank account.

Conclusion

From February 22, 2017 to January 23, 2019, Mr. Octave appears to have converted \$56,500 in Department funds for his personal use. Mr. Octave signed and negotiated 37 unauthorized checks totaling \$54,006 made payable to him or to “Cash.” In addition, Mr. Octave made 13 unauthorized electronic payments totaling \$2,494 from Department checking accounts to pay personal bills. Department bank records show that Mr. Octave transferred Department funds from Certificates of Deposit to Department checking accounts without Board approval. If Mr. Octave converted Department funds for his personal use, he may have violated the Louisiana constitution¹ and state law.^{2,3,4,5,6,7}

Recommendations

We recommend that Department management:

- (1) Seek legal advice to determine the appropriate actions to be taken, including recovering funds related to Mr. Octave’s unauthorized disbursements;
- (2) Evaluate the overall business operations and develop detailed written policies and procedures to ensure that all accounting functions are segregated and provide an adequate system of internal control;
- (3) Develop detailed written policies and procedures for reviewing and approving invoices for payment. These policies and procedures should require dual signature of checks and prohibit the practice of signing blank checks;

- (4) Require detailed invoices or documentation supporting the business purpose for all expenditures;
- (5) Require reconciliation of all checking accounts on a monthly basis by an individual who does not have signature authority or custody over the accounts or checkbooks;
- (6) Ensure that all checks are accounted for and maintained in a secure location; and,
- (7) Approve and review all transfers of funds.

LEGAL PROVISIONS

¹ **Louisiana Constitution Article VII, Section 14(A)** provides, in part, “that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.”

² **Louisiana Revised Statute (La. R.S.) 14:67 (A)** provides that, “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

³ **La. R.S. 14:72 (A)** states that, “It shall be unlawful to forge, with intent to defraud, any signature to, or any part of, any writing purporting to have legal efficacy.”

⁴ **La. R.S. 14:132 (B)** states that, “Second-degree injuring public records is the intentional removal, mutilation, destruction, alteration, falsification, or concealment of any record, document, or other thing, defined as a public record pursuant to R.S. 44:1 et seq. and required to be preserved in any public office or by any person or public officer pursuant to R.S. 44:36.”

⁵ **La. R.S. 14:133 (A)** states that, “Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) Any forged document. (2) Any wrongfully altered document. (3) Any document containing a false statement or false representation of a material fact.”

⁶ **La. R.S. 14:134 (A)** states that, “Malfeasance in office is committed when any public officer or public employee shall: (1) Intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; or (2) Intentionally perform any such duty in an unlawful manner; or (3) Knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him, or to perform any such duty in an unlawful manner.”

⁷ **La. R.S. 42:1461 (A)** states that, “Officials, whether elected or appointed and whether compensated or not, and employees of any “public entity,” which, for purposes of this Section shall mean and include any department, division, office, board, agency, commission, or other organizational unit of any of the three branches of state government or of any parish, municipality, school board or district, court of limited jurisdiction, or other political subdivision or district, or the office of any sheriff, district attorney, coroner, or clerk of court, by the act of accepting such office or employment assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or other thing of value belonging to or under the custody or control of the public entity in which they hold office or are employed.”

APPENDIX A

Management's Response



Vacherie Volunteer Fire Department

2433 Highway 18 Vacherie, LA 70090

(225)265-2721

Anthony V. Joseph

President

Derek Weber

Fire Chief

To:

Mr. Daryl G. Purpera, CPA, CFE

Louisiana Legislative Auditor

P.O. Box 94397

Baton Rouge, LA 70804

Re: North Vacherie Volunteer Fire Department

On Behalf of the North Vacherie Volunteer Fire Department, we would like to thank the Louisiana Legislative Auditor Office for the thorough Audit of Unauthorized Spending of Department Funds. We also would like to thank Louisiana State Police for their time and effort put into this matter. Our Department will continue to work and consult with counsel to recoup all funds which were a loss.

We believe that your findings and recommendations will be useful as we move forward to reassure the public confidence and trust in our department.

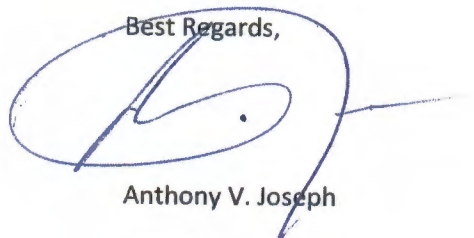
We the board of Directors of the Vacherie Volunteer Fire Department understand the importance of the public's trust. Although no procedures can prevent all intentional fraudulent conduct, your recommended steps and the procedures that our board has put in place, can aide us in recognizing this type of activity quicker.

Our Department has taken the following steps to better improve the protection of Department funds:

- 1) All department spending must be approved by the Board of Directors.
- 2) All spending report must be given to each board members for review before the meeting
- 3) All department operations and other expense will be paid only through the Parish Government
- 4) A freeze has been placed on all the departments individual checking and CD's accounts.

Thank you again for your assistance in helping the Vacherie Volunteer Fire Department determine the extent of this loss. We will continue to take the necessary precautions to ensure this type of activity doesn't occur again.

Best Regards,

A handwritten signature in blue ink, appearing to read 'Anthony V. Joseph', with a large, stylized flourish extending to the right.

Anthony V. Joseph
President

Vacherie Volunteer Fire Department