

SCOTT VOLUNTEER FIRE DEPARTMENT
Scott, Louisiana

Financial Report

Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of 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, 2022 and 2021, 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, 2022, and 2021 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 audit 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 27, 2023 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 27, 2023

FINANCIAL STATEMENTS

SCOTT VOLUNTEER FIRE DEPARTMENT
Scott, Louisiana

Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and interest-bearing deposits	\$ 330,619	\$ 323,217
Prepaid expenses	<u>33,918</u>	<u>32,205</u>
Total current assets	364,537	355,422
Property, plant, and equipment, net	<u>378,831</u>	<u>486,876</u>
Total assets	<u>\$ 743,368</u>	<u>\$ 842,298</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 6,002	\$ 29,740
Current portion of note payable	-	56,558
Interest payable	<u>-</u>	<u>1,556</u>
Total current liabilities	6,002	87,854
Long-term liabilities:		
Note payable, less current portion	<u>-</u>	<u>58,564</u>
Total liabilities	6,002	146,418
Net assets:		
Without donor restrictions -	<u>737,366</u>	<u>695,880</u>
Total liabilities and net assets	<u>\$ 743,368</u>	<u>\$ 842,298</u>

The accompanying notes are an integral part of this statement.

SCOTT VOLUNTEER FIRE DEPARTMENT
Scott, Louisiana

Statements of Activities
Years Ended December 31, 2022 and 2021

	2022	2021
Net Assets Without Donor Restrictions:		
Support and revenue -		
Support:		
Contributions -		
Federal sources -		
Federal grants	\$ 173,992	\$ 91,314
City of Scott -		
Annual appropriation	50,000	50,000
In-kind contributions	603,285	604,380
Corporate grants	10,000	-
Lafayette Parish - fire insurance tax	160,621	85,040
Miscellaneous donations	65,015	36,390
Total public support	1,062,913	867,124
Revenue:		
Contract service fees -		
City of Scott	75,000	75,000
Lafayette Consolidated Government	71,322	71,322
Other income	294	1,249
Total revenue	146,616	147,571
Total support and revenue	1,209,529	1,014,695
Expenses:		
Program services -		
Fire fighting	1,084,475	1,083,171
Support services -		
General and administrative	60,885	56,484
Fundraising expense	22,683	5,067
Total expenses	1,168,043	1,144,722
Change in net assets	41,486	(130,027)
Net assets, beginning of year	695,880	825,907
Net assets, end of year	\$ 737,366	\$ 695,880

The accompanying notes are an integral part of this statement.

SCOTT VOLUNTEER FIRE DEPARTMENT
Scott, Louisiana

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 41,486	\$ (130,027)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	148,640	155,225
Decrease in due from governmental agencies	-	89,955
Increase in prepaid expenses	(1,713)	(1,902)
Increase (decrease) in accounts payable	(23,738)	27,920
Decrease in due to governmental agencies	-	(30,768)
Decrease in interest payable	(1,556)	(738)
Net cash provided by operating activities	163,119	109,665
Cash flows from financing activities:		
Principal paid on notes payable	(115,122)	(54,619)
Cash flows from investing activities:		
Acquisition of property, plant, and equipment	(40,595)	(13,286)
Increase in cash and cash equivalents	7,402	41,760
Cash and cash equivalents, beginning of period	323,217	281,457
Cash and cash equivalents, end of period	\$ 330,619	\$ 323,217
Supplemental disclosure of cash flow information:		
Interest paid	\$ 3,777	\$ 6,024

The accompanying notes are an integral part of this statement.

SCOTT VOLUNTEER FIRE DEPARTMENT
Scott, Louisiana

Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Program service expenses:		
Fire fighting -		
Communications	\$ 2,400	\$ 3,761
Depreciation	148,640	155,225
Dues and subscriptions	6,576	1,797
Education and training	6,700	4,240
Incentive pay	41,205	57,260
Insurance	143,074	119,190
Interest expense	2,221	5,286
Repairs and maintenance - building	1,140	1,792
Repairs and maintenance - equipment	66,930	62,725
Salaries and benefits	563,332	543,242
Appropriations to City of Scott	53,637	85,559
Supplies	4,841	10,566
Telephone	5,257	5,772
Truck fuel	25,463	16,764
Uniforms	5,056	525
Utilities	<u>8,003</u>	<u>9,467</u>
Total program service expenses	<u>1,084,475</u>	<u>1,083,171</u>
Support service expenses:		
General and administrative -		
Bank fees	149	146
Contract labor	26,821	17,631
Volunteer fire fighter's expenses - meals	1,198	1,270
Licenses and permits	287	7,239
Miscellaneous	1,976	6,033
Office expense	1,509	2,037
Office supplies	623	1,750
Professional fees	27,825	19,785
Travel and entertainment	<u>497</u>	<u>593</u>
Total general and administrative	<u>60,885</u>	<u>56,484</u>
Fundraising expense	<u>22,683</u>	<u>5,067</u>
Total expenses	<u>\$ 1,168,043</u>	<u>\$ 1,144,722</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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions. 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 2019, 2020, and 2021 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.

SCOTT VOLUNTEER FIRE DEPARTMENT
Scott, Louisiana

Notes to Financial Statements (Continued)

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.

(3) Asset Liquidity

The Organization's financial assets available within one year for general expense use as of December 31, 2022 and 2021 are as follows:

	2022	2021
Cash and interest-bearing deposits	\$ 330,619	\$ 323,217

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, 2022 and 2021:

	2022	2021
Land	\$ 14,000	\$ 14,000
Building	76,804	76,804
Building improvements	63,265	63,265
Equipment	1,358,439	1,317,844
Furniture and fixtures	13,798	13,798
Fire engines	1,502,279	1,502,279
Trucks	137,188	137,188
Total property, plant and equipment	3,165,773	3,125,178
Less: Accumulated depreciation	(2,786,942)	(2,638,302)
Net property, plant and equipment	\$ 378,831	\$ 486,876

Depreciation expense charged to operations amounted to \$148,640 and \$155,225 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
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 \$270,000 and \$225,000 at December 31, 2022 and 2021, respectively	\$ -	\$ 115,122
Less: current portion of notes payable	-	(56,558)
Long-term notes payable	\$ -	\$ 58,564

On August 8, 2022, the Board of Directors approved an early payoff of the loan balance with Home Bank in the amount of \$115,122 in principal and \$2,221 in interest.

(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 \$603,285 and \$604,380 were paid by the City of Scott for the years ending December 31, 2022 and 2021, respectively.

	2022	2021
Program services:		
Salaries and related benefits	\$ 519,101	\$ 543,242
Insurance	43,035	29,928
Uniforms	4,740	472
Utilities and communication	3,049	3,762
Total program services	569,925	577,404
Supporting services - management and general		
Contract labor	5,760	7,416
Professional fees	27,600	19,560
Total supporting services - management and general	33,360	26,976
Total in-kind contributions	\$ 603,285	\$ 604,380

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 \$81,989 and \$120,693 at December 31, 2022 and 2021, 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, 2022 follows:

Purpose:	<u>Amount</u>
Salary	\$ 39,623
Benefits - retirement and other taxes	<u>3,110</u>
Total	<u>\$ 42,733</u>

(9) Litigation

The Scott Volunteer Fire Department is not involved in any material matters of pending or threatened litigation as of December 31, 2022.

(10) Subsequent Event Review

The Organization's management has evaluated events through June 28, 2023, 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, 2022, 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 27, 2023.

Report on 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 identified 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 2022-001 through 2022-002, that we consider to be a material weaknesses.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on ABC Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. ABC organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 27, 2023

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, 2022

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

A. Internal Control Findings –

2022-001 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.

2022-002 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, 2022

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.

B. Compliance Findings -

There are no findings to report under this section.

Part II. Prior Year Findings

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.

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

CURRENT STATUS: Unresolved. See finding 2022-001.

2021-002 Inadequate Controls Over Financial Statement Preparation

Fiscal year finding initially occurred: 202

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.

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

CURRENT STATUS: Unresolved. See finding 2022-002.

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.

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, 2022

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.

CURRENT STATUS: Resolved.

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, 2022

KOLDER, SLAVEN & COMPANY, LLC

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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, 2022 through December 31, 2022. The Scott Volunteer Fire Department's (The Fire Department) management is responsible for those C/C areas identified in the SAUPs.

The 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, 2022 through December 31, 2022. Additionally, LLA 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 are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained and inspected the Fire Department's written policies and procedures and observed that they address each of the following categories and subcategories if applicable to public funds and the Fire Department'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) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) **Credit Cards (and debit cards, fuel cards, purchase 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).
- 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) **Prevention of 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

- 2. We obtained and inspected 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) Observed 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) Observed 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) Obtained the prior year audit report and observed 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, observed 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.

- d) Observed whether the board/finance committee received written updates of the progress of resolving audit findings, according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Bank Reconciliations

3. We obtained a listing of the Fire Department's bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify the Assessor's main operating account. We selected the Fire Department'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, obtained and inspected 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)

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)

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, we inquired 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.
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
10. For each location selected under #8 above, we obtained the Fire Department'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 by paper or electronic means, 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.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3 above, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observed that each electronic disbursement was:
 - a) Approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy.
 - b) Approved by the required number of authorized signers per the entity's policy.

Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

12. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.
13. 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.
14. Using the monthly statements or combined statements selected under #13 above, excluding fuel cards, we randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained 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 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)

15. 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).
 - 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 #1g).

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

Contracts

- 16. 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

(The following procedures were not applicable to the SVFD.)

- 17. Obtain a listing of employees/elected officials employed during the fiscal 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.
- 18. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials document their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approve the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- 19. Obtain a listing of those employees/officials that receive termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee/officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
- 20. Obtain 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

(The following procedures were not applicable to the SVFD.)

21. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.
 - b) Observe 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.
22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Debt Service

(The following procedures were not applicable to the SVFD.)

23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII Section 8 of the Louisiana Constitution.
24. Obtain a listing of bonds/notes outstanding at the end of the fiscal 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice

25. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing was complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Fire Department reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Fire Department is domiciled as required by R.S. 24:523.

The Fire Department represented that there were no misappropriations of public funds and assets during the fiscal year.

26. We observed that the Fire Department 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

27. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a) Obtain and inspect 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 observe that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- b) Obtain and inspect 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 observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe 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.
28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19 above and:
- a) Observe evidence that the selected terminated employees have been removed or disabled from the network.

Prevention of Sexual Harassment

(The following procedures were not applicable to the SVFD.)

29. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
30. Observe 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).
31. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe 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:

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

Board Committee Meetings

- 1. Per review of the Fire Department's bylaws, board meetings are to be held monthly. Per review of the minutes, a meeting was not held in August 2022.

Bank Reconciliations

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

Collections

3. For the one deposit site selected for testing, 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.
4. The Fire Department did not have a bond or insurance policy for theft covering all employees who have access to collections.

Management's Response:

Management concurs with the exceptions noted and are working to address the deficiencies identified.

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 from 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 27, 2023