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DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

Ericksen, Krentel, Canton & LaPorte, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
4227 Canal Street
New Orleans, Louisiana 70119-5996

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Ericksen, Krentel, Canton & LaPorte, L.L.P.

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J.V. LECLERE KRENTTEL (Retired 1993)
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INDEPENDENT AUDITORS' REPORT

Des Allemands Volunteer Fire Department, Inc.
P.O. Box 817
Des Allemands, Louisiana 70030

We have audited the accompanying general purpose financial statements of the Des Allemands Volunteer Fire Department, Inc. as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Des Allemands Volunteer Fire Department, Inc.'s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the *Louisiana Governmental Audit Guide* and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Des Allemands Volunteer Fire Department, Inc. as of December 31, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition we do not provide assurance that the Department is or will become year 2000 compliant, that the Department's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Department does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 2, 1999 on our consideration of the Des Allemands Volunteer Fire Department, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

June 2, 1999


Certified Public Accountants

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

ASSETS AND PROVISIONS

	Governmental Fund Type	Account Group	Totals (Memorandum Only)	
	General Fund	General Fixed Assets	1998	1997
Cash	\$ 95,019	\$ -	\$ 95,019	\$ 152,070
Due from Parish (Note 3)	4,857	-	4,857	3,789
Deposit on truck	175,000	-	175,000	-
Fire Protection vehicles	-	591,973	591,973	588,534
Equipment	-	377,951	377,951	373,137
Buildings	-	128,297	128,297	128,297
Land	-	7,000	7,000	7,000
 Total assets	 <u>\$ 274,876</u>	 <u>\$ 1,105,221</u>	 <u>\$ 1,380,097</u>	 <u>\$ 1,252,827</u>

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts payable	\$ 4,422	\$ -	\$ 4,422	\$ 2,793
 Total liabilities	 <u>4,422</u>	 <u>-</u>	 <u>4,422</u>	 <u>2,793</u>

FUND EQUITY:

Fixed asset investment	-	1,105,221	1,105,221	1,096,968
Fund balance -- reserved for deposit	175,000	-	175,000	-
Fund balance - unreserved, undesignated	<u>95,454</u>	<u>-</u>	<u>95,454</u>	<u>153,066</u>
 Total fund equity	 <u>270,454</u>	 <u>1,105,221</u>	 <u>1,375,675</u>	 <u>1,250,034</u>
 Total liabilities and fund equity	 <u>\$ 274,876</u>	 <u>\$ 1,105,221</u>	 <u>\$ 1,380,097</u>	 <u>\$ 1,252,827</u>

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>1998</u>	<u>Total (Memorandum Only) 1997</u>
<u>REVENUES:</u>		
Sales tax - 1/8 cent	\$ 80,666	\$ 67,377
Ad Valorem tax	104,456	110,289
Other revenues	<u>7,878</u>	<u>8,038</u>
 Total revenues	 <u>193,000</u>	 <u>185,704</u>
<u>EXPENDITURES:</u>		
Utilities:		
Electricity	3,465	4,516
Telephone	7,605	7,047
Water	453	303
Equipment:		
Maintenance	18,578	12,629
Fuel	1,942	1,946
Insurance	4,201	4,501
Buildings:		
Maintenance	2,795	1,819
Insurance	4,237	4,918
Fire fighting expenditures:		
Fire fighting supplies	5,028	7,672
Personnel insurance	2,915	3,729
Miscellaneous:		
Accounting and auditing	2,500	2,000
Dues and subscriptions	75	510
Office expenses	2,144	2,306
Meetings and other	1,421	3,719
Account group activity:		
Equipment purchase	<u>18,253</u>	<u>62,264</u>
 Total expenditures	 <u>75,612</u>	 <u>119,879</u>
 <u>EXCESS OF REVENUES OVER EXPENDITURES</u>	 <u>117,388</u>	 <u>65,825</u>
 FUND BALANCE, BEGINNING OF YEAR	 <u>153,066</u>	 <u>87,241</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 270,454</u>	 <u>\$ 153,066</u>

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Des Allemands Volunteer Fire Department, Inc. (Fire Department) receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Fire Department is a "primary government" and is not included as a component unit of any other St. Charles Parish governmental "reporting entity" as defined in GASB pronouncements, since the entity is a non-profit corporation, and the board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Fire Department includes all activities that are controlled by it as a quasi-public non-profit corporation organized to provide fire protection to the Parish of St. Charles. The Fire Department has no component units.

The accounting and reporting policies of the Fire Department conform to generally accepted accounting principles as applicable to governmental units.

Fund Accounting

The accounts of the Fire Department are organized on the basis of a fund (General Fund) and account groups, each of which is considered a separate accounting entity. The operations of the General Fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Fire Department records are maintained on a cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Sales taxes are recorded in the month the taxes are collected by the St. Charles Parish School Board. Sales taxes become payable to the St. Charles Parish School Board on the first day of the month and become delinquent on the 20th day of the month following incurrence of the taxes by businesses.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues (Continued)

A ten year ad valorem issue was dedicated to the operations of the Fire Departments beginning in 1991. Each department is to receive one ninth of annual collections. Taxes levied in November each year are available for expenditures in the subsequent year.

Interest income on investments is recorded when the investments have matured and income is available.

All other revenues are recorded when received.

The majority of the Fire Department's revenues are derived from the one-eighth of one percent sales tax and the ad valorem tax for operations.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is not recognized until due.

Cash and Cash Equivalents

The Department is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, and the laws of the United States. The Department may also invest in time certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, these deposits must be secured by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent.

At December 31, 1998, the carrying amount of the Department's deposit was \$95,019, and the bank balance was \$102,503, classified as follows:

Federally insured	\$ 100,000
Collateralized	-
Uninsured and uncollateralized	<u>2,503</u>
	<u>\$ 102,503</u>

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Fire Department was not required to prepare a budget for the year ended December 31, 1998.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in governmental funds.

Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in the General Fund. No depreciation has been provided on fixed assets. Fixed assets are valued at historical cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Long-term liabilities expected to be financed from the General Fund are accounted for in the general long-term liabilities account group.

The two account groups are not "funds". They are concerned only with the measurement of financial position and do not involve measurement of results of operations.

Total Columns of Combined Balance Sheet

Total columns on the combined balance sheet are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Fire Department's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1998

(2) SALES TAX REVENUE

Effective March 1, 1980, sales tax in the amount of one-eighth of one percent is collected by the St. Charles Parish School Board and administered by the Parish President. The sales tax is to be used for fire protection of the Parish of St. Charles. The funds are distributed monthly by the Parish President to the individual fire departments of the St. Charles Parish Firemen's Association, Inc. Effective September, 1994, the sales tax is distributed on the following basis:

	Monthly Basis	Percent of Remaining Funds
Bayou Gauche Volunteer Fire Dept., Inc.	\$ 2,500	3.21%
Des Allemands Volunteer Fire Dept., Inc.	\$ 2,500	4.83%
East Side St. Charles Volunteer Fire Dept., Inc.	\$ 2,500	23.57%
Hahnville Volunteer Fire Dept., Inc.	\$ 2,500	5.92%
Killona Volunteer Fire Dept., Inc.	\$ 2,500	1.56%
Luling Volunteer Fire Dept., Inc.	\$ 2,500	29.00%
Norco Area Volunteer Fire Dept., Inc.	\$ 2,500	10.51%
Paradis Volunteer Fire Dept., Inc.	\$ 2,500	4.20%
St. Rose Volunteer Fire Dept., Inc.	\$ 2,500	17.20%

(3) REVENUE RECEIVABLE

Revenue receivable at December 31, 1998, consists of the Fire Department's share of the 1/8th cent sales tax for the month of November 1998, collected on or before December 20, 1998, by the St. Charles Parish School Board and remitted by St. Charles Parish in January 1999.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 1998.

(4) CHANGES IN GENERAL FIXED ASSETS

	Balance 1/1/98	Purchases 1998	Retirements 1998	Balance 12/31/98
Fire protection vehicles	\$ 588,534	\$ 3,439	\$ -	\$ 591,973
Equipment	363,137	14,814	-	377,951
Buildings	128,297	-	-	128,297
Land	7,000	-	-	7,000
	<u>\$ 1,086,968</u>	<u>\$ 18,253</u>	<u>\$ -</u>	<u>\$ 1,105,221</u>

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1998

(5) CASH

The Fire Department maintains a separate petty cash account. The petty cash account is funded through public functions held by the Fire Department. Expenditures from this petty cash account are for expenses related to the functions. The amount in the petty cash account was not included in the financial statements and was therefore not subjected to the audit procedures of the financial statements.

(6) RISK MANAGEMENT

The Volunteer Fire Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to firemen; and natural disasters. The Volunteer Fire Department carries commercial insurance in amounts sufficient to insure itself against claims resulting from any of those risks.

(7) DEPOSITS

During 1998 the Department ordered a new rescue truck costing \$272,000. A deposit in the amount of \$175,000 was paid in 1998 toward the purchase price. This amount is presented in the accompanying balance sheet as a deposit and as fund balance – reserved for deposit. The remaining \$97,000 will be financed in 1999 when the Department takes delivery of the truck.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
YEAR 2000 SUPPLEMENTARY INFORMATION
DECEMBER 31, 1998

UNAUDITED

Because many computer systems use only two digits to record the year in date fields, such systems may not be able to accurately process dates including the year 2000 and after. The effects of this problem will vary from system to system, but unless this problem is addressed, computer systems that rely on date calculations are at risk of producing unpredictable results or complete failure.

The management of the Department is aware of the year 2000 issue and has initiated a remediation project to take all necessary and reasonable steps to get mission critical systems and operations year 2000 compliant in a timely manner. The management of the Department feels that all mission critical systems are presently year 2000 compliant.

Management believes that the cost of making the systems year 2000 compliant was insignificant.

However, the Department's emergency response is dependent on the operation of the St. Charles Parish 9-1-1 emergency response system, which is maintained by various entities of St. Charles Parish. The Department has no responsibility or control over the year 2000 compliance of the emergency response system.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management can not assure that the Department is or will be year 2000 ready, that the Department's remediation efforts will be successful in whole or part, or that parties with whom the Department does business will be year 2000 ready.

The assessment of the costs of the year 2000 compliance and the completion of the internal year 2000 modifications are management's estimates. It is reasonably possible that actual and estimated results will differ materially.

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INDEPENDENT AUDITORS REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Des Allemands Volunteer Fire Department, Inc.
P.O. Box 817
Des Allemands, Louisiana 70030

We have audited the general purpose financial statements of Des Allemands Volunteer Fire Department, Inc., as of and for the year ended December 31, 1998, and have issued our report thereon dated June 2, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Des Allemands Volunteer Fire Department, Inc.'s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 1998-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Des Allemands Volunteer Fire Department, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Des Allemands Volunteer Fire Department, Inc.

June 2, 1999

Page 2

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Des Allemands Volunteer Fire Department, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 1998-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Des Allemands Volunteer Fire Department, Inc. in a separate letter dated June 2, 1999.

This report is intended solely for the information and use of Des Allemands Volunteer Fire Department, Inc. and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

June 2, 1999


Ericksen, Krentel, Canton & LaPorte
Certified Public Accountants

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998

We have audited the financial statements of Des Allemands Volunteer Fire Department, Inc. as of and for the year ended December 31, 1998, and have issued our report thereon dated June 2, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 1998 resulted in an unqualified opinion.

SECTION I SUMMARY OF AUDITORS' REPORTS

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No

Reportable Conditions X Yes ___ No

Compliance

Compliance Material to Financial Statements X Yes ___ No

b. Federal Awards **Not Applicable**

Internal Control

Material Weaknesses ___ Yes ___ No

Reportable Conditions ___ Yes ___ No

Type of Opinion on Compliance Unqualified ___ Qualified ___
for Major Programs Disclaimer ___ Adverse ___

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)? ___ Yes ___ No

c. Identification of Major Programs: **Not Applicable**

CFDA Number(s) Name of Federal Program (or Cluster)

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

Dollar threshold used to distinguish Type A and Type B Programs \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?

Yes No **Not Applicable**

SECTION II FINANCIAL STATEMENT FINDINGS

1998-1 Collateralization of Cash Balances

Criteria: Louisiana laws affecting local governments require that deposits in excess of the federally insured limit of \$100,000 be secured by a collateral pledge agreement between the financial institution and the local government.

Condition: Our tests of compliance revealed that cash deposits totaling \$2,503 were uninsured and uncollateralized at December 31, 1998 because a collateral pledge agreement did not exist.

Effect: Unsecured cash balances are at risk for loss in the event of a bank failure.

Cause: The Department and the financial institution did not execute a collateral pledge agreement.

Recommendation: The Department should execute collateral pledge agreements with all financial institutions which hold their deposits. Management should monitor its cash balances throughout each month to avoid accumulating balances above the secured amount.

Management's Response: Bank One will pledge investments to secure the cash balance of the Department. Management will more closely monitor its cash level at the bank.

1998-2 Segregation of Duties

Criteria: Safeguarding of assets requires adequate segregation of duties in an effective internal control structure. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives regarding cash receipts and disbursements.

Effect: Intentional or unintentional errors could be made and not be detected.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

Cause: The Department is small and therefore it is not feasible to maintain an adequate segregation of duties among accounting personnel. All personnel are volunteers.

Recommendation: The Board of Directors should remain involved in the day-to-day financial affairs of the Department to provide oversight and independent review functions. The bookkeeper should not be an authorized check signer and should not have access to cash receipts. Instead, someone independent of the bookkeeper should prepare a list of checks received and should make bank deposits. The list would be given to the bookkeeper for general ledger recording.

Management's Response: Management agrees with the recommendation; however, they feel that because of the small number of personnel in the Department it is not possible to remove the bookkeeper from the depositing and check signing responsibilities. The Board of Directors, however, will continue to monitor and review all financial transactions of the Department.

Erickson, Krentel, Canton & LaPorte, L.L.P.

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June 2, 1999

Des Allemands Volunteer Fire Department, Inc.
P.O. Box 817
Des Allemands, Louisiana 70030

In planning and performing our audit of the financial statements of Des Allemands Volunteer Fire Department, Inc. for the year ended December 31, 1998, we considered the Department's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated June 2, 1999, contains our report on reportable conditions in the Department's internal control. This letter does not affect our report dated June 2, 1999, on the financial statements of Des Allemands Volunteer Fire Department.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Department personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Certified Public Accountants

MANAGEMENT LETTER POINTS

1998-3 Invoice Payment

During our audit we noticed that a payment was made from a statement for an incorrect amount. The cause of the problem was that the total of the invoices were summed incorrectly on the statement.

We recommend that the Department implement a policy of recalculating invoices and statements before making payments.

1998-4 Record Storage and Retrieval

During our audit we noticed that accounting records frequently could not be located when needed. The causes of the problem appeared to be (a) lack of a clearly specified system for filing records, (b) failure of those who removed records from the files to indicate who took the record, (c) failure to return the record to the files or misfiling it when it was returned, and (d) lack of specific policies for removing prior year records from the files to a designated storage space. The result was that personnel spent nonproductive time searching for needed documents. This condition would also present problems when documents are needed in support of tax returns and other reports subject to audit by us or other governmental agencies. We recommend that the following steps be taken:

- Decide on a systematic manner of filing documents.
- Institute use of "sign-out" cards to be filled out when a document is removed, showing who took the record. The card should be placed in the file in place of the removed document.
- Establish a policy specifying which records should be retained permanently and which records should be kept only for a given period before being destroyed and how long that period should be. Also, decide on when records should be removed from more accessible files to other storage areas. Assign personnel the responsibility to periodically clean out the files in accordance with the established policy.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
P.O. BOX 817
DES ALLEMANDS, LOUISIANA 70030

CORRECTIVE ACTION PLAN RELATIVE TO
MANAGEMENT LETTER ITEMS

June 2, 1999

Louisiana Legislative Auditor

Des Allemands Volunteer Fire Department respectfully submits the following corrective action plan for the year ended December 31, 1998.

Name and address of independent public accounting firm:

Ericksen, Krentel, Canton & LaPorte, L.L.P.
4227 Canal Street
New Orleans, Louisiana 70119
Contact: Ronald H. Dawson, Jr.

Audit Period: 01/01/98 to 12/31/98

The findings from the December 31, 1998 management letter are discussed below. The findings are numbered consistently with the number assigned in the management letter.

1998-3 Invoice Payment

Recommendation: The Department should implement a policy of recalculating invoices and statements before making payments.

Response: We concur with this recommendation. Recalculation of invoices and statements will begin immediately.

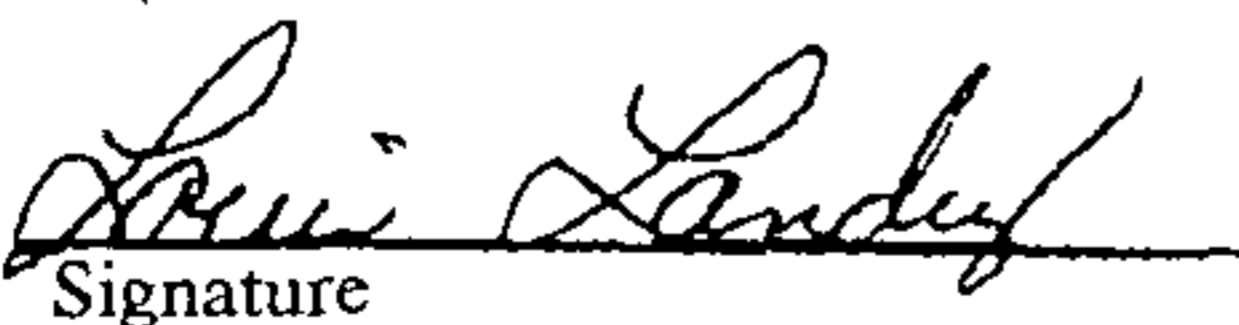
1998-4 Record Storage and Retrieval

Recommendation: The Department should decide on a systematic manner of filing documents.

Response: We concur with this recommendation; however, we feel that this was an isolated incident that occurred this year. We will monitor the removal of documents from the filing system and follow up on documents that are not returned within a specified time period.

If there are any questions regarding this plan, please call Jay Landry at (504) 758-2815.

Sincerely,


Signature

Treasurer
Title

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

1997-1 Collateralization of Cash Balances

Our tests of compliance revealed that cash deposits totaling \$52,070 were uninsured and uncollateralized at December 31, 1997.

The Department failed to enter into a collateral pledge agreement with Bank One. This issue remains unresolved.

1997-2 Segregation of Duties

Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives relative to cash receipts and disbursements.

The Department is small, and it was determined not to be feasible to maintain adequate segregation of duties. This issue remains unresolved.

1997-3 Fuel Expense

Our evaluation and inquiry of management regarding expenses revealed that an accounting for fuel costs was not being made by firemen who were reimbursed for business use of their personal vehicles.

The Department no longer reimburses volunteers for use of their personal vehicles.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

Not Applicable

SECTION III MANAGEMENT LETTER

1997-4 Financial Reporting

We recommend that the Department appoint an individual to be responsible for closing the books timely and responding promptly to all requests for information from the independent auditors or the Legislative Auditor.

This issue has been resolved by management.