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REPORT

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

DECEMBER 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 8-4-04

MARRERO-RAGUSA VOLUNTEER
FIRE COMPANY, NO. 3

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INDEPENDENT AUDITOR'S REPORT

March 12, 2004

Board of Directors
Marrero-Ragusa Volunteer Fire
Company, No. 3
Marrero, Louisiana

We have audited the accompanying statement of financial position of Marrero-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) as of December 31, 2003, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marrero-Ragusa Volunteer Fire Company No. 3 as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2004 on our consideration of Marrero-Ragusa Volunteer Fire Company No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contacts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2003

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 2)	$	108,964
Investments (Note 3)		43,526
Accounts receivable		74,950
Prepaid expenses		845
Total current assets		228,285
Property and equipment, net of accumulated depreciation (Note 4)		1,205,521
TOTAL ASSETS	$	1,433,806

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Payroll liabilities	$	12,858
Accrued interest payable		9,874
Deferred rent (Note 13)		1,000
Compensated absences (Note 6)		12,937
Capital lease obligations (Note 7)		53,762
Total current liabilities		90,431
LONG-TERM LIABILITIES:		
Capital lease obligations, net of current portion (Note 7)		305,025
Total long-term liabilities		305,025
Total liabilities		395,456
Unrestricted net assets		1,038,350
Total net assets		1,038,350
TOTAL LIABILITIES AND NET ASSETS	$	1,433,806

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

UNRESTRICTED NET ASSETS:	
REVENUE:	
Contract revenue:	
Firefighting contract	$ 1,034,950
Jefferson Parish insurance rebate	32,079
Donated firefighting services	6,556
Grant	126,000
Interest	1,427
Rent	12,000
Other	21,054
Social funds	9,344
Total revenue	1,243,410
EXPENSES:	
Program services - firefighting (Page 5)	1,095,310
Supporting services - management and general (Page 5)	97,576
Total expenses	1,192,886
INCREASE IN UNRESTRICTED NET ASSETS	50,524
Net assets - beginning of year	987,826
NET ASSETS - END OF YEAR	$ 1,038,350

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Firefighting	Management And General	Total
EXPENSES:			
Accounting and legal	$ -	$ 14,807	$ 14,807
Advertising (Note 14)	100	-	100
Arson investigation	1,541	-	1,541
Bank charges	-	656	656
Convention expenses	6,550	-	6,550
Depreciation	152,538	-	152,538
Donated firefighting services	6,556	-	6,556
Dues and subscriptions	-	2,131	2,131
Equipment	22,115	-	22,115
Fire station supplies	39,821	-	39,821
Fuel	9,465	-	9,465
Insurance	166,719	-	166,719
Interest expense	24,576	-	24,576
Medical expenses	-	3,635	3,635
Office expense	-	2,566	2,566
Payroll taxes	34,381	2,350	36,731
Radio expense	1,741	-	1,741
Repairs - station and vehicles	33,405	-	33,405
Retirement contribution	16,565	-	16,565
Salaries and wages	561,865	23,220	585,085
Social expenses	-	13,476	13,476
Taxes and licenses	6,037	-	6,037
Telephone and utilities	-	34,735	34,735
Training and travel	3,676	-	3,676
Uniforms	7,659	-	7,659
TOTAL	$ 1,095,310	$ 97,576	$ 1,192,886

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$	50,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		152,538
(Increase) decrease in:		
Accounts receivable		(74,950)
Increase (decrease) in:		
Accounts payable		(22,050)
Payroll liabilities		(6,335)
Deferred rent		1,000
Accrued interest payable		(1,248)
Compensated absences		3,308
Net cash provided by operating activities		102,787
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of interest in Louisiana Asset Management Pool (LAMP)		(53,675)
Gross proceeds from sale of interest in LAMP		154,900
Acquisition of equipment		(154,914)
Net cash used in investing activities		(53,689)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease payments		(44,686)
Net cash used by financing activities		(44,686)
NET INCREASE IN CASH		4,412
Cash at beginning of year		104,552
CASH AT END OF YEAR	$	108,964
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$	25,824
NONCASH INVESTING AND FINANCING ACTIVITY:		
Purchase of capital assets through entering into a capital lease	$	34,559

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

ORGANIZATION:

Marrero-Ragusa Volunteer Fire Company No. 3 (the Company) was established in 1954 to provide firefighting and rescue service to a designated area of the Eighth Fire District on the West Bank of Jefferson Parish, Louisiana (a separate entity). In addition, the Company provides fire code inspections for businesses within its district, as well as firefighting and rescue training for its members. The Company maintains three fire stations and has twenty-four paid employees and approximately twenty-eight volunteers. The Company's main source of revenue is a fire protection contract with Jefferson Parish effective for the period April 1, 1994 through March 31, 2004. The contract was adopted by the Jefferson Parish Council on June 22, 1994 by resolution number 77143. The fire company's membership adopted the contract on June 27, 1994. The contract was signed September 2, 1994. The contract is currently being renegotiated with final terms not yet completed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the fire company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Financial Statement Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The fire company follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Nonprofit Organizations*. Under SFAS No. 117, the fire company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the fire company is required to present a statement of cash flows. As of December 31, 2003, the fire company had only unrestricted net assets.

The statement of activities presents expenses of the fire company's operations functionally between program service for firefighting, administrative and general and social. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Contributions:

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions: (Continued)

SFAS No. 116 provides that the value of donated services is to be recognized in financial statements if the services require specialized skills, are provided by persons possessing those skills, and the services would be purchased if they were not donated. The Company's volunteer firefighters undergo extensive specialized training, and the firefighting services would have to be purchased by the Company or Jefferson Parish if the services were not provided by volunteers. Accordingly, donated firefighting services are recognized in the financial statements at estimated fair value.

Income Taxes:

The Company is exempt from income taxes under Internal Revenue Code Section 501(c)(4) as a nonprofit organization and, accordingly the financial statements do not reflect a provision for income taxes.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, Marrero-Ragusa considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

Deposits:

The fire company's bank deposits were fully covered by federal depository insurance and securities pledged by the financial institution and held in the name of the fire company.

Property and Equipment:

Acquisitions of property and equipment in excess of $5,000 and expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at acquisition cost, or estimated historical cost if acquisition cost is not available Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

Automobiles	3 - 5 years
Furniture and fixtures	5 - 10 years
Firefighting and rescue equipment	3 - 12 years
Buildings	35 years
Improvements	15 years

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fair Value of Financial Instruments:

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The book value of cash and cash equivalents, accounts receivable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH:

At December 31, 2003, the Company maintained cash balances in four local banks. The bank balances totaled $120,357 and the book balances totaled $107,673.

Bank balances totaling $120,357 were insured by federal deposit insurance. Private fundraising monies are segregated from other funds and the bank and book account balances maintained by the Company are $938 and are included in the above totals.

3. INVESTMENTS:

At December 31, 2003, the Company holds investments in Louisiana Asset Management Pool (LAMP) with a fair value of $43,526.

In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in the physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

3. INVESTMENTS: (Continued)

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards and any other political subdivisions of the State to invest in "Investment Grade (A-1/P-1) commercial paper of domestic United States corporations". Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than ninety days and consists of no securities with maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based upon quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

4. PROPERTY AND EQUIPMENT:

Below is a summary of the Company's property and equipment at December 31, 2003:

Land	$ 127,000
Parking lot	24,200
Buildings	365,679
Building improvements	46,096
Vehicles	1,108,429
Equipment	295,760
Communication equipment	116,667
Furniture and fixtures	129,134
	2,212,965
Less accumulated depreciation	(1,007,444)
Net property and equipment	$ 1,205,521

Depreciation totaled $152,538 for the year ended December 31, 2003.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

5. DONATED SERVICES:

Marrero-Ragusa volunteer firefighters responded to calls for service on approximately 572 occasions during 2003. The value of these volunteer services is computed using the average hourly rate for the Company's paid personnel during the year, multiplied by an average response duration of one hour, with the result multiplied by the number of rolls responded to by volunteers during the year. For 2003, the average hourly pay was $8.80 per hour for straight time, and there were approximately 745 responses by volunteer personnel, resulting in an estimated value of $6,556 for volunteer firefighting services, which is reported as revenue and firefighting expense.

6. ACCRUED ABSENCES:

The Company's paid operators accrue vacation at varying rates based on their term of service. At December 31, 2003, twelve employees had accumulated a total of $12,937 of unused vacation.

7. CAPITAL LEASE OBLIGATIONS:

On September 2, 1999, the Company executed a financing lease-purchase agreement with Government Capital Corporation for the acquisition of three 1999 Inferno Pumper fire trucks. This agreement is secured by the three fire trucks and the financing company holds titles to these apparatus. The lease obligation is amortized requiring ten annual payments of $66,599 due July 1 of each year and includes an interest charge of 6.037% per annum. The Company is solely responsible for any damages to, destruction of, repairs and/or maintenance of the trucks. The Company has the option to purchase the trucks "as is" at annual payment dates with written prior notification of not less than sixty days. Accrued interest expense recorded for this obligation at December 31, 2003 is $9,874. On June 12, 2003, the Company executed an additional financing lease-purchase agreement for the acquisition of a 2003 Chevrolet Suburban. Sixty payments of $575.98 are due on the 27th of each month for the term of the lease. There is no interest charge. The total cost and accumulated depreciation recorded for the equipment financed by capital leases was $684,473 and $238,723, respectively, at December 31, 2003.

Future value of minimum lease payments is as follows at December 31:

Future minimum lease payments	$ 431,273
Less: amount representing interest	(72,486)
Present value of net minimum lease payments	358,787
Less: current portion due within one year	(53,762)
Long-term capital lease obligation	$ 305,025

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

7. CAPITAL LEASE OBLIGATIONS: (Continued)

Minimum future lease payments for each of the next five years and thereafter:

	Minimum Future Payments	Interest	Option to Purchase Amounts
2004	$ 73,511	$ 19,749	$ 53,762
2005	73,511	16,917	56,594
2006	73,511	13,920	59,591
2007	73,511	10,740	62,771
2008	70,630	7,368	63,262
Thereafter	66,599	3,792	62,807
Totals	$ 431,273	$ 72,486	$ 358,787

8. EMPLOYEE BENEFIT PLANS:

On January 1, 1997, the Company established a 401(k) retirement plan for all eligible employees. Eligible employees must contribute up to 2% of their gross salary to be eligible for employer matching contributions. The maximum contribution may not exceed federal tax law limitations, which may be adjusted each year based on cost of living calculations. The maximum contribution by the Company is limited by federal tax law, and employer match is 100% of employee deferrals. In addition, the Company is allowed to make a discretionary profit sharing contribution for its eligible employees. Currently, the fire company will make an employer contribution of 4% for all eligible employees. During 2003, the Company contributed a total of $16,565 to the plan.

9. EXPENSES PAID BY OTHERS:

The full-time firefighters of the Company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the Company, they are not included in these financial statements.

10. SOCIAL FUNDS:

The Company maintains separate funds derived from social activities. During the year ended December 31, 2003, the Company collected $9,344 from all social activities and recognized expenses totaling $13,476.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

11. ECONOMIC DEPENDENCY, FIRE PROTECTION CONTRACT:

Substantially all of the Company's public support is derived from funds provided by Jefferson Parish. On September 2, 1994, the Company signed a ten-year contract with Jefferson Parish, effective April 1, 1994, under which the Company receives one-third of certain ad valorem taxes assessed within the Eighth Fire Protection District of Jefferson Parish, as well as additional funding from sales taxes and fire insurance rebates.

Management is not aware of any plans on the part of Jefferson Parish to terminate the contract.

12. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. RENTAL INCOME/GROUND LEASE AGREEMENT:

On April 15, 2001, the Company signed a ground lease agreement with Trinity Wireless Towers, Inc. for the construction of a wireless communication transmissions and reception facility on its premises. The Trinity Wireless Towers, Inc. agreement requires rent to be paid at an annual sum of $12,000 payable in equal monthly installments. The initial terms of the ground lease are for a five-year period commencing on the thirteenth day following the completion of the facility. The agreement has automatic renewal terms for ten successive five-year periods unless written termination is provided by the Company within thirty days prior to expiration of the term or any renewal term. The Company is responsible for providing twenty-four hour seven days a week access to the premises and the maintenance of any existing access roadway to the facility.

During 2003, the Company received $13,000 under this agreement, $1,000 of which is deferred revenue at December 31, 2003.

14. ADVERTISING:

The Company expenses advertising costs as they are incurred. For the year ended December 31, 2003, advertising expense was $100.

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

March 12, 2004

To the Board of Directors
Marrero-Ragusa Volunteer Fire
Company No. 3
Marrero, Louisiana

We have audited the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 12, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marrero-Ragusa 's 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marrero-Ragusa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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. 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 Marrero-Ragusa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of current year findings as items 03-01 through 03-08.

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 financial statements being audited may occur and not be detected within a timely period by an employee 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, of the reportable conditions described above, we consider items 03-01 through 03-06 to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Duplantier, Hrapmann, Hogan & Maher, LLP

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO. 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION I: SUMMARY OF AUDITOR'S RESULTS:

a. Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	_x_ yes ____no
• Reportable condition(s) identified that are not considered to be material weakness?	_x_ yes ____none reported
Noncompliance material to financial statements noted?	____yes _x_ no

SECTION II: FINANCIAL STATEMENT FINDINGS:

INTERNAL CONTROL – MATERIAL WEAKNESS

03-01 Accurate Classification of Transactions

Condition: We noted numerous classification errors that required correction.

Criteria: Proper internal control procedures must be in place and operational to ensure that classification errors are detected.

Cause: Lack of internal control procedures and training. We consider this to be a material weakness.

Effect: The following classification errors were noted:

1) Transfers between the LAMP account and the bank accounts were posted to income and expense accounts. Investment transfers are simply transfers between cash accounts. Such transfers do not create income or expense.

2) Fixed assets costing $5,000 or more were being expensed rather than capitalized. The capitalization policy requires that such assets be capitalized. For example, $24,200 of repair work to the parking lot was posted to social expenses. Such expenditures should be capitalized and depreciated over the asset's economic useful life.

Recommendation: Marrero-Ragusa should provide additional training for the employee performing the classification duties. Additionally, the accounting should be reviewed monthly, by knowledgeable personnel, to ensure that usable financial information is being produced.

Management's Action Plan: We will provide additional training for our employee performing classification duties. In addition, we will implement procedures that require knowledgeable personnel to review the accounting on a monthly basis to prevent future classification errors.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO. 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION II: FINANCIAL STATEMENT FINDINGS:

INTERNAL CONTROL – MATERIAL WEAKNESS (Continued)

03-02 Fixed Asset Inventory (Continued)

Condition: The fire company did not do a physical inventory of its fixed assets during 2003.

Criteria: An inventory should be done annually to provide the fire company with an accurate update of the condition and location of its assets. The resulting fixed asset list should then be reconciled to the general ledger to ensure the assets are properly recorded in the accounting records and that the list includes all the assets that are recorded.

Cause: Lack of written procedures. We consider this to be a material weakness.

Effect: This could lead to misstatement of the financial statements. It could also cause insurance problems if assets are lost and claims have to be filed.

Recommendation: We recommend the implementation of an annual inventory of fixed assets to include determination of items that no longer exist and also those that are obsolete. Those items should be removed from the list. Further, the completed inventory should be reconciled to the general ledger.

Management's Action Plan: We will implement procedures that require an annual inventory of fixed assets. In addition, we will assign personnel to reconcile the completed inventory to the general ledger.

03-03 Voided Checks

Condition: While conducting the audit on cash procedures, we noted that checks voided manually were not voided in Quickbooks accounting system.

Criteria: Written policies and procedures should exist regarding voiding of checks. Since the accounting records are the basis of the financial information that the Board uses for decision making, this should be corrected.

Cause: Lack of written procedures. We consider this to be a material weakness.

Effect: The cash balances in the accounting records are incorrect.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO. 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION II: FINANCIAL STATEMENT FINDINGS: (Continued)

INTERNAL CONTROL – MATERIAL WEAKNESS (Continued)

03-03 Voided Checks (Continued)

Recommendation — We recommend that procedures be established to require that all outstanding checks older than three months be considered for voiding. If it is determined that a check should be voided, a journal entry should be prepared and approved in writing. The journal entry should be posted and the cash reconciliation reviewed and agreed to the general ledger.

Management's Action Plan — We will implement procedures that requires personnel to review all outstanding checks older then three months and determine whether they should be voided. We will require approval in writing of any journal entry prepared for voiding checks. In addition, we will review the cash reconciliation on a monthly basis.

03-04 Approval of Purchases Should be in Writing

Condition — Current procedures require all purchase orders to be verbally approved by the President or Vice-President. However, written evidence documenting this approval is not required.

Criteria — Written evidence documenting approval should be required.

Cause — There are no policies requiring written approval. We consider this to be a material weakness.

Effect — This could allow unauthorized purchases to occur.

Recommendation — We recommend that the authorization of purchase orders be clearly written on the face of the purchase order. This will provide evidence of proper authorization of the purchase.

Management's Action Plan — We will implement procedures that require written approval on the face of the purchase order for purchases.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO. 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION II: FINANCIAL STATEMENT FINDINGS: (Continued)

INTERNAL CONTROL – MATERIAL WEAKNESS (Continued)

03-05 Approval of Invoices

Condition	It was noted that several invoices were paid that lacked proper authorization. Current procedures require that invoices without purchase orders be approved by the Chief by initialing the envelope attached to the invoice.
Criteria	Written approval should be documented on the face of the invoice.
Cause	There are no policies requiring that written approval be placed on the face of the invoice. We consider this to be a material weakness.
Effect	This could allow unauthorized payments to occur.
Recommendation	We suggest that procedures be changed to require written approval on the face of the invoice prior to payment.
Management's Action Plan	We will implement procedures that require written approval on the face of the invoice prior to payment.

03-06 Cancellation of Vendor Invoices

Condition	Currently, paid invoices can be distinguished from unpaid invoices only by copies of check vouchers that are attached to paid invoices.
Criteria	Procedures must be in place to ensure that all paid invoices are cancelled at the time of payment to ensure that invoices are not paid twice.
Cause	Lack of written procedures regarding cancellation of vendor invoices. We consider this to be a material weakness.
Effect	It is possible for check vouchers to become detached from paid invoices. This could allow such invoices to be paid twice.
Recommendation	We recommend that the original invoice itself be cancelled at the time of payment. This could be accomplished by noting on the face of the invoice: "PAID", date, check number, account classification and initials (of person canceling invoice).

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO. 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION II: FINANCIAL STATEMENT FINDINGS: (Continued)

INTERNAL CONTROL – MATERIAL WEAKNESS (Continued)

03-06 Cancellation of Vendor Invoices (Continued)

Management's Action Plan — We will implement procedures that require personnel to cancel invoices at time of payment. This will be accomplished by noting on the face of the invoice "Paid", date, check number, account classification and initials of person canceling invoice.

INTERNAL CONTROL – REPORTABLE CONDITIONS

03-07 Incomplete Personnel Files

Condition — We noted that the fire company does not have completed W-4 forms for all of its employees as required by the Internal Revenue Service. This form is completed by the employee at the time of hiring. It informs the employer of the proper federal withholding level for the employee.

Criteria — Complete payroll records should be maintained.

Cause — A bookkeeper hired by Marrero-Ragusa to process payroll has some of the payroll records at his office. As such, not all the records are located at the fire company.

Effect — Of 2 employees selected for testing, one W-4 form could not be located. The form was not in the individual's personnel file.

Recommendation — We recommend that the personnel files be reviewed to ensure that a completed W-4 form exists for each employee. Additionally, a checklist should be developed to include all forms needed for new employees. It should be completed with each new hire and reviewed for completion. The chief should complete the review and initial as the reviewer. Additionally, all personnel files should be maintained at the fire company office.

Management's Action Plan — Management maintains personnel records for all employees; however, it is apparent that W-4 forms were not located for some employees. We will implement procedures that require personnel files to be reviewed to ensure that complete records are maintained. As part of management's review of our system of internal controls, we will continually monitor our procedures to maintain complete payroll records.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO. 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION II: FINANCIAL STATEMENT FINDINGS: (Continued)

INTERNAL CONTROL – REPORTABLE CONDITIONS (Continued)

03-08 Board Minutes

Condition	Most of the board minutes that we reviewed were not signed.
Criteria	Minutes act as the official record of the actions approved by the Board. Normally, the minutes are prepared by the secretary of the corporation who also signs the minutes as the preparer. The minutes are then approved at the next meeting of the Board. Another officer should then sign after approval to signify such approval. Those minutes are then recognized as the official record of the meeting.
Cause	Lack of written procedures.
Effect	This could cause confusion as to the actions actually approved by the Board.
Recommendation	We recommend that the Board minutes be signed by the secretary upon completion and by the president upon approval.
Management's Action Plan	We will implement procedures that require written approval of board minutes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO. 3
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS:

Internal Control

No material weaknesses were noted during the audit of the financial statements for the year ended December 31, 2002.

No reportable conditions were reported during the audit of the financial statements for the year ended December 31, 2002.

Compliance

02-01 Timeliness of Accounting Records, Noncompliance with State Law

The organization's accountant did not provide the auditor with the accounting records until mid-June 2003, allowing the auditor insufficient time to complete the audit within the six-month statutory deadline required by the State of Louisiana. This has been resolved for the year ended December 31, 2003.

MANAGEMENT LETTER:

02-02 Social Fund (Non-contractual) Activities, Expenses and Separate Accounting

The organization did not have a specific written accounting policy to identify non-firefighting social expenses, which are traditionally paid out of social revenues or other non-firefighting revenue sources. This has been resolved for the year ended December 31, 2003.

02-03 Lack of Approval on Social Invoices

Several invoices for non-contractual social expenses lacked appropriate approval. This finding is included in current year findings at item 03-05.