



Jefferson Parish Office of Inspector General



Live Oak Manor Volunteer Fire Company

Audit Report 2022-0024

February 1, 2024

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
BACKGROUND	3
I - PROHIBITED EXPENDITURES	4
II – PAYROLL.....	7
III – EXPENDITURES	10
IV – VEHICLES	13
V – FUEL PURCHASES	15
VI – CASH	17
VII – FIRE PROTECTION AGREEMENT GENERAL COMPLIANCE	18
OBJECTIVES, SCOPE, & METHODOLOGY	20
RESPOSES: PARISH & NON-PARISH ENTITY COMMENTS	22

EXECUTIVE SUMMARY

The Jefferson Parish Office of Inspector General (JPOIG) conducted an audit of Live Oak Manor Volunteer Fire Company (LOM VFC). The purpose of the audit was to: (1) determine if internal controls were designed properly and operating effectively; (2) ensure that funds were spent in accordance with governing laws and the fire district millage restrictions; (3) assess LOM VFC's compliance with the Fire Protection Agreement, dated 11/15/2017 and amended on 10/09/2018. The scope period of the audit was 01/01/2021 through 12/31/2021 and included all public fund expenditures during that period. The JPOIG performed audit testing in: (1) cash; (2) operating expenditures; (3) payroll; (4) fuel expenditures; and (5) vehicles.

The JPOIG's testing revealed numerous areas that lacked basic internal controls over payroll, expenditures, vehicles, and fuel. The LOM VFC created a "Length of Service Awards Program" that allowed full-time employees to receive a total of \$4,230 in additional annual compensation during the scope period. This program may violate the Louisiana Constitution and the Fire Protection Agreement.

The JPOIG also noted a lack of payroll internal controls because none of the 55 timecards tested contained evidence of the employee signing the timecard attesting to their hours worked. Employees could be paid for hours not worked, and/or it could result in erroneous payroll satisfied with public funds.

Twenty-three (23) expenditures totaling \$67,833 did not contain evidence of the required written approval prior to purchase by a board member. The LOM VFC could incur expenditures that are not authorized or allowed by law. The JPOIG also noted a lack of internal controls over vehicles and fuel. The LOM VFC did not submit a current vehicle inventory report to the Office of Fire Services (OFS), nor did it title all vehicles properly. Without proper title or documentation, District 7 did not own two vehicles worth \$181,500, and it could neither sell nor transfer them. No title documentation was maintained for two vehicles worth \$303,500.

The audit findings identified the following related costs:

- **Funds-At-Risk: \$687,911.**¹ These are funds that could be lost, misappropriated, and/or misspent due to error or fraud.
- **Questioned Costs: \$4,230.**² These are expenditures that may have violated the law.

The JPOIG recommended that LOM VFC employees:

- gain an understanding of its policies and procedures, the Louisiana Constitution, and the Fire Protection Agreement.
- improve its internal controls over (1) operating expenditures; (2) payroll; (3) fuel expenditures; and (4) vehicles.

¹ Total funds-at-risk consists of \$109,271 identified in Finding 2, \$91,652 identified in Finding 3, \$485,000 identified in Finding 4, and \$1,988 identified in Finding 5.

² Questioned costs consists of the expenditures identified in Finding 1.

The JPOIG recommended that the OFS should also:

- develop a policy that requires all VFCs to submit an annual inventory count;
- request and review the inventory counts annually; and
- follow-up with the Fire Chief to resolve any inventory discrepancies.

BACKGROUND

Acronyms

LOM VFC	Live Oak Manor Volunteer Fire Company	OFS	Office of Fire Services
District 7	Jefferson Parish Fire Protection District No. 7	Parish	Jefferson Parish
JPOIG	Jefferson Parish Office of Inspector General	VFC	Volunteer Fire Company

Background

Jefferson Parish (Parish) has seven fire districts, exclusive of the East Bank Consolidated Fire District. Each fire district receives revenue to support fire prevention and suppression services within its district. The Parish contracts with individual volunteer fire companies (VFC) to provide fire prevention and suppression within the various districts. Each district may support one or more VFC, and each VFC may operate one or more stations.

The Live Oak Manor Volunteer Fire Company (LOM VFC) is a non-profit located within Jefferson Parish's Fire Protection District No. 7 (District 7) which is located on the West Bank. District No. 7 received approximately \$4.9 million a year for fire prevention and suppression services.³ The LOM VFC operates two fire stations, Stations 72 and 73, located in Waggaman.

The Office of Fire Services (OFS) is a department within Jefferson Parish government that oversees VFCs and acts as liaison between the fire companies and the Parish. Among its responsibilities, the OFS is responsible for managing the cooperative endeavor agreements with VFCs.⁴

On 11/15/2017, Jefferson Parish entered into a 10-year Fire Protection Agreement with the LOM VFC to provide fire prevention and suppression services. Under the terms of the Fire Protection Agreement, the Parish made monthly transfers of approximately \$61,666 (\$739,992 annually) to LOM VFC. As of 12/31/2021, LOM VFC incurred \$561,143 in payroll expenses and \$311,971 in non-payroll expenses. LOM VFC also had \$1.55 million in total net assets.⁵

³ Jefferson Parish 2022, Annual Budget, Fire District No. 7.

⁴ JPCO § 2-213(2).

⁵ Live Oak Manor's Volunteer Fire Department, Financial Report as audited by Camnetar & Co., CPAs As of December 31, 2021.

I - PROHIBITED EXPENDITURES

LOM VFC created a “Tenure Pay Policy” that allowed full-time employees to receive additional annual compensation based on their longevity of service. As shown in Table 1, the award amount ranged from \$30 to \$50 per year of service. For the year ended 12/31/2021, the total amount paid to employees was \$4,230. LOM VFC issued the payments from the operating account at the end of the year and withheld taxes for those payments.

Table 1: Length of Service Awards Program

Years of Service	Annual Award Amount
1	\$50
2 – 30	\$30/year of service ⁶

The JPOIG reviewed the LOM VFC’s policies and procedures and noted the “Tenure Pay Policy.” To determine the entire amount paid, the JPOIG reviewed supporting documentation for all longevity payments made to employees during the scope period.



Finding #1: The LOM VFC may have violated the Louisiana Constitution and the Fire Protection Agreement because it spent \$4,230 in public funds on a length of service award program for its nine full-time employees.

Criteria:

The LOM VFC used public funds which were subject to La. Const. art. VII, §14(A), which prohibits the donation of public funds. The Constitution states:

...the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.⁷

The Louisiana Attorney General, developed a three-pronged test to determine if an expenditure is permissible under La. Const. art. VII §14(A):

[I]n order for an expenditure or transfer of public funds to be permissible under Art. VII, Sec. 14(A), the public entity must have the legal authority to make the expenditure and must show: (i) a public purpose for the expenditure or transfer that comports with the governmental purpose the public entity has legal authority to pursue; (ii) that the expenditure or transfer, taken as a whole, does not appear to be gratuitous; and (iii) that the public entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of public funds.⁸

⁶ Up to thirty years of service for a total of \$920.

⁷ La. Const. art. VII, §14(A).

⁸ La. Atty. Gen. Op. No. 09-0018.

The Louisiana Attorney General consistently opined that:

[p]aying an employee extra compensation in addition to what is owed to her for work that has been done in the past when the employer is under no legal obligation to do so is a payment of a bonus.... [T]he payment of a bonus, or any other gratuitous, unearned payment to public employees is prohibited, is not legal as it is a violation of the La. Const. art. VII, Sec. 14(A).... Additionally, [the Attorney General] has previously determined that payments of additional compensation to public employees, to be constitutionally valid, must be in the form of salary increases for future services to be rendered, not extra compensation for past services already rendered and recompensed.⁹

By signing the Fire Protection Agreement, the LOM VFC acknowledged and agreed to utilize its funding:

solely [emphasis added] for the following purposes: (i) to acquire and maintain, trucks, apparatus and other movable equipment... (ii) to purchase insurance policies... (iii) to hire, train, compensate and equip firefighters, operators and officers... (iv) to recruit, train, equip and retain volunteer firefighters... (v) to purchase, construct and maintain immovable property to serve as fire stations, administrative offices, maintenance facilities and warehouses... (vi) to provide for health and physical fitness expenses... (vii) to purchase a plaque, trophy, certificate, medal or similar memento to acknowledge outstanding achievement or valiant act of personnel in an amount not to exceed the value set forth in La. R.S. 40:1510; and (viii) to, in accordance with La. R.S. 40:1510, implement and execute a length of service awards programs... which provides a monetary benefit, based upon service, to eligible *volunteer* [emphasis added] firefighters....¹⁰

⁹ In the context of salary increases, the payment of earned compensation retroactive to the time at which the state or a political subdivision obligated itself to make such a payment is distinguishable from "extra compensation for past services rendered" in that the compensation is not "extra." The compensation due or earned compensation of an employee is that which an employer is required to pay pursuant to its obligation(s) to the employee. It is a payment outside of any such obligation(s) that would constitute "extra compensation for past services rendered" if distributed as a salary increase with retroactive effect. The prospective application analysis should relate to the salary increase being prospective from the point at which the obligation was created. La. Atty. Gen. Op. No. 09-0260.

¹⁰ Fire Protection Agreement between District No. 7 of the Parish of Jefferson, State of Louisiana and Live Oak Manor Volunteer Fire Department, Article IV, Payment, p. 9, paragraphs i-viii, dated 11/15/2017. La. R.S. 40:1510(3) allows for the implementation and execution of a length of service awards program. "[A] length of service awards program shall mean a program established by the... volunteer fire department that provides a monetary benefit, based upon service, to eligible *volunteer* [emphasis added] firefighters as determined by the... volunteer fire department. The length of service awards program shall not be considered a vested right nor entitle the recipient to any other benefit not directly related to the program's monetary benefit. The length of service award shall not be considered permanent and may be discontinued at any time.

However, the Fire Protection Agreement prohibits “awards or gifts; except as otherwise provided herein.”¹¹ The JPOIG noted the Fire Protection Agreement did not provide a clause that allowed length of service awards for full-time paid firefighters.

Why This Finding Matters:

The LOM VFC could have used those funds to purchase goods or services related to a public purpose.

Cause:

The Fire Chief/Board President were aware of the restriction on public funds but disagreed with the law. A public official may disagree with an existing law or regulation, however that disagreement does not permit non-compliance.

The Chief reiterated that the purpose of the length of service award was to help compensate for low salaries, increase retention, and show appreciation to firefighters. The Board President noted that he did not vote in favor of the Tenure Plan but acknowledged other fire companies provided length of service awards. Although the LOM VFC developed a policy that allowed for the length of service program, the policy did not comply with the restrictions on the donation of public funds or the Fire Protection Agreement.

Recommendation:

All LOM VFC employees, including the Fire Chief and Board President who are responsible for procurement, check-signing, and/or processing payroll should: (1) develop a thorough understanding on allowable uses of public funds; (2) revise the length of service policy to comply with the restrictions in the Louisiana Constitution and the Fire Protection Agreement; and (3) discontinue using public funds for their length of service award program.

¹¹ Fire Protection Agreement between District No. 7 of the Parish of Jefferson, State of Louisiana and Live Oak Manor Volunteer Fire Department, Article IV, Payment, p.10, paragraph iii, dated 11/15/2017.

II – PAYROLL

Timecard Approvals

The standard pay period for the LOM VFC was based on a 24-hour work shift (7:00 am – 7:00 am) and a 14-day pay period. The Fire Chief determined scheduled days off in advance to ensure station coverage. LOM VFC required employees to request unscheduled leave from the Fire Chief within a “reasonable” time in advance.

Each employee filled out their own timecard stating the days and hours worked. At the end of the pay period, the Chief reviewed and approved each timesheet. The Chief then entered data into a custom template, ensuring the accuracy of payroll hours, rates, and amounts before sending payroll to LOM VFC’s accounting firm for processing.



Finding #2: The LOM VFC did not implement proper internal controls for timesheets because none of the 55 timecards tested contained evidence of the employee signing the timecard attesting to the hours worked.

Auditors judgementally sampled 55 bi-weekly timecards from pay periods in March, April, May, June, July, and September of 2021, totaling \$109,271. The sample tested consisted of nine employees and their corresponding bi-weekly payroll submissions. The JPOIG noted that none of the 55 timecards tested contained the employee’s signatures attesting to their hours worked.¹²

Criteria:

The Louisiana Legislative Auditor recommends that:

Each employee should complete and sign a time sheet, including daily hours worked, beginning and ending work times, break and lunch times, and leave (e.g., annual and sick) taken. If not using timesheets, employees must otherwise certify that they have worked their required hours (e.g., 40 hours/week for a full-time employee).

Time sheets and related leave requests should be approved by each employee’s supervisor prior to payroll processing. Exceptions should be discussed with employees and resolved in a timely manner. For directors, CEOs, etc., hired by a board, time sheets should be approved by a board member.¹³

Why This Finding Matters:

Employees could be paid for hours not worked, and/or it could result in erroneous payroll satisfied with public funds.

Cause:

The payroll internal controls were not designed properly because LOM VFC did not implement a policy that required employees to sign their timecards. The Fire Chief was aware that the firefighters did not sign their timecards to attest hours worked. The Fire Chief was aware of the

¹² The LOM VFC Fire Chief was an unpaid volunteer and did not submit timecards.

¹³ Louisiana Legislative Auditor Best Practices. *Payroll/Personnel*, Issued October 2018.

Legislative Auditor’s best practice regarding payroll procedures but did not believe that signing was necessary since the Chief reviews, corrects if necessary, and approves all time sheets.

Recommendation:

The Fire Chief and Board establish a policy that requires employees to sign their own timecards and those timecards should be reviewed and approved by a supervisor.

Firefighter Overtime Pay

The Fire Chief assigned each firefighter to work a rotating work schedule and grouped firefighters into one of three separate shifts: A, B, or C. All LOM VFC firefighting employees worked an overlapping work schedule over a 15-day period. The 15-day period comprised of employees working 24 hours on duty and 48 hours off duty. The LOM VFC paid its employees on a bi-weekly basis, over a total of twenty-six pay periods per year. Each employee had a 28-day work period for the purpose of calculating overtime.



Positive Finding #1: The LOM VFC complied with the Code of Federal Regulations and Louisiana state law because it calculated overtime hours properly and accurately paid firefighters for overtime worked.

Judgmentally selected 55 biweekly timecards submitted by 9 employees during 12 biweekly periods throughout the scope period (March, April, May, June, July and September) and recalculated overtime hours in accordance with the Code of Federal Regulations. The Code of Federal Regulations established the number of hours a firefighter was required to work before earning overtime.

Criteria:

According to 29 CFR 553.230(a)

For those employees engaged in fire protection activities who have a work period of at least 7 but less than 28 consecutive days, no overtime compensation is required under section 7(k) [of the Fair Labor Standards Act] until the number of hours worked exceeds the number of hours which bears the same relationship to 212 as the number of days in the work period bears to 28.¹⁴

Refer to Table 2 for Maximum Hours Standards.

¹⁴ 29 CFR 553.230(a).

Table 2: Maximum Hours Standards

Work Period (Days)	Max Hours	Work Period (Days)	Max Hours	Work Period (Days)	Max Hours
7	53	15	114	23	174
8	61	16	121	24	182
9	68	17	129	25	189
10	76	18	136	26	197
11	83	19	144	27	204
12	91	20	151	28	212
13	98	21	159		
14	106	22	167		

La. R.S. 33:1944 requires the Parish to adhere to the “provisions of the federal Fair Labor Standards Act as implemented in 29 CFR Part 553.”¹⁵

¹⁵ La. R.S. 33:1944.

III – EXPENDITURES

Expenditure Approvals

The Fire Chief generally initiates, and at least one Board member reviews expenses. As required by the Expenditure Guidelines, two signatures are required on checks. However, recurring expenses under \$1,000 are reviewed, but not required to be submitted to the full Board for approval. Expenses exceeding \$1,000 and extraordinary items are noted in Board minutes for discussion.

The following individuals were authorized to sign the checks:

- *Board President – Elvis G. Smith;*
- *Member at Large: Danny Lemoine; and*
- *Fire Chief – Wayne R. Bean.*



Finding #3: The LOM VFC did not design proper approval internal controls because not all expenditures contained evidence of written approval by a board member prior to purchase and after purchase.

The JPOIG judgmentally sampled 25 expenditures, totaling \$91,652, and reviewed the supporting documentation to determine if the expenditures were an allowable use of restricted millage funds. Of the 25 expenditures tested, the JPOIG noted that:

1. 23 expenditures (92 percent), totaling \$67,833, did not contain evidence of the required written approval prior to purchase by a board member.
2. One check for \$2,698 did not have two signatures as required by LOM VFC’s Expenditure Manual.

Criteria:

The LOM VFC’s Expenditure Guidelines require that:

All checks require two (2) signatures to authorize and process all checks. Checks will be marked with two signatures required.¹⁶ All expenditures must be documented with an itemized invoice or receipt from a licensed or registered business... An itemized invoice shows the vendor name and address, department name and address as well as the date, quantity, price, item description, and amount of each item purchased. The treasurer or the chief should document the propriety of each expenditure. The Board should review all expenditures monthly. One board member should initial the invoice. The treasurer or chief should write on the invoice the following: [sic] Date, Check Number, Account assigned to and this shall be initialed by a board member.... The [F]ire [C]hief cannot approve a transaction. All expenditures should be authorized by a board member.¹⁷

¹⁶ Live Oak Manor Volunteer Fire Department’s Expenditure Guidelines, “Checks”.

¹⁷ Live Oak Manor Volunteer Fire Department’s Expenditure Guidelines, “Expenditures”.

The Louisiana Legislative Auditor recommends that management require appropriate checks and balances for good controls over purchasing and disbursements. More than one individual should be involved in the purchasing and disbursement functions. Management should “centralize the purchasing function” and “implement controls to ensure that purchases are (1) reasonable and necessary; (2) budgeted; (3) documented and approved; (4) received and safeguarded; and (5) used solely for the public purposes/functions of the municipality.”¹⁸

Why This Finding Matters:

The LOM VFC could incur expenditures that are not authorized or allowed by law.

Cause:

The LOM VFC policy did not comply with the LLA’s best practices. Therefore, the internal control was not properly designed. The LOM VFC stated that the Board discusses and approves certain large expenses prior to purchasing, but most routine expenses were not. However, there was no evidence of prior approval for any expenses. The Chief stated that policies are revised annually and approved by the Board. However, he admitted that the revised policies are not always shared with the firefighters.

Recommendation:

The Board and Fire Chief should revise their policy to require that purchases be approved and documented prior to procurement and those records are retained. The Board’s monthly review of documents regarding expenditures should also include that all approvals needed prior to purchase are part of the documents reviewed. If any prior approvals are missing, then the Board should follow-up, document, and resolve the discrepancy before initialing the invoice. After reviewing the documents, the approved documents should be attached to the Board minutes or have some type of signature indicating Board review and approval.

The Board, with input from the Fire Chief, should detail all recurring expenditures (regardless of amount) in a proposed budget to be approved by the Board. This could serve as a prior approval for known recurring expenditures. The Board should attach a list of monthly expenses as part of the Board agenda and minutes to confirm post purchase review and approval. If recurring expenditures exceed the authorized budgeted amount, the Board should reassess the amount needed and approve any increases, if appropriate. If the Board or Fire Chief revises the expenditure policy, it should be disseminated to all relevant parties so that those individuals know what is expected and can implement the policy.

Allowability of Expenditures

The JPOIG judgmentally sampled and reviewed 25 expenditures totaling \$91,652 to determine if these expenditures were an allowable use of restricted millage funds. Although expenditures were not approved, as noted in Finding #3, the expenditures tested appeared to be an allowable use of restricted millage funds.

¹⁸ Louisiana Legislative Auditor Best Practices. *Purchasing and Disbursements*, Issued October 10, 2014.



Positive Finding #2: The 25 expenditures tested were an allowable use of restricted millage funds. The JPOIG noted that all expenditures contained proper supporting documentation and appeared to be incurred for a public purpose.

Criteria:

According to the Fire Protection Agreement, the LOM VFC shall not use the public funds for:

(i) Alcoholic beverages. (ii) Gifts or supplies for non-firefighting personnel; except as otherwise provided herein. (iii) Awards or gifts; except as otherwise provided herein. (vi) Training, travel, education or expenses that are not directly related to firefighting, fire department management and administration, search and rescue, hazardous materials, emergency medical response, emergency management, fire suppression services, fire prevention services, rescue operations, as well as response to incidents, emergencies, disasters or civil disturbances. (v) Any additional travel expenses incurred as a result of a paid or volunteer member of the Company being accompanied by an individual who is not required to undergo the training for which the travel was authorized, or whose presence is not required for the performance of the Company business for which the travel was authorized.¹⁹

¹⁹ Fire Protection Agreement between District No. 7 of the Parish of Jefferson, State of Louisiana and Live Oak Manor Volunteer Fire Department, Article I, Obligations of the Company, Section IV, p10, paragraphs (i) to (v), dated 11/15/2017.

IV – VEHICLES

Vehicle Titles

The LOM VFC maintained a fleet of nine fire vehicles as shown in Table 3. These vehicles varied from large fire suppression/heavy rescue vehicles to boats and pick-up trucks. The Fire Chief's take home vehicle was the 2012 Ford F-250.

The value of the improperly titled and unknown titled vehicles was \$485,000.

Table 3: LOM VFC Vehicle Inventory

No.	Vehicle Year	Description	Cost
1	1987	GMC Rescue LT	\$68,500
2	1996	Freightliner Pumper LDH	\$179,000
3	2003	Ford F-350 Van	\$30,000
4	2001	Pace Trailer	\$2,500
5	2007	Boat Trailer	Supplied by JP
6	2010	E-One Pumper LDH	\$325,000
7	2003	Freightliner Rescue LT	\$60,000
8	2012	Ford F-250	\$40,000
9	1995	Freightliner Pumper LDH	\$235,000
Total			\$940,000



Finding #4: The LOM VFC did not comply with the Fire Protection Agreement because it did not title all vehicles in District 7's name and did not submit a current asset inventory report to OFS.

The JPOIG inspected vehicle titles and noted the following:

- Two of the nine vehicles were titled to the LOM VFC instead of District 7. These vehicles cost \$181,500.
- LOM VFC did not maintain title documentation for two vehicles. The JPOIG could not determine to whom the vehicles were titled. These vehicles cost \$303,500.

Criteria:

The Fire Protection Agreement required:

...[the] Company [to] furnish the District with a list of all property [costing \$500 or more]. Thereafter, upon reasonable notice to Company, the District will have access to Company's premises and records to make whatever verification it feels may be required.²⁰

²⁰ Fire Protection Agreement between District No. 7 of the Parish of Jefferson, State of Louisiana and Live Oak Manor Volunteer Fire Department, Article I, Obligations of the Company, Section 3, p. 5, paragraph h, dated 11/15/2017.

The Fire Protection Agreement also required all:

apparatus, equipment, and vehicles purchased [with public funds] shall be the property of [the] District and shall be titled in the name of [the] District.²¹

Why This Finding Matters:

The OFS may not know if \$485,000 in assets were missing or misappropriated. District 7 does not own vehicles worth \$181,500 and may not own other vehicles totaling \$303,500. Without proper title, District 7 can neither sell nor transfer any of the vehicles.

Cause:

The LOM VFC Chief was aware of the requirement in the Fire Protection Agreement to title vehicles to District 7 applied to all vehicles, even ones purchased before the agreement. However, he believed the Parish Fleet Department was responsible for updating titles for all vehicles.

The OFS did not have a process to request or collect uniform vehicle inventory reports from all VFCs.

Recommendation:

The Board and Fire Chief should develop a policy that requires the Fire Chief to submit its vehicle listing to OFS annually. The OFS should also:

1. Develop a policy that requires all VFCs to submit an annual inventory count;
2. Request and review the inventory counts annually; and
3. Follow-up with the Fire Chief to resolve any discrepancies.

The LOM VFC should ensure that all existing vehicles are titled to District 7.

Vehicle Listings

The JPOIG obtained the LOM VFC's vehicle listing, verified completeness of the listing, and physically inspected all nine vehicles at the fire stations.



Positive Finding #3: The LOM VFC complied with the Fire Protection Agreement because it maintained an accurate inventory of all vehicles held at the fire stations and noted the list was complete.

Criteria:

The Fire Protection Agreement required:

...the District and Company [to] cooperate with one another to prepare an inventory of each asset and piece of equipment owned by the District with an initial purchase cost of five hundred (\$500.00) dollars or more utilized by [the] Company.²²

²¹ Fire Protection Agreement between District No. 7 of the Parish of Jefferson, State of Louisiana and Live Oak Manor Volunteer Fire Department, Article I, Obligations of the Company, Section 3, p. 4, paragraph d, dated 11/15/2017.

²² Fire Protection Agreement between District No. 7 of the Parish of Jefferson, State of Louisiana and Live Oak Manor Volunteer Fire Department, Article I, Obligations of the Company, Section 3, p. 5, paragraph h, dated 11/15/2017.

V – FUEL PURCHASES

LOM VFC uses the Fuelman system for fuel purchases. For fuel card transactions, the JPOIG tested 100 percent of 12 months of fuel transactions during the scope period, for a total of 97 transactions costing \$8,664.



Finding #5: The LOM VFC did not implement proper internal controls over fuel transactions because employees did not put accurate odometer readings in the fuel pump systems.

The JPOIG reviewed documentation and noted it was sufficient for tracing the volume of fuel purchased and the employee who pumped the fuel. Furthermore, management reviewed and approved each report. However, of the 97 fuel transactions, the JPOIG noted 30 transactions (31 percent) in which an employee did not put an accurate odometer reading into the fuel pump system. The fuel costs for these transactions totaled \$1,988. The JPOIG inquired of the LOM VFC to determine if there was documentation of instances where disciplinary action was taken against an employee for not following the procedures correctly for buying fuel. The LOM VFC stated that there were no disciplinary actions taken regarding fuel in 2021.

Criteria:

The Louisiana Legislative Auditor recommends for gasoline and diesel credit cards that: (1) employees enter the correct odometer reading when fueling the vehicle; (2) employees use the card only for the assigned vehicle; (3) management to review the card statements promptly to ensure that the dates of use are reasonable, drivers are entering accurate odometer readings, and the number of gallons received, miles traveled, and miles per gallon are reasonable; and (4) management document the disposition of all missing and/or erroneous odometer readings on fuel statements.²³

The Louisiana Legislative Auditor also recommends that management:

Implement and monitor controls over fuel (gasoline and diesel) to ensure that purchases and usage is reasonable, authorized, and that only municipality-owned vehicles and equipment are receiving the fuel....²⁴

The LOM VFC expenditure guidelines require that all fuel purchases be for department vehicles only, and that the date, gallons, equipment number and who purchased the fuel be logged in the daily logbook.²⁵

Why This Finding Matters:

Firefighters could dispense fuel for personal or unauthorized purposes.

²³ Louisiana Legislative Auditor Best Practices. *Controls over Gasoline/Diesel*, Issued September 6, 2005.

²⁴ Louisiana Legislative Auditor Best Practices. *Fuel Policy and Procedures*, Issued October 10, 2014.

²⁵ Expenditure Guidelines Live Oak Manor Volunteer Fire Department.

Cause:

LOM VFC's policy did not comply with the LLA's recommended practices. Also, employees' practice differed from the policy. The LOM VFC Chief stated that firefighters understand the procedure for purchasing fuel through Fuelman. However, the JPOIG noted multiple inconsistent mileage entries (odometer exceptions) in the Fuelman reports. The Chief noted that that firefighters were not diligent when purchasing fuel. The Chief also noted that some of the PINs used for entry in the Fuelman system were incorrect. The Chief stated that although there is a disciplinary procedure for non-compliance, he confirmed that no firefighters were counseled during 2021.

Recommendation:

The Board and Fire Chief should update their existing policy to be consistent with the Louisiana Legislative Auditor Best Practices and reflect the processes necessary to use the Fuelman system. LOM VFC should also provide periodic training to ensure all firefighters adhere to fuel purchase procedures.

The Fire Chief or designee should review all odometer entries in the Fuelman reports for sequential inconsistencies. When management identifies inconsistencies, they should follow-up to ensure all "invalid odometer exceptions" are documented and resolved promptly.

VI – CASH

The LOM VFC maintained seven bank accounts. Five accounts were funded with fire millage (public) money, and two bank accounts were funded with private donations. The purpose and source of funds for each account are summarized in Table 4 below. The JPOIG noted no activity other than accrued interest in the three capital accounts during 2021.

A part-time bookkeeper with John Zamora Payroll Company prepared the monthly financial statements. Elvis Smith (President) reviewed and submitted the statements to the Board. Camnetar & Co. completed the monthly bank reconciliations and the annual single audit.

Table 4: LOM VFC Bank Accounts

Account	Funding Source	Purpose	Balance as of 12/31/2021
Capital One (0123)	Millage	Operating Expenses	\$425,963
Chase High Yield Savings (3272)	Millage	Capital Expenses	\$261,494
Gulf Coast Bank (3637)	Millage	Capital Expenses	\$200,000
Capital One Savings (4074)	Millage	Capital Expenses	\$178,764
Gulf Coast Bank (1746)	Millage	Promontory ICS	\$102,577
Capital One (0157)	Donations	Private Fund	\$66,310
Chase Bank (5959)	Donations	Private Fund	\$20,079
Total			\$1,255,187



Positive Finding #4: The LOM VFC properly prepared bank reconciliations for all accounts containing public funds. The bank reconciliations were reviewed and approved by someone other than the preparer.

The JPOIG reviewed all bank reconciliations during the scope period and noted that Camnetar & Co. prepared the bank reconciliations properly and all reconciliations were approved by a board member.

Criteria:

The Louisiana Legislative Auditor recommends that a person should be appointed as a “preparer” to “consider whether: (1) all receipts and disbursements are recorded by the entity; (2) checks are clearing the bank in a reasonable time; (3) reconciling items are appropriate and are being recorded; and (4) the reconciled cash balance agrees to the general ledger balance.” The preparer and reviewer should also sign/initial and date the document.²⁶

²⁶ Louisiana Legislative Auditor Best Practices, *Bank Reconciliations*. Issued October 2018.

VII – FIRE PROTECTION AGREEMENT GENERAL COMPLIANCE

The JPOIG reviewed the LOM VFC’s 2021 general ledger to determine if any equipment purchases were subject to the Fire Protection Agreement’s restrictions, required approval by the Director of Fire Services, or required to be procured in accordance with public bid law.²⁷ The JPOIG found no applicable purchases and offers no opinion on compliance.



Positive Finding #5: The LOM VFC maintained required insurance coverage, submitted financial reports and ethics training certificates as required by the Fire Protection Agreement.

The JPOIG inspected the LOM VFC’s insurance policies to determine if the LOM VFC maintained the required insurance coverages and noted no exceptions. The JPOIG also inquired of Parish officials as to whether the LOM VFC submitted the required reports and records.

Criteria:

For insurance, the Fire Protection Agreement required the LOM VFC to have:

1. Fire and contents insurance sufficient to cover the appraised value of all firefighting facilities and depreciable assets purchased with public funds of any kind;
2. Auto liability insurance on all vehicles with limits of \$1,000,000 for each occurrence, and physical damage coverage including collision coverage and comprehensive coverage with a maximum of \$5,000 deductible for each occurrence;
3. Worker's compensation insurance for employer’s liability, section B, shall be at least \$1,000,000 per occurrence;
4. Flood insurance for all properties located in a flood zone other than B, C, or X; or properties which have been previously flooded and have received FEMA funds;
5. Commercial general liability insurance covering the company’s operations and risks associated with such operations in the amount of \$2,000,000; and
6. Occurrence-based professional liability insurance with limits of \$1,000,000 per occurrence and \$2,000,000 aggregate.²⁸

For reports and records, the Fire Protection Agreement required the LOM VFC to submit to the Parish the following:

1. On an annual basis, an audited financial statement showing the disbursement of all public funds received for the previous year to the Finance Director;
2. An itemized annual budget for operations and capital expenditures to the Director of OFS. Any and all amendments made to the budget by the company during the budget year shall

²⁷ The Fire Protection Agreement required LOM VFC to: (1) Adhere to Public Bid Law for purchases of any materials or supplies in the amount of \$10,000 or greater utilizing the public funds; (2) Notify the Director of OFS prior to purchasing any vehicles, equipment or apparatus valued at \$100,000 or greater; and (3) Obtain approval prior by the Parish prior to purchasing a fire apparatus utilizing the proceeds of a Parish’s bond issue or the funds held by the Parish for capital improvement purposes.

²⁸ Fire Protection Agreement between District No. 7 of the Parish of Jefferson, State of Louisiana and Live Oak Manor Volunteer Fire Department, Article I, Obligations of the Company, Section 4, p. 5–6, paragraphs a-f, dated 11/15/2017.

be submitted to the Director of OFS no later than ten (10) days from the date that the amendment was approved by [the fire] company. Additionally, a budget-to-actual report for prior calendar year expenditures shall be submitted to the Director of OFS no later than June 30th of each year;

3. Quarterly financial reports concerning the expenditure of funds received pursuant to Article IV of the Fire Protection Agreement. Each report shall be furnished to the Director of OFS no later than thirty (30) days following the end of the reporting period; and
4. Certificates of completion issued by the Louisiana Board of Ethics concerning completion of the one (1) hour ethics training program mandated by La. RS. 42:1170. On or before January 1st of each year, the company shall furnish to the Director of OFS certificates of completion for each employee legally required to undergo ethics training during the preceding year. Additionally, the company shall submit a roster of all members that are legally required to undergo the ethics training program.²⁹

²⁹ Fire Protection Agreement between District No. 7 of the Parish of Jefferson, State of Louisiana and Live Oak Manor Volunteer Fire Department, Article III, Reports and Records, p. 8, paragraphs A/B/D/E, dated 11/15/2017.

OBJECTIVES, SCOPE, & METHODOLOGY

Objectives, Scope, & Methodology

The JPOIG conducted an audit of LOM VFC. The audit objectives were: (1) to determine the adequacy of internal controls to ensure that LOM VFC spent the funds in accordance with governing laws and the fire district millage restrictions, and (2) to assess LOM VFC's compliance with the Fire Protection Agreement.

The scope period of the audit was 01/01/2021 through 12/31/2021 and included all public fund expenditures during that period. The JPOIG performed testing in: (1) cash; (2) operating expenditures; (3) payroll; (4) fuel expenditures; and (5) vehicles. To accomplish the audit objectives, the JPOIG:

1. Reviewed policies, procedures, and other documents.
2. Developed a non-statistical sample of expenditures and payroll transactions and performed analysis.
3. Reviewed financial records, including but not limited to financial statements, bank statements, invoices, receipts, vehicle inventory listings, titles and registration certificates.
4. Performed detailed analysis to assess for compliance with contracts, laws, and regulations.
5. Performed a physical inventory of LOM VFC's vehicles.
6. Conducted interviews with employees.

Data Reliability

The JPOIG assessed the reliability of the financial data by: (1) interviewing officials knowledgeable about the data; (2) comparing data to source documents for reliability; and (3) reviewing selected system controls. Auditors determined that the data were sufficiently reliable for the purposes of this report.³⁰

Auditing Standards

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, promulgated by the Institute of Internal Auditors.

Audit Criteria

Auditors used the following criteria for this performance audit:

- Louisiana Legislative Auditor Best Practices;
- Louisiana Constitution;
- Louisiana Revised Statutes;
- Louisiana Attorney General Opinions;
- Code of Federal Regulations; and
- Fire Protection Agreement, dated March 06, 2018.

³⁰ GAO-20-283G Assessing Data Reliability. December 2019.

Legal Authority

The authority to perform this audit is established in Jefferson Parish Code §2-155.10 and La. R.S. 33:9613. This audit was an emergent audit.

RESPOSES: PARISH & NON-PARISH ENTITY COMMENTS

Pursuant to the Jefferson Parish Code of Ordinances, the JPOIG must provide a copy of the report or recommendations to:

[a] person in charge of any parish department, agency, board, commission, the parish president, the parish council, or any member of the parish council or person in charge of any parish department [and these persons] shall have thirty (30) working days to submit a written explanation or rebuttal of the findings before the report or recommendation is finalized, and such timely submitted written explanation or rebuttal shall be attached to the finalized report or recommendation.³¹

On 11/20/2023, the JPOIG distributed a Draft Report to the Parish individuals who were the subject of the audit so they would have an opportunity to comment on the report prior to the public release of this Final Report. The Parish individuals consisted of the Director of Fire Services, Parish President, Chief Operating Officer, and CAA of Compliance & Research. The JPOIG received the Parish comments on 01/17/2024.

The JPOIG must also provide non-Parish individuals or entities with:

a copy of the report after thirty (30) working days and [those individuals or entities] shall have twenty (20) working days to submit a written explanation or rebuttal of the findings before the report or recommendation is finalized, and such timely submitted written explanation or rebuttal shall be attached to the finalized report or recommendation.³²

On 11/20/2023, the JPOIG distributed a Draft Report to the non-Parish entity who was the subject of the audit so they would have an opportunity to comment on the report prior to the public release of this Final Report. The non-Parish entity only included the LOM VFC Fire Chief. The JPOIG did not receive comments from the LOM VFC Fire Chief. As such, none are attached to the report.

³¹ JPCO §2-155.10 (9)(b).

³² JPCO §2-155.10 (9)(c).



JEFFERSON PARISH

OFFICE OF THE PARISH PRESIDENT

CYNTHIA LEE SHENG
PARISH PRESIDENT

January 17, 2024

Via Electronic Mail

Kim Raines Chatelain
Jefferson Parish Inspector General
990 N. Corporate Drive, Suite 300
Jefferson, LA 70123

Re: Administration Response to Office of Inspector General-Jefferson Parish-Confidential Draft Audit 2022-0024 Live Oak Manor Volunteer Fire Company

Ms. Chatelain:

In accordance with Jefferson Parish Code Section 2-155.10(9), the Administration respectfully submits this response to the above-referenced JPOIG Confidential Draft Audit. In connection with the above-referenced matter, my staff met with the various Departments responsible for oversight of the Live Oak Manor Volunteer Fire Company ("Live Oak Manor"), including the Office of Fire Services ("OFS"), to discuss your draft audit. Your draft audit and those meetings produced many relevant suggestions that I believe warrant further action and corrective measures to ensure that policies are further developed and adhered to by Live Oak Manor.

The findings identified in the draft audit are addressed in detail below.

Finding No. 1: The LOM VFC may have violated the Louisiana Constitution and the Fire Protection Agreement because it spent \$4,230 in public funds on a length of service award program for its nine full-time employees.

The Live Oak Manor length of service award is similar to the Jefferson Parish Tenure Award Program provided to all Classified Pay Plan and Executive Pay Plan employees – including the Office of Inspector General – and other longevity/tenure incentive programs in the region that are a vital tool for recruitment and retention of public employees and first responders. As contract consideration paid to a *quasi-public* entity and used for employee compensation, the millage funds do not retain the character of funds of a political subdivision, and their use for a length of service award cannot violate Article VII, Section 14 of the Louisiana Constitution. Even if the contract consideration retains the character of "public funds" and the above-referenced Constitutional restrictions apply, the length of service award is allowed because payment of such as a part of the employee's total compensation is not gratuitous in nature.

Finding No. 2: The LOM VFC did not implement proper internal controls for timesheets because none of the 55 timecards tested contained evidence of the employee signing the timecard attesting to the hours worked.

In accordance with Code of Ordinances Sections 2-211 *et seq.* – and within the constraints set forth in the CEA – OFS oversees and provides guidance to Live Oak Manor, however, ultimately the officers and management are responsible for the day-to-day operations of Live Oak Manor who are in turn accountable to its Board of Directors. (OFS will review Live Oak Manor’s response to this audit, if any, and provide guidance with respect to this finding and recommendation.)

Finding No. 3: The LOM VFC did not design proper approval internal controls because not all expenditures contained evidence of written approval by a board member prior to purchase and after purchase.

In accordance with Code of Ordinances Sections 2-211 *et seq.* – and within the constraints set forth in the CEA – OFS oversees and provides guidance to Live Oak Manor, however, ultimately the officers and management are responsible for the day-to-day operations of Live Oak Manor who are in turn accountable to its Board of Directors. (OFS will review Live Oak Manor’s response to this audit, if any, and provide guidance with respect to this finding and recommendation.)

Finding No. 4: The LOM VFC did not comply with the Fire Protection Agreement because it did not title all vehicles in District 7’s name and did not submit a current asset inventory report to OFS.

In 2020, OFS developed and implemented Standard Operating Procedures to ensure that all contractual obligations are met as outlined in the CEA and regularly monitors each volunteer fire company for compliance. The Administration and OFS is committed to coordinating with Live Oak Manor to regularly review all contractually required reports to ensure compliance with the CEA.

Finding No. 5: The LOM VFC did not implement proper internal controls over fuel transactions because employees did not put accurate odometer readings in the fuel pump systems.

In accordance with Code of Ordinances Sections 2-211 *et seq.* – and within the constraints set forth in the CEA – OFS oversees and provides guidance to Live Oak Manor, however, ultimately the officers and management are responsible for the day-to-day operations of Live Oak Manor who are in turn accountable to its Board of Directors. (OFS will review Live Oak Manor’s response to this audit, if any, and provide guidance with respect to this finding and recommendation.)

In conclusion, the Administration and OFS is committed to continued discussion with and input from your office so that prospective and existing policies and procedures are followed.

Thank you for your assistance, and for providing us an opportunity to respond.

If you have any questions, please contact me at your earliest convenience.

Sincerely,



Cynthia Lee Sheng
Parish President

cc: Mr. Steve LaChute, Chief Operating Officer
Ms. Cherreen Gegenheimer, Deputy Chief Operating Officer
Honorable Jennifer Van Vrancken, Councilwoman at Large, Div. A
Honorable Scott Walker, Councilman at Large, Div. B
Honorable Marion Edwards, Councilman, Dist. 1
Honorable Deano Bonano, Councilman, Dist. 2
Honorable Byron Lee, Councilman, Dist. 3
Honorable Arita Bohannan, Councilwoman, Dist. 4
Honorable Hans Liljeberg, Councilman, Dist. 5
Ms. Toni Hurley, Parish Attorney
Mr. David Courcelle, Deputy Parish Attorney
Chief Don Robertson, Fire Services

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