

# OFFICE OF INSPECTOR GENERAL JEFFERSON PARISH



PRELIMINARY REVIEW

Harvey Volunteer Fire Company No. 2

**2013-0032**

ISSUED 11/17/2014



OFFICE OF INSPECTOR GENERAL  
JEFFERSON PARISH

DAVID N. McCLINTOCK  
INSPECTOR GENERAL



TO: The Citizens of Jefferson Parish

FROM: The Jefferson Parish Office of Inspector General

REF: 2013-0032 Preliminary Review of Harvey Volunteer Fire Company No. 2

Please find attached the Jefferson Parish Office of Inspector General's (JPOIG) completed Preliminary Review of Harvey Volunteer Fire Company No. 2's (hereinafter "HVFC #2") oversight and control of expenditures in 2013. Preliminary reviews are not audits, rather they are utilized for the purpose of conducting a meaningful assessment of whether the circumstances merit the allocation of resources to conduct an audit.

The results of our preliminary review, including three findings and recommendations, were provided in draft form to the HVFC #2 on 09/30/2014. Additionally, we determined that an audit would not currently be conducted. A written response addressing the findings and recommendations and actions to be taken was received from the HVFC #2 on 10/16/2014.

The JPOIG appreciates the assistance rendered by the staff of the HVFC #2 during the course of the review and the response provided. We look forward to continuing our partnership to strengthen policy, procedure, and internal oversight protocols.

# Final Review

## Harvey Volunteer Fire Company #2





OFFICE OF INSPECTOR GENERAL  
JEFFERSON PARISH

DAVID N. McCLINTOCK  
INSPECTOR GENERAL



<b>Date of Report:</b> 11/17/2014	<b><u>PRELIMINARY REVIEW</u></b>	<b>Case #</b> 2013-0032
<b>Period of Review:</b> 2013	<b>Report By:</b> David Owen, Auditor	<b>Status of Review:</b> Final
<b><u>Subject of Review</u></b>		
<ul style="list-style-type: none"><li>• Harvey Volunteer Fire Company #2</li><li>• Internal Controls</li></ul>		

**Background:**

The Jefferson Parish Office of Inspector General (JPOIG) received a complaint concerning Harvey Volunteer Fire Company No. 2's (hereinafter "HVFC #2") oversight and control of expenditures in December of 2013. The complaint received generally concerned the purchasing and approval process and specifically that the current controls were not sufficient. Our preliminary review was based solely upon the controls set forth in the revised HVFC #2's 2012 Standard Operating Guidelines and Bylaws. No effort was made to re-audit or delve into matters currently being reviewed by other entities.

The matter was assigned to the Audit Section for the purpose of performing a preliminary review of the HVFC #2 policies, procedures, and the expenses incurred during 2013. Preliminary reviews are not audits, rather they are utilized for the purpose of conducting a meaningful assessment of whether the circumstances merit the allocation of resources to conduct an audit.

The JPOIG auditor noted that the Parish sends the department monthly installments of \$275,000 (\$3,300,000 per year). This money is the net proceeds of an annual millage levied on property owners in the Sixth Fire Protection District.

**Objectives:**

The objectives of this review were to: (1) verify the accuracy of the complaint rendered against the HVFC #2; and (2) to provide assurance that sufficient internal controls are in place to reduce the risk that fraud, waste, and abuse could occur.

**Scope:**

The JPOIG auditor reviewed policies and procedures, specifically the 2012 revised HVFC #2's standard operating guidelines and bylaws. The scope of the review was from 01/01/2013, through 12/31/2013. The review included consideration of relevant records and personnel.

**Procedures:**

The JPOIG auditor selected a random sample of four (4) months to review. The bank statements, reconciliations, and supporting documentation for expenses incurred and paid during January, February, June, and August of 2013 were reviewed. To ensure completeness and accuracy of the review process, the JPOIG auditor, started with the beginning bank balance, added deposits, subtracted all expenses, and verified the ending balance with the bank statement for the selected months.

The JPOIG auditor reviewed the HVFC #2's bank statements, bank reconciliations, and supporting documentation (invoices and checks) for expenses incurred and paid during January, February, June, and August of 2013, totaling \$220,500. Fuelman invoices and the bank reconciliations were not properly approved.<sup>1</sup> Other supporting documentation (invoices, receipts, etc.) were properly approved and verified. Further, the JPOIG auditor noted that the bank reconciliations were prepared and approved by one (1) employee. In addition, the JPOIG auditor reviewed segregation of duties over the accounting process and noted that one (1) employee performs all accounting duties.

The JPOIG auditor recalculated the December 2013 and May 2014 payroll expense of \$240,500 and noted that timecards were not properly approved. The auditor found that timecards did not contain a supervisor's approval or date. Payroll employee identification was verified to provide assurance that there were no "ghost employees" on the payroll. Lastly, petty cash was reviewed with no exceptions noted.

**Findings:**

During the course of our preliminary review the following findings were made. A finding is made when the auditor identifies internal control deficiencies or questioned costs. Each finding consists of the condition, criteria, exposure, cause, and a recommendation to address the deficiency.

**Finding #1 Approval Process**

<b>Condition:</b>	While reviewing the department's Fuelman statements (fuel purchases for HVFC #2 vehicles), the JPOIG auditor noted there was no signature indicating that supervisory or command personnel reviewed the statements to ensure accuracy.
<b>Criteria:</b>	Invoices are approved by an independent employee (supervisor) indicating that it was reviewed for accuracy.
<b>Exposure:</b>	Unauthorized payments can occur. There is an increased risk for fraud and irregularities.

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<sup>1</sup> Fuelman is a gas dispensing system utilized by the HVFC #2.

**Cause:** According to department personnel, the Fuelman statement is reviewed by organization officers. Mileage errors are brought to the attention of staff and can lead to personnel actions including write-ups, warnings, and suspensions.

**Recommendations:** All invoices should be reviewed by an independent employee (supervisor) that does not have custody of the assets and the ability to enter payments into the accounting records.

### **Finding #2 Segregation of Duties**

**Condition:** The administrative secretary's responsibilities include: check preparation, banking, and completing bank reconciliations.

**Criteria:** There is a proper segregation of duties in place over the accounting process.

**Exposure:** Unauthorized payments could go undetected.

**Cause:** While we understand that the administrative secretary is the only paid office employee, this situation is a serious violation of internal controls and exposes the HVFC #2 to unacceptable risks.

**Recommendations:** We recommend that the organization's officers prepare or at least review the bank reconciliations in detail. The department could have two-man teams reviewing the bank reconciliations and ensure that checks are secured, used in numerical order, are all accounted for, and are written for authorized purposes of the HVFC #2.

### **Finding #3 Timecards**

**Condition:** While reviewing payroll, it was noted that employees' timecards do not have a supervisor's approval or date.

**Criteria:** Timecards are approved and dated by an independent, supervisory employee that does not have payroll duties. The employee's signature and date is on the timecard.

**Exposure:** Unauthorized payroll payments.

**Cause:** The supervisor is not reviewing timecards for accuracy, then signing and dating them.

**Recommendations:** We recommend that a supervisory employee of the HVFC #2 sign, and date employees' time cards.

**Conclusion:**

Our preliminary review did not reveal any significant errors or irregularities. However, we found that some areas did merit improvement. The internal control system regarding the segregation of duties in the accounting process is weak. During the period reviewed, we noted no examples of misused funds, no personal expenses were paid with fire company funds, and that on all days where the JPOIG was present at the fire company, including several unannounced, the secretary arrived and departed in her personally owned vehicle.

Based upon the outcome of the preliminary review we have determined that an audit will not be pursued at this time. However, we recommend that internal controls should be strengthened as noted and request that HVFD #2 make changes in oversight and controls that are consistent with the findings noted above. Further, we are requesting the HVFC #2 advise the JPOIG within 30 working days regarding any corrective actions taken to address the individual findings to include the forwarding of any amended policy, procedure, etc.

We are very appreciative of the cooperation and support provided by the staff of the HVFC #2 during the course of our review.

Approved by: David Owen  
Auditor

Approved by: David McClintock  
Inspector General

# Response

## Harvey Volunteer Fire Company #2







# Harvey Volunteer Fire Co. No. 2

Jefferson Parish - Sixth District

P.O. Box 1053 • Harvey, Louisiana 70059

**Scott M. Berthelot**  
*Fire Chief*

**Richard Parker Jr.**  
*President / District Chief*

October 16, 2014

David N. McClintock  
Jefferson Parish Inspector General  
5401 Jefferson Highway  
Suite C  
Jefferson, LA 70123

RE: 2013-0032 Preliminary Review of Harvey Volunteer Fire Co. #2

Mr. McClintock,

On September 30, 2014, Mr. Randy Duke and Mr. David Owen of the Jefferson Parish Inspector General's Office presented the findings of the Preliminary Review that was conducted in June of 2014. In regard to those findings, we would like to make a few additional comments that could offer a more expanded explanation of your findings, as well as the corrective actions we are prepared to take.

#### Additional HVFC#2 Explanation re: Finding #1 (Fuelman Approval Procedures)

While the Fuelman Statements do not reflect a signature for approval, they are in fact forwarded and reviewed by the Fire Chief, the President and the (3) Finance Committee members prior to the processing of invoices. Fuelman reports are received weekly and forwarded immediately for review to these parties. In addition, fuel expenditures are noted at the monthly Membership Meeting and entered into the minutes each month.

#### Proposed Additional Safeguards

**One or more of the Finance Committee Members will sign or initial each of the weekly Fuelman Reports in addition to the Executive Assistant who currently reviews and reconciles the report.**

Additional HVFC#2 Explanation re: Finding #2 (Segregation of Duties)

As a mostly volunteer organization, the HVFC#2 does have only (1) paid administrative employee, the Executive Assistant. The Executive Assistant does handle the banking/accounting duties for the organization. However, monthly reports reflecting expenditures and bank balances are forwarded to the monthly Membership Meeting and recorded in the minutes. In addition, the entire requisitioning, approving and payment processing procedures already include no less than 6 separate individuals.

Proposed Additional Safeguards

**In addition to the Executive Assistant reconciling the monthly bank accounts, the Treasurer will also review and verify the reconciliation reports for all bank accounts. The Treasurer will sign off each month on the bank reconciliations.**

Additional HVFC#2 Explanation re: Finding #3 (Timecards)

Timecards for Operations personnel have little to no variation as they are all scheduled employees, with minor exceptions. In addition, scheduling and calendar changes are closely monitored by the Daily Operations Officer and the Executive Assistant, as well as the Fire Chief. While the cards themselves are not signed by a Supervisor the schedule is reconciled against the timecards before payroll is processed.

Proposed Additional Safeguards

**In addition to the Executive Assistant reviewing the schedules and timecards, the Director of each division will also verify and sign off on the employee timesheets for each payroll.**

I sincerely hope that this information will prove to be helpful and to shed a little more light into our current practices. In addition, the Harvey Volunteer Fire Co. #2 Board of Directors has been notified of your initial findings and have subsequently approved these new corrective measures.

Respectfully,



Richard Parker, Jr.  
President

RP/pm