

# OFFICE OF INSPECTOR GENERAL JEFFERSON PARISH



FOLLOW-UP OF MARRERO-RAGUSA VOLUNTEER  
FIRE COMPANY No. 3

**2015-0002**

FOLLOW-UP REVIEW  
ISSUED 10/22/2020



OFFICE OF INSPECTOR GENERAL  
JEFFERSON PARISH



DAVID N. McCLINTOCK  
INSPECTOR GENERAL

October 22, 2020

Cynthia Lee Sheng, Parish President  
1221 Elmwood Park Blvd., Suite 1002  
Jefferson, LA 70123

Councilman Ricky J. Templet, "At-Large "A"  
1221 Elmwood Park Blvd., Suite 1016  
Jefferson, LA 70123

Councilwoman Scott Walker, At-Large "B"  
1221 Elmwood Park Blvd., Suite 1018  
Jefferson, LA 70123

Councilman Marion F. Edwards  
200 Derbigny Street, Suite 6400  
Gretna, LA 70053

Marrero-Ragusa Volunteer Fire Company No. 3  
Fire Chief  
1400 Berger Road  
Marrero, LA 70072

Councilman Deano Bonano  
1221 Elmwood Park Blvd., Suite 1013  
Jefferson, LA 70123

Councilman Byron Lee  
200 Derbigny Street, Suite 6500  
Gretna, LA 70053

Councilman Dominick Impastato  
1221 Elmwood Park Blvd., Suite 1015  
Jefferson, LA 70123

Councilwoman Jennifer Van Vrancken  
1221 Elmwood Park Blvd., Suite 1014  
Jefferson, LA 70123

Director of Fire Services, Bryan Adams  
910 3<sup>rd</sup> Street  
Gretna, LA 70053

**Audit #2015-0002's Follow-Up Audit of Marrero-Ragusa Volunteer Fire Company No. 3, dated 11/30/2016**

The Jefferson Parish Office of Inspector General (JPOIG) conducted a **follow-up review** of the **Audit of Marrero-Ragusa Volunteer Fire Company No. 3 (2015-0002), dated 11/30/2016**. Follow-up reports make no findings or recommendations. Follow-up reports monitor the implementation of recommendations previously made. The review demonstrates that most recommendations were resolved. One recommendation was resolved-in-part, and another has remained unresolved. Resolution of the issues fall primarily with the management of the Marrero-Ragusa Volunteer Fire Company No. 3.

The audit follow-up process does not require a written response, nor do we include any external commentary as each finding has already been addressed through the volunteer fire company's initial response to the original report. In the interest of facilitating positive change, we will make arrangements to meet with any recipient who may wish to discuss the report or a corrective action plan.

I appreciate the sincere and earnest efforts by the staff of the Marrero-Ragusa Volunteer Fire Company No. 3 and others in the Administration who worked with us during this effort

Respectfully,

David McClintock

cc:

Commissioner Howard G. Maestri, Chairman

Commissioner Warren R. Bourgeois III, M.D.

Commissioner Dolores C. Hall

Commissioner Cherie' Kay LaRocca

Commissioner Laura J. Donnaway

Jerry Sullivan, Attorney to the Ethics and Compliance Commission



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DAVID N. McCLINTOCK  
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<b>Date of Report:</b> 10/22/2020	<b>PUBLIC FOLLOW-UP REVIEW</b>	<b>Case:</b> 2015-0002
<b>Period of Review:</b> 07/01/2019 – 06/30/2020	<b>Report By:</b> JPOIG Staff	<b>Status:</b> Final
<b><u>Subject of Review</u></b> Marrero-Ragusa Volunteer Fire Company No. 3		

**STANDARDS**

Pursuant to the Jefferson Parish Code of Ordinances (JPCO) §2-155.10(11)(a), the Jefferson Parish Office of Inspector General (JPOIG) initiated a follow-up review of JPOIG’s audit report numbered 2015-0002 dated 11/30/2016. The follow-up audit was performed in accordance with the code of ethics and standards of the International Professional Practices Framework (IPPF), promulgated by the Institute of Internal Auditors (IIA).

**ACRONYMS**

The following acronyms appear in the document:

<b>JPOIG</b>	Jefferson Parish Office of Inspector General	<b>Parish</b>	Jefferson Parish
<b>JPCO</b>	Jefferson Parish Code of Ordinances	<b>Fire District</b>	Jefferson Parish Fire Protection District No. 8
<b>MRVFC</b>	Marrero-Ragusa Volunteer Fire Company No. 3		

**INTRODUCTION**

The focus of the original audit report was a review of MRVFC’s receipts and disbursements regarding public funds received from Jefferson Parish (Parish). The source of the public funds audited were millage funds designated for fire protection services pursuant to the Fire Protection Agreement between the Parish and the MRVFC. Subsequent to the issuance of the original audit report, the MRVFC elected a new Board President, elected a number of new Board members, and appointed a new Fire Chief. The company also now employs a trained bookkeeper to maintain the entity’s books and records. Additionally, new policies, procedures and internal controls have been put into place by the new administrators. Accordingly, the JPOIG selected a follow up testing period to include these more recent processes, transactions and records (7/01/2019 through 06/30/2020).

## **BACKGROUND**

On 11/30/2016, the JPOIG issued a public report titled, “Marrero-Ragusa Volunteer Fire Company No. 3 Audit,” which included a response by MRVFC, and by the Parish Administration. A copy of the full report can be located at JPOIG’s website. The report’s audit period was 01/01/2012 – 12/31/2014.

The audit resulted in nine (9) findings and one (1) observation related to unallowable expenditures, inadequate inventory practices, and the lack of internal controls over payroll, fuel purchases, and bank reconciliations. Questioned funds totaled \$746,022. Follow-up reports do not initiate findings or recommendations.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objective**

The primary objective of the follow-up review is to determine if MRVFC’s management has effectively implemented the recommendations in the JPOIG’s original audit. The JPOIG will assess the status of those actions that were committed to during the original response or any other corrective measures that impact the original report’s findings and recommendations.

The Fire Protection Agreement governs the business relationship between the Parish and the MRVFC. The agreement has a ten (10) year term, 12/01/2017 through 12/01/2027. The follow-up included testing on compliance-related matters delineated in the Fire Protection Agreement. If other matters of issue are noted as part of this effort, additional observations will be included as part of the follow-up report.

### **Scope and Methodology**

To accomplish the above objectives, the following procedures were performed:

- A review of applicable resolutions and contracts between the Parish and MRVFC;
- Interviews with the MRVFC’s management to determine if corrective action plans have been effectively implemented since the issuance of the original report;
- A review of the MRVFC’s policies and procedures;
- Research and analysis including but not limited to, MRVFC’s financial records, payroll records, fuel invoices, training records, and insurance coverages;
- A physical inventory of the MRVFC’s fixed assets (vehicles and large items of equipment); and
- A review of documents and records submitted to the Fire Services Director and Finance Director as required by the Fire Protection Agreement.

The tables below summarize the transactions tested.

Table 1 2020 Transaction Testing Statistics					
Testing Category	Transactions Tested	Dollars Tested	Exceptions Noted	Exception Reasons	Exceptions Amount
Expenditure	35	\$216,775	4	Lack of approval on invoice	\$17,553
Equipment	15	\$2,411,062	2	Incorrect title	\$1,268,273
Fuel	29	\$4,603	11	Missing fuel tickets, mileage not recorded, no vehicle listed	\$2,276
Payroll	16	\$221,613	0	N/A	\$0
Total Transactions	81	\$2,849,853	17		\$1,272,302

The JPOIG recalculated 16 payroll transactions, and verified the calculations were reasonable in amount. Although no exceptions were noted, the JPOIG suggested that the MRVFC participate in the Department of Labor’s Payroll Audit Independent Determination program. This program facilitates resolution of potential violations under the Fair Labor Standards Act with the objective to resolve claims quickly and without litigation. In addition, it helps improve employers’ compliance with wage obligations.

Table 2 Follow-Up Summary					
Finding	Topic	Items Reviewed	Resolved	Un-Resolved	Resolved In-Part
#1	Unallowed Food Expenditures	35	✓		
#2	Unallowed Employee Insurance Benefits	35	✓		
#3	Unallowed Gift Certificates	35	✓		
#4	Unallowed Flower Purchases	35	✓		
#5	Unallowed Late Fees	35	✓		
#6	Failure to Maintain Equip Inventory	15			✓
#7	Lack of accountability for Fuel Exp	35		✗	
#8	Unsupported Credit Card Charges	35	✓		
#9	Petty Cash Shortage/Lack of Policy	35	✓		

## **FOLLOW-UP RESULTS**

The three (3) potential categories of corrective action are:

1. **Resolved** - The Department/Parish/Entity has implemented actions that have, or should if implemented; resolve the core findings/concerns noted in the original report.
2. **Resolved, in part** - The Department/Parish/Entity has implemented actions in response to the audit but the actions do not fully address the findings/concerns raised in the original report.
3. **Unresolved** – The Department/Parish/Entity has not implemented actions that resolve the core findings/concerns noted in the original report and/or rejected the recommendation in the original report.

For each finding in JPOIG’s audit report numbered 2015-0002 dated 11/30/2016, below is a summary of the JPOIG’s recommendation, the Parish’s response, and actions taken to determine if the finding has been resolved.

<b>Finding #1</b>	Millage funds spent for a questionable purpose (food).	<b>Resolved</b>
<b>JPOIG Recommendation</b>	<p>MRVFC should cease the regular provision of meals to its employees. Taxpayer funds should only be spent on items approved by the voters of the District.</p> <p>The MRVFC should comply with Attorney General Opinions regarding the “reasonableness” of the purchase if meals are provided for training-related purposes.</p>	
<b>MRVFC’s Response</b>	<p>“...we have a new policy for food purchases. We will only purchase meals for training that is done 3 times a month with LSU. For meals that are for the Board Meetings that will come out of our social account...any training that the Fire Chief...deem(s) necessary will be paid out of the social account. We will do this until we receive and read the new contract and it is sign(ed).</p>	
<b>Validation Results</b>	<p>The JPOIG reviewed operating expenditures to validate the nature and purpose of the transaction. None of the transactions tested indicated that MRVFC spent public funds for questionable food purchases. Additionally, MRVFC has instituted an expenditures policy prohibiting such transactions.</p>	

<b>Finding #2</b>	Millage money spent for an unauthorized purpose (employee insurance deductibles).	<b>Resolved</b>
<b>JPOIG Recommendation</b>	<p>The MRVFC ceases the practice of paying insurance deductibles and any other personal expenses for employees.</p>	
<b>MRVFC’s Response</b>	<p>“That was done for the year 2013 only. We no longer repay employee’s insurance deductibles.”</p>	
<b>Validation Results</b>	<p>The JPOIG reviewed operating expenditures to validate the nature and purpose of the transaction. None of the transactions tested indicated that MRVFC spent public funds for unallowable employee personnel expenses. Additionally, the MRVFC has instituted an expenditure policy prohibiting such transactions.</p>	

<b>Finding #3</b>	Millage money spent for unauthorized purpose (gift certificates for employees).	<b>Resolved</b>
<b>JPOIG Recommendation</b>	Cease the payment of any type of bonuses. Millage funds must only be spent for purposes authorized in the proposition.	
<b>MRVFC's Response</b>	None	
<b>Validation Results</b>	The JPOIG reviewed operating expenditures to validate the nature and purpose of the transaction. None of the transactions tested indicated that MRVFC spent public funds for unallowable employee gift certificates. Additionally, MRVFC has instituted an expenditure policy prohibiting such transactions.	

<b>Finding #4</b>	Millage money spent for an unauthorized purpose (flowers).	<b>Resolved</b>
<b>JPOIG Recommendation</b>	MRVFC discontinue the practice of purchasing flowers or any other gifts with public funds (millage money). If the MRVFC wants to continue sending flowers, they should establish a privately funded "flower fund."	
<b>MRVFC's Response</b>	"For any flowers that were purchase(d), they were for only our volunteer member(s) or employees. We will pay for this out of our social account."	
<b>Validation Results</b>	The JPOIG reviewed operating expenditures to validate the nature and purpose of the transaction. None of the transactions tested indicated that MRVFC spent public funds for unallowable flowers and miscellaneous items. Additionally, the MRVFC has instituted an expenditure policy prohibiting such transactions.	

<b>Finding #5</b>	Millage money spent for an unauthorized purpose (payment of late fees).	<b>Resolved</b>
<b>JPOIG Recommendation</b>	<ol style="list-style-type: none"> <li>1) Have utility and credit card bill due dates changed to be due on one date.</li> <li>2) Set up a calendar reminder so checks can be written and signed seven (7) to ten (10) days before the due date (to allow for any mailing delays).</li> <li>3) Or, develop a procedure to pay at least the utility bills online.</li> <li>4) Make any necessary revisions to current practice to ensure that checks are signed by board members in a timely manner.</li> <li>5) Ensure that there is a written procedure in place so that any authorized employee would be able to perform the bill paying task.</li> </ol>	
<b>MRVFC's Response</b>	"This has been corrected by hav(ing) all utility bill(s) automatic(ally) drafted from our checking account and any bill that can be paid online. This will help to avoid any more late fees."	
<b>Validation Results</b>	The JPOIG reviewed operating expenditures to validate the nature and purpose of the transaction, and other invoice details. None of the transactions tested indicated that the MRVFC spent public funds for late fees.	



<b>Finding #6</b>	Failure to keep a current equipment inventory	<b>Resolved-In Part</b>
<b>JPOIG Recommendation</b>	<p>A complete, detailed, current inventory of all vehicles and equipment should be maintained. The MRVFC should also tag equipment and certain items. For example, the Chief’s portable radio as well as the radio in his vehicle should be inventoried and tagged. Employees should also complete an inventory form acknowledging any and all of the equipment they have in their possession.</p> <p>All equipment issued to an individual and signed for on an inventory list should also be checked at least annually for accuracy and the actual existence of the equipment.</p>	
<b>MRVFC’s Response</b>	<p>“The company of Fuel Service Technology Solutions is recording all of our equipment and will provide tags.”</p>	
<b>Validation Results</b>	<p>The JPOIG reviewed a listing of MRVFC employees’ equipment records which totaled 15 items. The JPOIG validated the items for physical existence and proper title documentation in the Fire District’s entity name. Two fire pumpers were noted as titled in the company’s name, which is not in accordance with the current contract with the Parish. The MRVFC is currently working with Parish officials to transfer the title over to the district’s name, and plans to complete a full physical inventory in the 2020 calendar year.</p>	

<b>Finding #7</b>	Lack of accountability for fuel purchases.	<b>Unresolved</b>
<b>JPOIG Recommendation</b>	<ol style="list-style-type: none"> <li>1. All employees should be required to enter the correct mileage when purchasing fuel for MRVFC vehicles.</li> <li>2. Monthly fuel bills should be reviewed and approved by management.</li> </ol>	
<b>MRVFC’s Response</b>	<p>“We now have in place a policy that (requires) every employee (to) input the mileage of the vehicle that is getting fuel,...sign the receipt and turn it in.”</p>	
<b>Validation Results</b>	<p>The JPOIG reviewed 29 fuel invoices paid in fiscal year 2020 by MRVFC. Each fuel ticket listed on the invoice was validated as supporting documentation for the purchase, however, in 8 instances, the fuel ticket was not present. Additionally, in 10 instances, accurate vehicle mileage was not recorded by the fuel purchaser, and in one instance, two purchases could not be traced to a MRVFC vehicle. Due to the number of exceptions noted in the fuel invoicing documentation, the JPOIG has determined this recommendation to be unresolved. MRVFC is working with their new fuel vendor to create a process for timely fuel purchase exception flags, and by strengthening their fuel policy to include a resolution process including employee disciplinary actions when the fuel policy is not followed.</p>	

<b>Finding #8</b>	Lack of detail on credit card purchases / failure to follow MRVFC Credit Card Policy.	<b>Resolved</b>
<b>JPOIG Recommendation</b>	<ol style="list-style-type: none"> <li>1. MRVFC should update its Credit Card Policy to show how many credit cards have been issued and to whom.</li> <li>2. Anyone using a MRVFC credit card should ensure that they turn in a detailed receipt of the purchase as well as the credit card receipt.</li> <li>3. All employees should be required to follow the Credit Card Policy for the purchase of meals and enter the names of all persons participating as well as a brief description of the purpose for the meal.</li> </ol>	
<b>MRVFC's Response</b>	"We have corrected the policy on the credit cards." We restricted the authorized cards to 4 individuals, and trained the card holders on retaining and submitting proper documentation for their charges.	
<b>Validation Results</b>	The JPOIG reviewed operating expenditures to validate the nature and purpose of the transaction. No credit card usage exceptions were noted. Additionally, MRVFC has established a credit card policy to ensure that card access, usage, and documentation is sufficient to support the validity of the expenditure of public funds.	

<b>Finding #9</b>	Petty Cash Shortage/Lack of a Petty Cash Policy.	<b>Resolved</b>
<b>JPOIG Recommendation</b>	<ol style="list-style-type: none"> <li>1. MRVFC should create a Petty Cash Policy and/or written petty cash procedures that dictates to the fund custodian and the employees how the funds are to be maintained and disbursed.</li> <li>2. The Fire Chief should periodically perform a count of petty cash and document both the count itself, and any shortages identified.</li> <li>3. Petty cash shortages should be investigated and the cause of the shortage should be documented and prevented from recurring in the future.</li> <li>4. Petty cash count sheets and investigation documents should be retained in a petty cash file.</li> </ol>	
<b>MRVFC's Response</b>	None	
<b>Validation Results</b>	Inspection of 2020 general ledger records and observations made at the MRVFC business office confirmed that management has closed the petty cash fund, and redeposited the funds into the operating bank account.	