

ST. TAMMANY FIRE PROTECTION DISTRICT NO.1



COMPLIANCE AUDIT
ISSUED JUNE 10, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

June 10, 2009

Mr. Calvin “Bud” Kline, Chairman,
and Board of Commissioners
St. Tammany Fire Protection District No. 1
1358 Corporate Square Drive
Slidell, Louisiana 70458

Dear Chairman Kline:

We have audited certain transactions of the St. Tammany Fire Protection District No. 1 (Fire District) for the period July 1, 2006, through January 31, 2009. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the Fire District’s financial statements or system of internal control nor assurance as to compliance with laws and regulations. The concerns and results of our audit are listed below for your consideration.

BACKGROUND

The St. Tammany Fire Protection District 1 (Fire District) was created by the St. Tammany Parish Council as provided by Louisiana Revised Statute (R.S.) 40:1492. The Fire District operates seven fire stations and employs approximately 150 personnel to provide fire protection and fire prevention services to the City of Slidell and the immediate surrounding area. Since 2002, the Fire District has participated in a WWL-TV sponsored bell program in which bells commemorating events such as the September 11 attacks and Hurricane Katrina were sold to the public. This report addresses the Fire District’s sales, collection, and accounting of Katrina commemorative bell funds from July 2006 through January 2009.

LACK OF CONTROLS OVER CASH

During the program, WWL-TV distributed bells to local fire departments to sell for \$3 to the general public. Each year, the Fire District headquarters received bells from WWL-TV approximately one month before the anniversary of Hurricane Katrina. Fire District management distributed the bells to each fire station where they were sold by on-duty firefighters. Once the bells were sold, the Fire District paid a portion of the sales to WWL-TV for the cost of the bells and deposited the proceeds into the general fund. During our review, we noted that receipts for the sale of commemorative bells were collected at the fire stations without controls or formal procedures relating to cash collections. Records of bells received and sold and of funds received were not maintained at each fire station. In addition, the Fire District did not implement any processes to verify that all funds collected were deposited or that all bells distributed were accounted for.

According to Fire District management, firefighters at each fire station collected all cash and checks in an envelope which was later delivered to Fire District headquarters. At headquarters, the envelopes were put into a bank bag and placed in a file cabinet until they could be deposited which was usually about twice a month. After all proceeds were deposited, a portion was paid to WWL-TV for the cost of the bells and the remaining proceeds were retained by the Fire District. According to Fire District management, the proceeds retained from bell sales were deposited into the operating fund and were used to buy defibrillators and to fund a camp for kids. Because of a lack of adequate controls over cash, the risk of loss due to theft and/or misappropriation was high. In addition, the Fire District appears to have violated state law¹ by not depositing public funds on a daily basis.

A review of available records indicated that some bell proceeds may not have been deposited. Based on the amount of bells provided by WWL-TV, total proceeds for the sale of bells from 2006 to 2008 could have been as much as \$21,399. However, Fire District bank records indicate total deposits for this period were \$18,333 indicating a possible shortage of \$3,066. It should be noted that Fire District management stated that a number of bells were sold for \$2 and a number of damaged bells were discarded. However, because the Fire District failed to maintain records detailing the sale of bells, we could not determine actual amounts received.

We recommend that the Fire District:

- (1) require that all funds collected are adequately recorded;
- (2) comply with state law and make daily deposits of public funds, whether cash or check;

¹ R.S. 39:1212 states, in part, that "After the expiration of existing contracts, all funds of local depositing authorities shall be deposited daily whenever practicable, in the fiscal agency provided for, upon the terms and conditions, and in the manner set forth in this Chapter. Deposits shall be made in the name of the depositing authority authorized by law to have custody and control over the disbursements."

Mr. Calvin "Bud" Kline, Chairman
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- (3) check the daily total deposits to the total receipts on a regular basis;
- (4) implement written policies and procedures relating to the collection, deposit, and recordation of receipts; and
- (5) maintain adequate public records.

This correspondence represents our finding and recommendations as well as management's response. This correspondence is intended primarily for the information and use of management of the Fire District. I trust this information will assist you in the efficient and effective operations of the Fire District. Should you have any questions, please contact me at (225) 339-3839 or Mr. Dan Daigle, Director of Compliance Audit, at (225) 339-3808.

Sincerely,



Steve J. Theriot, CPA
Legislative Auditor

DD:KJ:sr

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Management's Response



St. Tammany Fire Protection District No. 1

(985) 649-3665

1358 Corporate Square Drive

(985) 646-4865 - Fax

Slidell, LA 70458

Larry Hess, Fire Chief

Office of Legislative Auditor
State of Louisiana
c/o Mr. Greg Clapinski, CPA, CFE

Dear Mr. Clapinski,

On behalf of the St. Tammany Parish Fire Protection District No. 1, we offer the following response to your audit report regarding our accounting for Katrina Bells (Bells) for the period of July 1, 2006 through January 31, 2009.

This endeavor began with the charitable intent of us helping the community unite after the devastation of Hurricane Katrina by facilitating WWL-TV's program to sell bells. Each year the bells were labeled "Katrina Bells" with the respective year noted, e.g. 2006, 2007, etc.

Throughout the three years this program took place, we focused our resources on handling the core issues of managing the Department's 140 plus employees, over \$10 million dollar annual budget, and responding to thousands of emergency medical and fire suppression calls, as well as fire prevention demands.

As unsold bells aged, we discarded some and sold some for less than the \$3.00 as suggested by WWL. As we received damaged bells, we discarded them. As we were not able to demonstrate to your office the quantity of the items not sold or sold for less than \$3.00, we have put procedures in place to include a full accounting of any items we choose to handle like the Bells in the future.

The Bells were the only actual "cash" handled by our department and related procedures have also been put into place if in fact cash is handled by the department again.

The requirement by state law mentioned in your report states depositing of funds shall be "daily whenever practicable". The Department will continue to adhere to this rule.

We sincerely appreciate your efforts in this matter as we share the common goal of serving the public. We are glad to accept your assistance in making us an even better fire department.

Please acknowledge receipt of this email, as we are aware of the time sensitive nature of this report.

Very truly yours,

Joe DiGiovanni, CPA
Director of Finance

St Tammany Fire Protection District No. 1