

STATE OF WEST VIRGINIA

AUDIT REPORT

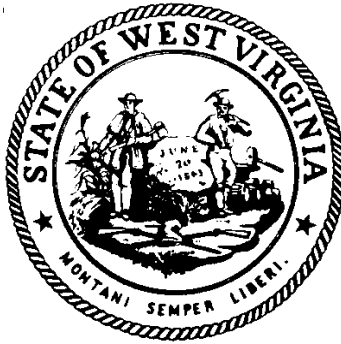
OF

COAL RIVER VOLUNTEER FIRE DEPARTMENT

DISBURSEMENT AUDIT

FOR THE YEAR ENDED

DECEMBER 31, 2001, 2000, 1999 AND 1998



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

COAL RIVER VOLUNTEER FIRE DEPARTMENT
DISBURSEMENT AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2001, 2000, 1999 AND 1998

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 12, Article 4, Section 14, as amended, we have audited the disbursements of the Coal River Volunteer Fire Department.

Our audit covered the year ended December 31, 2001. The results of the audit are set forth on the following pages of this report.

Respectfully Submitted,

A handwritten signature in black ink that reads "Theford L. Shanklin".

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

TLS/jdb

COAL RIVER VOLUNTEER FIRE DEPARTMENT

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COAL RIVER VOLUNTEER FIRE DEPARTMENT

EXIT CONFERENCE

We held an exit conference on March 18, 2002 with the current President of the Coal River Volunteer Fire Department and the Report was reviewed and discussed.

COAL RIVER VOLUNTEER FIRE DEPARTMENT

INTRODUCTION

To provide additional revenue for the municipal firemen's pension and relief funds and for volunteer and part volunteer companies and departments, the West Virginia Legislature levied under Chapter 33, Article 3, Section 14d of the West Virginia Code, as amended in 2001, an additional premium tax equal to one percent of the taxable premiums collected for fire insurance and casualty insurance policies. Under this section of the Code, volunteer and part volunteer fire departments that are certified by the State Fire Marshal prior to each quarterly allocation, are to receive 25 percent of the revenues generated by this premium tax.

In 1999, to provide additional revenue for the municipal fireman's pension and relief funds and for volunteer and part volunteer companies and departments, the West Virginia Legislature levied under the provisions of Chapter 33, Article 12, Section 16a of the West Virginia Code, as amended, a tax equal to four percent of the gross premiums and fees on excess line policies. These moneys are to be distributed in accordance with the provision of Chapter 33, Article 3, Section 14d, as amended.

The West Virginia Legislature again provided additional revenue for the volunteer and part volunteer fire departments by authorizing, under Chapter 33, Article 3, Section 33 of the West Virginia Code, as amended in 2001, a policy surcharge equal to one percent of the taxable premiums paid by policyholders of any fire insurance policy or casualty insurance policy. Under this section of the Code, 50 percent of the moneys collected are to be distributed to those

volunteer and part volunteer fire departments and companies certified by the State Fire Marshal before each quarterly allocation.

Chapter 33, Article 3, Sections 14d and 33 provide that the volunteer fire departments receive distributions on an equal share basis and part volunteer fire departments receive a reduced amount based on the ratio of full-time paid firefighters who are members of the municipal firemen's pension system to the total number of the members of the fire department. The moneys are to be distributed quarterly on the first day of the months of January, April, July and October of each year.

To receive these funds, the volunteer and part volunteer fire companies and departments must comply with the following provisions of Chapter 8, Article 15, Section 8a of the West Virginia Code, as amended:

- “(a) Submit and maintain current submission of fire loss data to the state fire marshal, including verification, by notarized statement, if no fire loss has occurred;
- (b) Complete or be in the process of receiving firefighters training, including section one of the West Virginia University fire service extension or its equivalent. Such fire company or department must have at least ten members certified as having completed such training or if a volunteer fire company or department has twenty or fewer members, fifty percent of the active volunteer members must have completed such training; and
- (c) Comply with all applicable federal and state laws.”

The Legislature placed restrictions on the use of these additional revenues by the volunteer fire departments under Chapter 8, Article 15, Section 8b of the West Virginia Code, as amended March 8, 2000, which states:

"Revenues allocated to volunteer and part volunteer fire companies and departments may be expended only for the items listed in subdivisions (a) through (k) of this section. Funds received from the state for volunteer and part volunteer fire companies and departments, pursuant to sections fourteen-d and thirty-three,

article three, and section sixteen-a, article twelve, all of chapter thirty-three of this code, may not be commingled with funds received from any other source. Expenditures may be made for the following:

- (a) Personal protective equipment, including protective head gear, bunker coats, pants, boots, combination of bunker pants and boots, coats and gloves;
- (b) Equipment for compliance with the national fire protection standard for automotive fire apparatus, NFPA-1901;
- (c) Compliance with insurance service office recommendations relating to fire departments;
- (d) Rescue equipment, communications equipment and ambulance equipment: *Provided*, That no moneys received from the municipal pensions and protection fund or the fire protection fund may be used for equipment for personal vehicles owned or operated by volunteer fire company or department members;
- (e) Capital improvements reasonably required for effective and efficient fire protection service and maintenance of the capital improvements;
- (f) Retirement of debts;
- (g) Payment of utility bills;
- (h) Payment of the cost of immunizations, including any laboratory work incident to the immunizations, for firefighters against hepatitis-b and other blood borne pathogens: *Provided*, That the vaccine shall be purchased through the state immunization program or from the lowest cost vendor available: *Provided, however*, That volunteer and part volunteer fire companies and departments shall seek to obtain no cost administration of the vaccinations through local boards of health: *Provided further*, That in the event any volunteer or part volunteer fire company or department is unable to obtain no cost administration of the vaccinations through a local board of health, the company or department shall seek to obtain the lowest cost available for the administration of the vaccinations from a licensed health care provider;
- (i) Any filing fee required to be paid to the legislative auditor's office under section fourteen, [§12-4-14], article four, chapter twelve of this code relating to sworn statements of annual expenditures submitted by volunteer or part volunteer fire companies or departments that receive state funds or grants;
- (j) Property/casualty insurance premiums for protection and indemnification against loss or damage or liability; and
- (k) Operating expenses reasonably required in the normal course of providing effective and efficient fire protection service,

which include, but are not limited to, gasoline, bank fees, postage and accounting costs.”

Prior to the March 8, 2000 amendment, Chapter 8, Article 15, Section 8b did not allow Operating expenses as described in subsection (k) nor did the law prohibit the commingling of the funds with funds from other sources.

Chapter 12, Article 4, Section 14 of the West Virginia Code, as amended, requires an audit at the cost of the grantee, by an independent certified public accountant, of corporations, associations or other organizations which receive State funds or grants in the amount of \$15,000 or more. The audit must be filed within two years of the disbursement of the funds or grants by the grantee. The Legislature amended this section of the Code effective June 9, 1995, providing an alternative to an audit for volunteer fire departments. In lieu of an audit, volunteer fire departments may file a sworn statement of annual expenditures along with a filing fee of seventy-five dollars to the Legislative Auditor’s Office on or before February 14, of each year.

The Legislature amended this section of the Code again, effective March 8, 2000, to include a provision for penalties should a department fail to submit timely the annual statement of expenditures or an audit made by an independent certified public accountant. An additional filing fee of twenty-five dollars shall be included with the sworn statement of annual expenditures if the statement is submitted between the fifteenth day of February and the fifteenth day of March. An additional filing fee of fifty dollars shall be included with the sworn statement of annual expenditures if the statement is submitted between the sixteenth day of March and the fifteenth day of April. If the sworn statement is not submitted on or before the fifteenth day of April the volunteer fire department shall file an audit of the disbursement of funds, made by an independent certified public accountant, with the legislative auditor’s office no later than the first

day of July. The audit shall be made at the cost of the volunteer fire department. If the audit is not filed by the first day of July, the legislative auditor shall notify the state treasurer who shall withhold payment of one thousand dollars from any amount that would otherwise be distributed to the fire department. If the department does not timely file a sworn statement of annual expenditures or an audit of the disbursement of funds, made by an independent certified public accountant, with the legislative auditor's office for three consecutive years, the legislative auditor shall notify the treasurer who shall withhold payment of any amount that would otherwise be distributed to the fire department.

Chapter 12, Article 4, Section 14, as amended March 8, 2000, provides that the legislative auditor may perform random audits of the volunteer fire departments. This section also requires that the volunteer fire department shall cooperate with the legislative auditor's office in performing their duties under this section. If the legislative auditor determines a volunteer fire department is not cooperating, the legislative auditor shall notify the state treasurer who shall withhold payment of any amount that would otherwise be distributed to the department until such time that the legislative auditor informs the treasurer that the fire department has cooperated as required by this section.

COAL RIVER VOLUNTEER FIRE DEPARTMENT

GENERAL REMARKS

Introduction

We have attempted an audit of the Coal River Volunteer Fire Department (Department) for the years ended December 31, 2000, December 31, 1999, and December 31, 1998 at the request of the State Fire Marshal's Office. We were unable to complete the audit due to the Department's inability to provide complete records. However, we were able to audit the year ended December 31, 2001.

Bank Accounts and Disbursement Statements **Years Ended December 31, 2000, 1999, and 1998**

The Department's State funds were withheld in January 2002, for lack of cooperation in providing complete records for years ended December 31, 2000, December 31, 1999, and December 31, 1998. Robert Holstein, President of the Department since September 2001, stated that the records had been shredded before he took office. Mr. Holstein was able to obtain copies of canceled checks, deposit slips, and bank statements for the general fund checking account (Bank of Raleigh Account # 24535609 became City National Bank Account # 2124535609) from the bank for the three years. However, the copies of canceled checks and deposit slips are very small and many of them are illegible.

The following schedule summarizes the expenditures according to the copies of the canceled checks and bank statements that we received for the general fund checking account. On many of the checks, the memo was blank or illegible:

| <u>Payee</u> | <u>Memo</u> | <u>Years Ended</u> | | |
|-----------------------------------|---|----------------------|----------------------|----------------------|
| | | <u>Dec. 31, 2000</u> | <u>Dec. 31, 1999</u> | <u>Dec. 31, 1998</u> |
| Cash | reimbursement, transfer, repay loan | \$ 700.00 | \$ 1,700.00 | \$ 0.00 |
| Various Individuals | reimbursements, gifts, gas, treasurer pay, chief pay, vol. call pay, food | 10,327.44 | 4,149.99 | 1,310.00 |
| Coal River EMS/Coal River VFD EMS | loan EMS, paramedic class | 3,200.00 | 5,050.00 | 10,884.07 |
| Banks | truck payments, loan interest, transfer to EMS | 2,226.53 | 5,349.31 | 3,000.00 |
| Various Vendors | Utilities, Insurance, Postage, Fire Protections Cos., Communications Cos., training, convenience stores, etc. | 14,534.71 | 30,236.39 | 27,829.45 |
| Unknown | Bank Statement - No Copy of Checks | <u>1,120.00</u> | <u>297.33</u> | <u>0.00</u> |
| | Total | <u>\$32,108.68</u> | <u>\$46,783.02</u> | <u>\$43,023.52</u> |

During our review of the deposit slips and bank statements we noted that several of the State fund allocations were deposited only in part into the department's checking account and the balance, according to some of the deposit slips, was deposited into a savings account. Six of the allocations received by the department in years ended December 31, 1998 and December 31, 1999 were not deposited into the checking account. According to the deposit slips and bank statements, funds were later transferred from the savings account into the checking account for disbursement. The total of State fund allocations received by the department for the three years was \$93,419.52 of which \$42,058.61 was deposited directly into the checking account. Deposits other than State fund allocations and electronic transfers from their savings account (Bank of Raleigh Account # 24535611 became City National Bank Account # 2124535611 in April 1999) into the checking account totaled \$75,703.67.

Bank Accounts and Disbursement Statement
Year Ended December 31, 2001

During our audit of the Department's statement of expenditures for the year ended December 31, 2001 we noted that the department deposited State funds into three different checking accounts. The January and April allocations were deposited into the general fund checking account number 2124535609 at City National Bank along with funds from other sources. According to our calculations, the balance of State funds remaining in the commingled account on December 31, 2001 was \$1,475.79. The July 2001 allocation was deposited into Pioneer Community Bank checking account number 20027834. According to Mr. Holstein, this account was opened in order to comply with the change in Chapter 8, Article 15, Section 8b of the West Virginia Code, as amended, which requires that State funds be deposited in a separate bank account. When Mr. Holstein became President of the department in September 2001, he immediately opened a new checking account for State funds. The October 2001 allocation was deposited into the new account, City National Bank account number 2124535607. According to the State Treasurer's Office, the department has recently applied for direct deposit of their State funding.

The department has been delinquent in paying bills due to the previous administration's failure to pay them as they came due. Mr. Holstein stated that they have been unable to pay current bills because the department is out of money. According to Mr. Holstein and Fire Chief Dwight Cox, the department has filed for bankruptcy protection under Chapter 11.

The fire chief and president of the Department stated that they did not know how the January 2001 and April 2001 State fund allocations had been spent, however, we were able to

verify expenditures from the three bank accounts in excess of the amount claimed on the statement.

For year ended December 31, 2001 we noted no instances of noncompliance Chapter 8, Article 15, Section 8b, of the West Virginia Code, as amended. The department's State funding was reinstated on July 1, 2002.

COAL RIVER VOLUNTEER FIRE DEPARTMENT

STATEMENT OF EXPENDITURES

YEAR ENDED DECEMBER 31, 2001

| | <u>VFD</u> | <u>AUDIT</u> | <u>DIFFERENCES</u> |
|---|--------------------|---------------------|---------------------------|
| Chapter 8, Article 15, Section 8b(a) | \$ 478.33 | \$ 478.33 | \$ 0.00 |
| Chapter 8, Article 15, Section 8b(b) | 0.00 | 305.00 | (305.00) |
| Chapter 8, Article 15, Section 8b(d) | 2,640.01 | 275.15 | 2,364.86 |
| Chapter 8, Article 15, Section 8b(e) | 668.42 | 598.30 | 70.12 |
| Chapter 8, Article 15, Section 8b(f) | 7,571.68 | 7,298.10 | 273.58 |
| Chapter 8, Article 15, Section 8b(g) | 1,268.74 | 6,220.60 | (4,951.86) |
| Chapter 8, Article 15, Section 8b(i) | 75.00 | 75.00 | 0.00 |
| Chapter 8, Article 15, Section 8b(j) | 2,175.00 | 1,250.00 | 925.00 |
| Chapter 8, Article 15, Section 8b(k) | <u>2,126.19</u> | <u>502.89</u> | <u>1,623.30</u> |
| Total Disbursements For Year Ended December 31, 2001 | <u>\$17,003.37</u> | <u>\$17,003.37</u> | <u>\$ 0.00</u> |

COAL RIVER VOLUNTEER FIRE DEPARTMENT

STATEMENT OF EXPENDITURES

YEAR ENDED DECEMBER 31, 2000

| | <u>VFD</u> | <u>AUDIT</u> | <u>DIFFERENCES</u> |
|---|--------------------|---------------|--------------------|
| Chapter 8, Article 15, Section 8b(d) | \$ 4,225.90 | \$0.00 | \$ 4,225.90 |
| Chapter 8, Article 15, Section 8b(e) | 214.70 | 0.00 | 214.70 |
| Chapter 8, Article 15, Section 8b(f) | 18,021.60 | 0.00 | 18,021.60 |
| Chapter 8, Article 15, Section 8b(i) | 75.00 | 0.00 | 75.00 |
| Chapter 8, Article 15, Section 8b(j) | <u>2,998.00</u> | <u>0.00</u> | <u>2,998.00</u> |
| Total Disbursements For Year Ended December 31, 2000 | <u>\$25,535.20</u> | <u>\$0.00</u> | <u>\$25,535.20</u> |

COAL RIVER VOLUNTEER FIRE DEPARTMENT

STATEMENT OF EXPENDITURES

YEAR ENDED DECEMBER 31, 1999

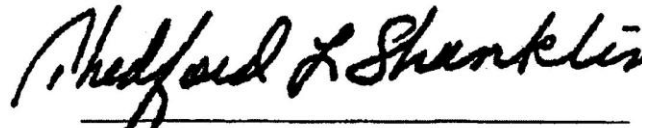
| | <u>VFD</u> | <u>AUDIT</u> | <u>DIFFERENCES</u> |
|---|--------------------|---------------------|---------------------------|
| Chapter 8, Article 15, Section 8b(a) | \$13,559.33 | \$0.00 | \$13,559.33 |
| Chapter 8, Article 15, Section 8b(d) | 4,225.90 | 0.00 | 4,225.90 |
| Chapter 8, Article 15, Section 8b(g) | 400.90 | 0.00 | 400.90 |
| Chapter 8, Article 15, Section 8b(i) | 75.00 | 0.00 | 75.00 |
| Chapter 8, Article 15, Section 8b(j) | <u>6,829.71</u> | <u>0.00</u> | <u>6,829.71</u> |
| Total Disbursements For Year Ended December 31, 1999 | <u>\$25,090.84</u> | <u>\$0.00</u> | <u>\$25,090.84</u> |

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 12, Article 4, Section 14, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 15th day of July 2002.



Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to Coal River Volunteer Fire Department; Governor; Attorney General; State Auditor; State Fire Marshall; Prosecuting Attorney, Raleigh County; and County Clerk, Raleigh County.