

LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION

Grant Town Volunteer Fire Department

FOR THE YEAR ENDING DECEMBER 31, 2010

REPORT OVERVIEW

- Lack of Supporting Documentation
- Commingled Accounts
- Improper Record Keeping



WEST VIRGINIA LEGISLATIVE AUDITOR
POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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November 13, 2012

The Joint Committee on Government and Finance:

We reported on October 09, the Grant Town Volunteer Fire Department did not provide the required documents necessary to complete our examination and the scope of our work was not sufficient to enable us to complete an examination of the department.

The Department subsequently provided bank statements and copies of checks for the year ending December 31, 2010. In compliance with the provisions of the West Virginia Code, Chapter 12, Article 4, Section 14 as amended, we have conducted a review of these bank statements and issued this follow up report based on the documents provided. We conducted our review and compliance inspection based on the criteria set forth by the Legislative Post Audit Division.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stacy L. Sneed".

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

SLS/rwa

GRANT TOWN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

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GRANT TOWN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

EXECUTIVE SUMMARY

We reported on October 09, the Grant Town Volunteer Fire Department did not provide the required documents necessary to complete our examination and the scope of our work was not sufficient to enable us to complete an examination of the department.

The Department subsequently provided bank statements and copies of checks for the year ending 2010. We have conducted a review of these bank statements and issued this follow up report based on the documents provided.

Due to the lack of documentation, ledgers and reconciliation we were unable to determine if all expenditures were properly documented or allowable. However based on the documents provided we determined:

FINDING 1 LACK OF SUPPORT:

The Grant Town Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$56,632.96.

We recommend they maintain proper documentation for all expenditures, not write checks to individuals and reimburse their state account \$56,632.96.

Response:

WE DO NOT AGREE that we should reimburse the state \$56632.96. We were the unfortunate victims of a crime. We are not the criminals. We have legitimate explanations for all of the expenses. By forcing us to reimburse the state account \$56632.96, we will be paying back more than we will receive for the four quarters that you have stated we may be able to recover, (despite the fact that we have lost seven quarters of funding).

FINDING 2 COMMINGLED:

The Grant Town Volunteer Fire Department commingled State funds with funds from other sources totaling \$18,060.00.

We recommend the Grant Town VFD cease commingling State funds with non State funds and maintain State funds in a separate account.

Response:

Comingling of state funds - We agree that funds in the state account should not be comingled with any other funds. This practice was stopped effective immediately after it was discovered, although up to this point, there has been no impact, as there have been no state funds forthcoming for at least seven quarters.

FINDING 3 IMPROPER RECORD KEEPING:

The Grant Town Volunteer Fire Department could not provide any reconciliations or ledgers to support their financial statement balances.

We recommend Grant Town VFD maintain sufficient records and reconciliations, to protect the legal and financial rights of the department. Additionally, we recommend the Department ensure their statement of expenditures is filed correctly and that it is reconciled to their bank statement.

Response:

Improper record keeping - We agree that proper record keeping must be done. In this case, it was not a matter of improper record keeping, but rather that the records were destroyed in an attempt to destroy evidence. Our record keeping policy now has changed to prevent this type of incident from happening again. Currently, we contract with Pride and Winter, an accounting firm which pays all of our bills, keeps the records, writes checks and provides reports as needed.

GRANT TOWN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

INTRODUCTION

POST AUDIT AUTHORITY

The procedures were conducted pursuant to Chapter 12, Article 4, Section 14 of the West Virginia Code, which allows the Legislative Auditor to “assign an employee or employees to perform audits or reviews at the direction of the Legislative Auditor of the disbursement of state grant funds to volunteer fire departments.”

BACKGROUND

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 12c, Section 9 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 provisions of Chapter 8, Article 15, Section 8a of the West Virginia Code, as amended:

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, and again April 9, 2005.

Prior to the March 8, 2000 amendment, Chapter 8, Article 15, Section 8b did not allow Operating expenses as described in subsection (11) nor did the law prohibit the commingling of the funds with funds from other sources. Prior to the April 9, 2005 amendment, Chapter 8, Article 15, Section 8b did not allow Dues as described in subsection (12). On March 13, 2010, Chapter 8, Article 15, Section 8b was amended to include items (13) Workers' Compensation premiums, (14) Life insurance premiums to provide a benefit not to exceed \$20,000 for firefighter; and (15) Educational and training supplies and fire prevention promotional materials, not to exceed \$500 per year.

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 any person who receives State funds or grants in the amount of \$25,000 or more. The audit must be filed within two years of the end of the year in which the disbursement of the funds or grants occurred. The Legislature amended this section of the Code effective June 9, 1995, and again effective July 1, 2005 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 to the Legislative Auditor's Office on or before July 1, of each year. If the sworn statement of annual expenditures is not filed by the first day of July, the Legislative Auditor shall notify the State Treasurer who shall withhold any payment that would otherwise be distributed to the fire department.

Chapter 12, Article 4, Section 14 as amended March 8, 2000, and again April 9, 2005 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.

GRANT TOWN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

OFFICERS AND STAFF

John RileyPresident
Candice PopeTreasurer
Mike PopeFire Chief

GRANT TOWN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

SCOPE

We conducted an evaluation of the revenue and expenditure transactions, and other records of the Grant Town Volunteer Fire Department's state accounts for the year ending December 31, 2010. Our scope included determining instances of noncompliance with Chapter 8, Article 15, Section 8b of the West Virginia Code, and other applicable laws and regulations. The Compliance inspection was conducted in accordance with criteria set forth by the Legislative Post Audit Division.

OBJECTIVES AND METHODOLOGIES

The objective of our report was to review expenditures from the Department's state fund to ensure all expenditures were allowable and supported, and to report any unlawful expenditures that we find. Additionally, we were to examine the spending unit's financial transactions and records to evaluate its compliance with applicable State laws, rules and regulations.

Our sample of Departments to test was randomly selected by district, after determining a population of all Departments for which a report has not been issued.

This communication is intended solely for the information and use of the Post Audit Subcommittee, the members of the WV Legislature, and the Volunteer Fire Department. However, once presented to the Post Audits Subcommittee, this report is a matter of public record and its distribution is not limited.

Our reports are designed to assist the Post Audits Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving the operations of Volunteer Fire Departments. As a result, our reports generally do not address activities we reviewed that are functioning properly.

CONCLUSIONS

We received copies of the department's banks statements on October 11, 2012. On October 23, 2012 we requested the department contact all vendors to request duplicate invoices and support for all checks and debits listed on the bank statements for our audit period. We did not receive any documentation to support the expenditures shown on their bank statements. We noted a total of \$56,632.96 in expenditures shown on the department bank statements that lacked support and the department commingled state fund with funds from other sources total

\$18,016.00. We also noted the department could not provide any reconciliations or ledgers to support their financial statement balances.

We recommend the department reimburse their state account \$56,632.96.

EXIT CONFERENCE

We discussed this report with the President of the Grant Town Volunteer Fire Department on 11/30/2012. All findings and recommendations were reviewed and discussed.

GRANT TOWN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

FINDINGS

FINDING 1 LACK OF SUPPORT:

The Grant Town Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$56,632.96.

CONDITION:

We noted the fire department could not provide proper documentation for the following expenditures:

CHECK NO.	CHECK DATE	PAYEE	AMOUNT	LACK OF SUPPORT
1025	1/7/2010	Scott Aldridge	\$845.00	invoice/receipt
debit	1/22/2010	debit	\$4,928.39	invoice/receipt
debit	1/22/2010	debit	\$4,928.39	invoice/receipt
1026	2/2/2010	Ridgway Ambulance Corp	\$350.00	invoice/receipt
1027	2/2/2010	St. Marys Area Ambulance	\$8,000.00	invoice/receipt
1028	3/9/2010	G.T.V.F.D EMS Dept	\$12,741.64	invoice/receipt
1029	Need Check	Need Check	Need Check	Voided or cancelled
1030	3/9/2010	FEB	\$956.59	invoice/receipt
1031	3/9/2010	Mcneil & Company	\$3,654.46	invoice/receipt
1032	4/5/2010	Pine Grove VFD	\$2,500.00	invoice/receipt
1033	Need Check	Need Check	Need Check	Voided or cancelled
1034	5/30/2010	FEB	\$4,928.39	invoice/receipt
1035	Need Check	Need Check	Need Check	Voided or cancelled
1036	5/3/2010	Fredericks Repairs Service	\$180.50	invoice/receipt
1037	Need Check	Need Check	Need Check	Voided or cancelled
1038	7/10/2010	V & W Electric and Supply	\$110.55	invoice/receipt
1039	7/10/2010	Fredericks Repair Service	\$259.98	invoice/receipt
debit	9/30/2010	FEB	\$956.59	invoice/receipt
1040	Need Check	Need Check	Need Check	Voided or cancelled
1041	Need Check	Need Check	Need Check	Voided or cancelled
1042	12/29/2010	Superior Ford	<u>\$11,292.48</u>	invoice/receipt
		Total	\$56,632.96	

CRITERION:

Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended, states in part:

“Authorized expenditures of revenues from the municipal pensions and protection fund and the fire protection fund.

Revenues allocated to volunteer and part volunteer fire companies and departments may be expended only for the items listed in subdivisions (1) through (15) 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 seven, article twelve-c, all of chapter thirty-three of this code, may not be commingled with funds received from any other source.”

CAUSE:

According to the current treasurer the former treasurer destroyed all ledgers, reconciliations or records necessary to support their invoices, account balance and financial statement.

EFFECT:

There is a higher risk of fraud when checks lack proper supporting documentation. Due to the lack of proper supporting documentation, we were unable to determine if these expenditures were allowable.

RECOMMENDATION:

We recommend they maintain proper documentation for all expenditures, not write checks to individuals and reimburse their state account \$56,632.96.

VFD RESPONSE:

WE DO NOT AGREE that we should reimburse the state \$56632.96. We were the unfortunate victims of a crime. We are not the criminals. We have legitimate explanations for all of the expenses. By forcing us to reimburse the state account \$56632.96, we will be paying back more than we will receive for the four quarters that you have stated we may be able to recover, (despite the fact that we have lost seven quarters of funding).

FINDING 2 COMMINGLED:

The Grant Town Volunteer Fire Department commingled State funds with funds from other sources totaling \$18,060.00.

CONDITION:

The Grant Town Volunteer Fire Department commingled state funds with funds from other sources totaling \$18,016.00.

It appears deposits of \$16.00 and \$18,000.00, dated 5/5/2010 and 12/29/2010 respectively are commingled. These deposits are not from the State Treasurer's Office. The department did not provide any information concerning these deposits.

CRITERION:

Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended, states in part:

“Authorized expenditures of revenues from the municipal pensions and protection fund and the fire protection fund.

Revenues allocated to volunteer and part volunteer fire companies and departments may be expended only for the items listed in subdivisions (1) through (15) 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 seven, article twelve-c, all of chapter thirty-three of this code, **may not be commingled with funds received from any other source.” Emphasis added**

CAUSE:

According to the current Grant Town VFD Treasurer, the prior Treasurer commingled the account, and there were no ledgers supporting the commingled amount.

EFFECT:

Due to the commingling of funds and lack of ledgers and reconciliations, we are unable to determine if all expenditures made from state funds were allowable and/or properly documented.

RECOMMENDATION:

We recommend the Grant Town VFD cease commingling State funds with non State funds and maintain State funds in a separate account.

VFD RESPONSE:

Comingling of state funds - We agree that funds in the state account should not be comingled with any other funds. This practice was stopped effective immediately after it was discovered, although up to this

point, there has been no impact, as there have been no state funds forthcoming for at least seven quarters.

FINDING 3 IMPROPER RECORD KEEPING:

The Grant Town Volunteer Fire Department could not provide any reconciliations or ledgers to support their financial statement balances.

CONDITION:

We noted the Grant Town Volunteer Fire Department could not provide any reconciliations or ledgers to support their financial statement balances. Without documentation, ledgers, and reconciliations we were unable to determine if all expenditures were allowable. According to the current treasurer the former treasurer destroyed all ledgers, reconciliations and records necessary to support their invoices, account balances and financial statement.

CRITERION:

The department is responsible for keeping adequate records for a reasonable period of time. The department should make and maintain records containing adequate and proper documentation designed to furnish information to protect the legal and financial rights of the department.

WV Code 12-4-14(i) states in part,

“Any person who files a fraudulent sworn statement of expenditures under subsection (b) or (g) of this section, a fraudulent sworn statement under subsection (d) of this section or a fraudulent report under this section is guilty of a felony and, upon conviction thereof, shall be fined not less than one thousand dollars nor more than five thousand dollars or imprisoned in a state correctional facility for not less than one year nor more than five years, or both fined and imprisoned.”

CAUSE:

According to the current treasurer the former treasurer destroyed all ledgers, reconciliations or records necessary to support their invoices, account balance and financial statement.

EFFECT:

Due to improper record keeping there is a greater risk of error or fraud. Also due to improper record keeping, there may be insufficient information to protect the legal and financial rights of the department and of persons directly affected by the departments’ activities. Additionally, if the department filed a fraudulent statement of expenditures, the person filing the statement may be guilty of a felony.

RECOMMENDATION:

We recommend Grant Town VFD maintain sufficient records and reconciliations, to protect the legal and financial rights of the department. Additionally, we recommend the Department ensure their statement of expenditures is filed correctly and that it is reconciled to their bank statement.

VFD RESPONSE:

Improper record keeping - We agree that proper record keeping must be done. In this case, it was not a matter of improper record keeping, but rather that the records were destroyed in an attempt to destroy

evidence. Our record keeping policy now has changed to prevent this type of incident from happening again. Currently, we contract with Pride and Winter, an accounting firm which pays all of our bills, keeps the records, writes checks and provides reports as needed.

SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES YEAR ENDED DECEMBER 31, 2010

Authorizing W.Va Code	AUDIT	VFD	DIFFERENCES	
Chapter 8, Article 15, Section 8b(1)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(2)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(3)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(4)	\$0.00	\$6,531.19	-\$6,531.19	b
Chapter 8, Article 15, Section 8b(5)	\$0.00	\$11,732.96	-\$11,732.96	b
Chapter 8, Article 15, Section 8b(6)	\$0.00	\$16,698.35	-\$16,698.35	b
Chapter 8, Article 15, Section 8b(7)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(8)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(9)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(10)	\$0.00	\$7,137.21	-\$7,137.21	b
Chapter 8, Article 15, Section 8b(11)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(12)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(13)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(14)	\$0.00	\$0.00	\$0.00	
Chapter 8, Article 15, Section 8b(15)	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	
Total Disbursements For Year Ended December 31, 2010	\$0.00	\$42,099.71	-\$42,099.71	a

a= Total audited allowable disbursements less disbursements from financial statement. All disbursements shown on the department's bank statements lacked support. The department reported \$42,099.71 in disbursements on their financial statement.

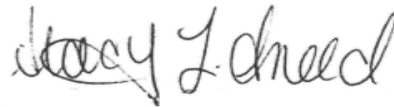
b= The department did not provide a ledger to support their line item disbursements.

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, 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 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 11th day of December 2012.



Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

Notification of when the report was released and the location of the report on our website was sent to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to the Governor; Attorney General; State Auditor; and State Fire Marshal. Copies forwarded to the Grant Town Volunteer Fire Department; Prosecuting Attorney, Marion County; County Clerk, Marion County.