

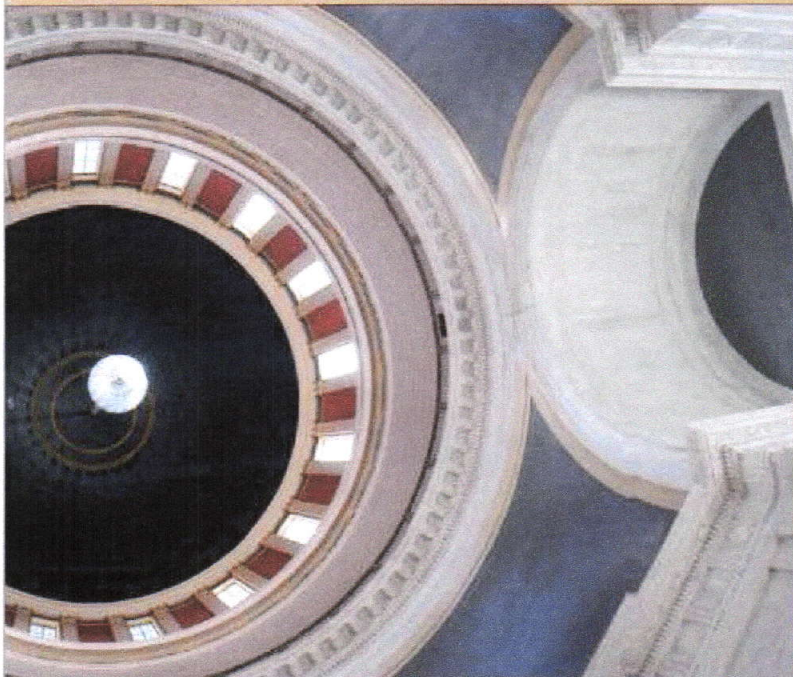
LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION

COAL RIVER VOLUNTEER FIRE DEPARTMENT

FOR THE YEAR ENDING DECEMBER 31, 2011

REPORT OVERVIEW

- Commingled
- Lack of Support



WEST VIRGINIA LEGISLATIVE AUDITOR
POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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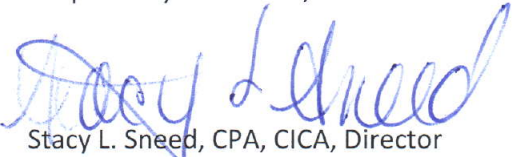
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July 8, 2013

The Joint Committee on Government and Finance:

In compliance with the provisions of W. Va. Code §12-4-14 as amended, we conducted a compliance inspection and review of the financial transactions and records of the Coal River Volunteer Fire Department's state funds for the calendar year ended December 31, 2011. We conducted our review and compliance inspection based on the criteria set forth by the Legislative Post Audit Division.

Respectfully submitted,


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

SLS/nmh

COAL RIVER VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

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Legislative Post Audit Division 11**

COAL RIVER VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

EXECUTIVE SUMMARY

Due to the commingling of funds, we are unable to determine if all expenditures made from state funds were allowable and/or properly documented. However, based on the documentation provided we found:

FINDING 1 COMMINGLED:

The Coal River Volunteer Fire Department commingled State funds with funds from other sources by making \$600 in fund transfers identified from State funds to their non State account.

Recommendation:

We recommend the Coal River VFD maintain all State funds in a separate account and not commingled with funds received from other sources. We also recommend they reimburse their State account for \$600.

FINDING 2 LACK OF SUPPORT:

Based on the documentation provided to us, the Coal River Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$1,285.69.

Recommendation:

We recommend the department maintain proper documentation for all expenditures made from State funds and reimburse their State account \$1,285.69 for expenditures that lacked proper support.

Response:

The department agreed with all findings and recommendations. The department has already reimbursed their State account.

COAL RIVER VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

INTRODUCTION

POST AUDIT AUTHORITY

The procedures were conducted pursuant to W. Va. Code §12-4-14 , 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 W. Va. Code §33-3-14(d), 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 W. Va. Code §33-12c-9, 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 W. Va. Code §33-3-14(d), as amended.

The West Virginia Legislature again provided additional revenue for the volunteer and part Volunteer Fire Departments by authorizing, under W. Va. Code §33-3-33, 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.

W. Va. Code §33-3-14(d) and W. Va. Code §33-3-33 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 W. Va. Code §8-15-8(a), as amended:

The Legislature placed restrictions on the use of these additional revenues by the Volunteer Fire Departments under W. Va. Code §8-15-8(b), as amended March 8, 2000, and again April 9, 2005.

Prior to the March 8, 2000 amendment, W. Va. Code §8-15-8(b) 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, W. Va. Code §8-15-8(b) did not allow Dues as described in subsection (12). On March 13, 2010, W. Va. Code §8-15-8(b) 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.

W. Va. Code §12-4-14, 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.

W. Va. Code §12-4-14 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.

COAL RIVER VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

OFFICERS AND STAFF

Raymond Jarrell.....President

David Clay..... Treasurer

David Clay.....Fire Chief

COAL RIVER VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

SCOPE

We conducted an evaluation of the revenue and expenditure transactions, and other records of the Coal River Volunteer Fire Department's state accounts for the year ending December 31, 2011. Our scope included determining instances of noncompliance with W. Va. Code §8-15-8(b) 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. Our sample also included specific departments selected for audit at the request of the Fire Marshal or by Legislative Post Audit.

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.

CONCLUSIONS

Based on our review, we determined the department commingled state funds with funds from other sources by making \$600 in transfers from state account to their non state account. Due to the commingling of funds, we are unable to determine if all expenditures made from state funds were allowable and/or properly documented. However, based on the documentation provided, we determined the department lacked proper supporting documentation for expenditures totaling \$1,285.69. We recommend the department not commingle state funds, maintain proper documentation for all expenditures and reimburse their state account \$1,885.69 for items that were commingled or lacked support.

EXIT CONFERENCE

We discussed this report with the Treasurer of the Coal River Volunteer Fire Department on 7/10/2013. All findings and recommendations were reviewed and discussed. The department agreed with all findings and recommendations.

COAL RIVER VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

FINDINGS

FINDING 1 COMMINGLED:

CONDITION:

The Coal River Volunteer Fire Department commingled State funds with funds from other sources by making \$600 in fund transfers identified from State funds to their non State account. We noted the Fire Department made the following fund transfers identified from State funds to their non State account:

<u>CHECK NO.</u>	<u>CHECK DATE</u>	<u>PAYEE</u>	<u>AMOUNT</u>
EFT	9/19/2011	Internet Transfer to DDA 117532	\$500.00
EFT	10/13/2011	Internet Transfer to DDA 117532	<u>100.00</u>
		Total	\$600.00

CRITERION:

W. Va. Code §8-15-8(b), 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 Fire Department, the \$500 transfer was used to pay for worker’s comp insurance (Check #1481 written on 9/16/2011 for \$1,917 to Allegheny Insurance), and the \$100 transfer was used to pay for radio repairs (Check #1483 written on 10/13/2011 for \$1,082.07 to HSC). The department did not follow W. Va. Code §8-15-8(b), as amended, and commingled funds from other sources with funds received pursuant to West Virginia Code Chapter thirty-three, Article 3 Sections 14(d) and 33 and West Virginia Code Chapter thirty-three, Article 12(c) Section 7.

EFFECT:

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

RECOMMENDATION:

We recommend the Coal River VFD maintain all State funds in a separate account and not commingled with funds received from other sources. We also recommend they reimburse their State account for \$600.

FINDING 2 LACK OF SUPPORT:

CONDITION:

Based on the documentation provided to us, the Coal River Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$1,285.69. We noted the Fire Department could not provide proper documentation for the following expenditures:

<u>CHECK NO.</u>	<u>CHECK DATE</u>	<u>PAYEE</u>	<u>AMOUNT</u>	<u>LACK OF SUPPORT</u>
1746	1/8/2011	Oak Hill Garbage	\$61.90	Payment Stub Invoice for misc. item
1752	1/18/2011	Marathon	4.38	Payment stub
1762	2/17/2011	Oak Hill Garbage	65.66	Payment stub
1764	3/10/2011	Oak Hill Garbage	66.66	Payment stub
EFT (1768)	4/14/2011	Marathon	424.39	Previous invoice
1769	4/18/2011	Oak Hill Garbage	64.66	Payment stub Invoice matching description
1783	6/2/2011	Northern Tool	39.99	Payment stub
1784	6/2/2011	Oak Hill Garbage	131.32	Payment stub
1793	7/18/2011	Oak Hill Garbage	65.66	Payment stub
1801	9/26/2011	Oak Hill Garbage	142.92	Payment stub
EFT (1802)	9/28/2011	Marathon	146.47	Previous invoice
1807	10/21/2011	Oak Hill Garbage	<u>71.68</u>	Payment stub
		Total	\$1,285.69	

CRITERIA:

W. Va. Code §8-15-8(b), 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:

The Department did not have sufficient procedures in place to insure that all expenditures are properly documented.

EFFECT:

There is a greater risk for fraud and abuse when expenditures are not properly documented. Due to the lack of proper supporting documentation, we were unable to determine if these expenditures were allowable.

RECOMMENDATION:

We recommend the department maintain proper documentation for all expenditures and reimburse their State account \$1,285.69 for expenditures that lacked proper support.

COAL RIVER VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES YEAR ENDED DECEMBER 31, 2011

<u>Authorizing W.Va Code</u>	<u>AUDIT</u>	<u>VFD</u>	<u>DIFFERENCES</u>
Chapter 8, Article 15, Section 8b(1)	\$240.00	\$240.00	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)	1,562.39	201.89	1,360.50 b
Chapter 8, Article 15, Section 8b(5)	5,738.94	7,488.15	-1,749.21 c
Chapter 8, Article 15, Section 8b(6)	27,801.62	27,801.62	0.00
Chapter 8, Article 15, Section 8b(7)	4,069.31	4,877.82	-808.51 d
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	1,541.00	-1,541.00 e
Chapter 8, Article 15, Section 8b(11)	2,463.03	2,687.60	-224.57 f
Chapter 8, Article 15, Section 8b(12)	100.00	100.00	0.00
Chapter 8, Article 15, Section 8b(13)	941.00	0.00	941.00 g
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, 2011	\$42,916.29	\$44,938.08	-\$2,021.79 a

a = Difference between bank distributions and Financial Statement distributions:

Lack of support:	-\$1,285.69
Commingled:	-600.00
Check #1817 included on ledger and Financial Statement but not on bank statements - check not cleared bank - not an exception.	<u>-136.10</u>
Total	-\$2,021.79

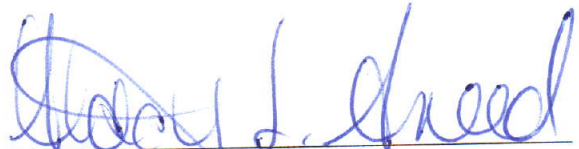
b, c, d, e, f, g = Incorrect coding of line item plus items that lack support,
commingled items and reconciling item noted above.

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 July 2013.



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 were 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 Coal River Volunteer Fire Department; Prosecuting Attorney, Raleigh County; County Clerk, Raleigh County.