



West Virginia Legislature
Joint Committee on Government and Finance
Legislative Post Audit Division
Aaron Allred, Legislative Auditor
Denny Rhodes, Director

Building 1, Room W-329 • 1900 Kanawha Boulevard, East • Charleston, WV 25305-0610 • Phone: (304) 347-4880 • Fax: (304) 347-4889

Star City Volunteer Fire Department
January 1, 2012 – December 31, 2012

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Nathan Hamilton, VFD Auditor

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Introduction

Star City Volunteer Fire Department began 2012 with a balance of \$4,771.90 in its state account. During 2012, the Department received additional monies from the State in the amount of \$44,538.77. The use of these funds by the volunteer fire departments is restricted by West Virginia Code §8-15-8b. The Department received 2013 state funds in the amount of \$45,182.49 and 2014 state funds in the amount of \$46,647.80.

Objective

The objective of the audit of Star City Volunteer Fire Department's financial transactions and records concerning the use of state monies was to evaluate compliance with West Virginia Code §8-15-8b. Our report is 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.

Scope

The Legislative Auditor conducted an audit of the revenue and expenditure transactions of the Star City Volunteer Fire Department's state account for the year ending December 31, 2012. The scope included determining instances of noncompliance with West Virginia Code §8-15-8b. The audit was conducted pursuant to the authority provided by West Virginia Code §12-4-14.

Conclusion

The Star City Volunteer Fire Department commingled state funds with funds from other sources by making 29 transfers between its state account and non-state account (general account). Effectively, the Department transferred a net balance of state funds totaling \$21,071.31 to its non-state account. Additionally, \$28,167.36 in expenditures from the account lacked proper supporting documentation. Therefore, whether or not the state monies were spent on allowable items could not be determined. In essence, of the \$49,310.67 reviewed, only \$72.00 in overdraft fees could be verified.¹ Due to the significant issues found during the review, the Legislative Auditor's Office will conduct a follow-up audit of all transactions involving state funds for 2013 and 2014.

Recommendations

1. *The Legislative Auditor recommends the Star City Volunteer Fire Department maintain all state funds in a separate account and not transfer any of the state monies into other non-state accounts.*
2. *The Legislative Auditor recommends the Star City Volunteer Fire Department provide additional documentation to show the purpose of the transfers of funds and subsequent expenditures and/or reimburse its state account \$21,071.31 to replace state funds transferred to its general account.*
3. *The Legislative Auditor recommends the Star City Volunteer Fire Department maintain proper documentation for all expenditures.*
4. *The Legislative Auditor also recommends the Star City Volunteer Fire Department provide documentation to the Post Audit Division to support all expenditures and/or reimburse the state account for all funds not supported and accounted for.*

¹ See Appendix A for a Summary of Funds Reviewed

All findings and recommendations presented in this report have been reviewed and discussed with the Star City Volunteer Fire Department. The current fire chief informed the auditors that the previous Department officers have been replaced and a forensic audit of the financial records has been conducted. He has volunteered to send a copy of the audit and all relevant bank statements of the Department's general account for 2012 - 2014 in an effort to resolve any issues. The Post Audit Division will review the additional documentation and update the sub-committee during the next scheduled interim meeting.

Findings

FINDING 1: UNABLE TO AUDIT \$21,071.31 OF STATE FUNDING

Condition: State funds, totaling \$21,071.31, could not be audited by the Post Audit Division due to Star City Volunteer Fire Department commingling monies received from the State with funds from other sources. The Department did not provide any documentation to support what the monies were used for.²

Criteria: West Virginia Code §8-15-8b, as amended, states in part:

“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: The Department did not follow West Virginia Code §8-15-8b and commingled funds received from the State with those from other sources. Furthermore, there is no information to verify what the state monies were ultimately spent on was allowable.

Effect: Due to the Legislative Auditor not having the authority to audit the Department’s non-state (general) account, the risk of fraud or misuse of funds is very high. The Department made fourteen transfers, totaling \$91,590.85, from its state account to its non-state account (general account). Throughout the year, the Department did reimburse its state account \$70,519.54. The Department still owes a balance of \$21,071.31 to its state account.

Recommendations:

- 1. The Legislative Auditor recommends the Star City Volunteer Fire Department maintain all state funds in a separate account and not transfer any of the state monies into other non-state accounts.**
- 2. The Legislative Auditor recommends the Department provide additional documentation to show the purpose of the transfers of funds and subsequent expenditures and/or reimburse its state account \$21,071.31 to replace state funds transferred to its general account.**

² See Appendix B for a summary of commingled funds.

FINDING 2: LACK OF SUPPORTING DOCUMENTATION FOR \$28,167.36

Condition: The Star City Volunteer Fire Department lacked proper supporting documentation to account for expenditures from its state account of \$28,167.36. Expenditures were comprised of 26 payments, in the amount of \$1,086.36 each, to a commercial loan from Huntington National Bank. However, the Department did not provide a loan agreement, invoices, or payment history to properly document the loan payments, the purpose of the loan, or the ownership of any property associated with the loan.

Criteria: **W.Va. Code §8-15-8b, 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.**” (Emphasis Added)

Cause: The Department did not maintain proper supporting documentation for all expenditures of state monies.

Effect: There is a greater risk for fraud and abuse when expenditures are not properly documented. Due to the lack of proper supporting documentation, there is no way to determine if these expenditures were allowable.

Recommendations:

- 3. The Legislative Auditor recommends the Department maintain proper documentation for all expenditures of state funds.**
- 4. The Legislative Auditor also recommends the Department provide documentation to the Post Audit Division to support all expenditures of state monies and/or reimburse the state account for all funds not supported and accounted for.**

Appendix A

AUDIT SUMMARY: ACTIVITY FOR STAR CITY VOLUNTEER FIRE DEPARTMENT

State Funds Audited and Accounted For		
State Account:		
Beginning Account Balance	\$4,771.90	
Deposits from State Treasurer	<u>\$44,538.77</u>	
Total Funds Audited		\$49,310.67
Expenditures Accounted For:		
Overdraft Fees	\$72.00	
		<u>\$72.00</u>
Funds Not Accounted For:		
Net Transfers to General Fund (<i>finding 1</i>)	\$21,071.31	
Expenditures Lacking Supporting Documentation (<i>finding 2</i>)	<u>\$28,167.36</u>	
Suggested Reimbursement to the State Account		<u>\$49,238.67</u>

Appendix B

*COMMINGLING OF MONIES BETWEEN THE STATE AND GENERAL ACCOUNTS OF THE
STAR CITY VOLUNTEER FIRE DEPARTMENT*

Date (2012)	Transfers into the Department's State Account from the Department's General Account	Transfers out of Department's State Account into the Department's General Account
01/18		\$6,000.00
01/20		\$5,000.00
03/20	\$300.12	
04/03	\$1,083.36	
04/16		\$3,000.00
04/18		\$5,425.25
05/01	\$1,083.36	
05/15	\$1,083.36	
05/29	\$17,147.00	
05/30	\$1,083.36	
06/13	\$1,083.46	
06/19		\$11,000.00
07/03	\$12,083.36	\$5,620.00
07/10		\$4,000.00
07/10		\$8,000.00
07/27		\$8,000.00
08/06	\$29,000.00	
08/10		\$6,000.00
08/24		\$10,000.00
09/17		\$5,000.00
09/26		\$5,389.79
10/05		<u>\$9,155.81</u>
10/19	\$1,119.36	
10/30	\$1,083.36	
11/14	\$1,083.36	
11/27	\$1,083.36	
12/12	\$1,119.36	
12/26	<u>\$1,083.36</u>	
Totals	<u>\$70,519.54</u>	<u>\$91,590.85</u>
Balance Owed to State Account	<u>(\$21,071.31)</u>	