

WV Volunteer Fire Departments Management Guide

2023 Edition

**Office of the Legislative Auditor
Post Audit Division**

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Introduction

In our interactions with Volunteer Fire Departments, we receive many questions concerning the use of state funding. Some of these questions include:

- When are my bank statements and check images due?
- What kinds of expenditures are allowable?
- What types of expenditures are not allowable?
- What documentation should we keep?
- What is a commingled account?
- How should we maintain our records?
- What is internal control?

This handbook is a resource for instructions, tips, and guidance to assist fire departments in fulfilling the fiduciary duties placed upon them by law. Developing and implementing effective accounting practices and internal controls over record keeping and expenditures can reduce the risk of loss or noncompliance with law due to error or fraud. We welcome any suggestions on improving this publication.

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www.wvlegislature.gov/Joint/postaudit.cfm

When are my bank statements and check images due?

The bank statements, and images for any checks that are not electronic withdrawals, for all bank accounts in which state funding is deposited, maintained, and/or transferred to/from for the previous calendar year are due on or before February 1st of each year.

If the bank statements and check images are not received on or before March 31st of each year, the Legislative Auditor shall notify the State Treasurer who shall withhold payment of any amount that would otherwise be distributed to the fire department.

The full text of W.Va. Code §12-4-14b, as amended, can be found in Appendix A of this guide.

State funding sources

The following West Virginia Code sections pertain to VFD funding:

- §12-4-14b
- §33-3-14(d)(3)
- §33-3-33(b)
- §8-15-8(b)

Funding for volunteer fire departments may come from various sources such as donations, bingo, raffles and County, Federal, Municipal, and State sources. Each source of funding may have different criteria for receiving, governing and expending funds. **The primary focus of this guidebook is the requirements and restrictions placed upon funding received from the State of West Virginia.**

State funding of volunteer fire departments and part volunteer fire departments is established by W.Va. Code §12-4-14(g), §33-3-14(d)(3), §33-3-33(b), and §8-15-8(b) and is governed by the criteria found in these sections. In order to provide firefighting equipment and training, and maintain the fire departments in West Virginia, additional revenue has been allocated from a 0.55% surcharge imposed on fire and casualty insurance policies issued in the state. All of the funds collected from this surcharge go to volunteer fire departments.

Later, an additional 1% was allocated to be levied on fire and casualty insurance policies to provide additional funding for the volunteer fire departments in the state. These funds are collected by the Insurance Commissioner and transferred to the State Treasurer's Office for distribution. Twenty-five percent (25%) of this 1% surcharge goes to the volunteer fire departments.

Examples of Allowable and Unallowable Expenditures

W.Va. Code §8-15-8b authorizes expenditures of revenues allocated to volunteer and part volunteer fire companies and departments from certain state funds for purposes outlined in 14 different categories. Listed below are each of the 14 permissible categories of expenditures along with some examples for each category of expenditures that would be allowable and some that have been identified in prior audits as unallowable. These examples are not all encompassing and are only meant to assist the department in making informed decisions regarding its expenditures of restricted funds.

CATEGORY 1 - Personal protective equipment, including helmet, bunker coats, pants, boots, gloves, or combination of bunker pants and boots, coats, and gloves

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Suspenders	Dress/Class A uniforms
Coats	Class A accessories: ties, pins, belts, etc.
Helmets	Clothing unnecessary for firefighting
Bunker Boots	Machines for custom clothing
Elk Skin Gloves	Custom clothing supplies
Hazmat Suits	T-shirts
Turnout Gear	

CATEGORY 2 - Equipment for compliance with the national fire protection standard or automotive fire apparatus, NFPA-1901.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Equipment indicated in NFPA-1901	Equipment not indicated in NFPA-1901
Equipment and vehicle maintenance	

CATEGORY 3 - Compliance with insurance service office recommendations relating to fire departments.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Training required by insurance service office	Meals and per diems while attending training
Insurance service office compliance costs	

CATEGORY 4 - 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 or part-volunteer fire company or department members.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Fire hoses, jaws of life, air tanks, etc.	Lights for member vehicles
Pagers, radios and accessories	Radios for member vehicles
Defibrillators, monitors, O2, cots, BVMs, etc.	EMS fuel

CATEGORY 5 - The direct costs incurred due to the purchase of land, the construction of new facilities, or the expansion of current facilities, when these costs can be demonstrated by the department to increase the effectiveness and efficiency of the fire protection services; as well as maintenance required to maintain the functionality of physical facilities of the department.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Land for new substation	New community center or bingo hall
Fire station expansion-not fundraising related	Expanding a community center or bingo hall
New bay for fire vehicles	Car wash facility
Storage for firefighting equipment	Storage for non-firefighting equipment
Maintenance of fire station-not fundraising related	Maintenance for any fundraising related facility.

CATEGORY 6 - Retirement of debts, but only if the debts were incurred exclusively for the purchase of the goods and services allowed under this subsection.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Mortgages for items in category 5	Loans for items not required for firefighting
Long term loan agreements	Refinance of debt that was used for purposes not permissible
Lease purchase payments	
Refinance past debt used for allowable expense	Leases, & mortgages required for firefighting

CATEGORY 7 - Payment of utility bills, including internet and telephone bills which may include cell phones when the cell phone is used for fire department related work only

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Electric, gas, water, sewer for fire station	Electric, gas, water sewer not for station
Internet, telephone for fire station	Internet, telephone not for station
Cell phones if only for fire department use	Personal cell phone bills of firefighters
Oil and coal for heating	Firewood
Garbage service	Cable or satellite TV
	Netflix or similar streaming services
	Gaming subscriptions

CATEGORY 8 - Payment of the cost of immunizations, including any laboratory work incident to the immunizations, for firefighters against hepatitis-b and other blood-borne pathogens only when: (A) purchased through the state immunization program or lowest-cost provider; and (B) no-cost or low-cost administration from local boards of health or other similar programs are unavailable.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Immunizations for hep-b and other blood borne pathogens purchased described in code	Immunizations for anything other than hep-b or blood borne pathogens
Lab work related to hep-b and other blood borne pathogens immunizations	Immunizations for hep-b and other blood pathogens not purchased as described
	Lab work for other immunizations

CATEGORY 9 - Insurance policies, including: (A) Property/casualty insurance premiums for protection and indemnification against loss or damage or liability; (B) Life insurance premiums to provide a benefit not to exceed \$20,000 for firefighters; (C) Accident and sickness insurance premiums which may be offered to cover individual members of a volunteer or part-volunteer fire company; or (D) Umbrella policies that contain various types of insurance policies to protect against loss and liability, so long as life insurance premiums in the amounts prescribed above and property/casualty insurance are part of any umbrella policy.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Property and/or casualty insurance premiums	Life insurance over \$20,000 per firefighter
Life insurance up to \$20,000 per firefighter	Personal vehicle insurance of firefighter
Accident and sickness insurance	Umbrella policy incorporating insurance types not allowed, or including life insurance over \$20,000 per firefighter
Umbrella policy incorporating allowed insurance types	
Accidental Death & Dismemberment	

CATEGORY 10 - 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.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Gas and diesel for firefighting equipment	Fuel for member vehicles
Bank account service fees	Penalty payments (NSF fees, late fees, etc.)
Postage for department business	EMS fuel
Accounting fees	Grant writing fees
Office supplies necessary to department operations	Fuel for fire equipment when not used for official department business
	Postage, mailings, auction items, etc. for fundraising
	Member obtaining certification to teach courses

CATEGORY 11 - Dues paid to national, state, and county associations.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Membership in IAFF, NVFC, NFA, or other similar national association for fire protection	Membership in a national association not focused on fire protection
Membership in WVSFA, PFFWV, or other similar state association for fire protection	Membership in a state association not focused on fire protection
Membership in Raleigh County, Nicholas County, etc. Firefighter's associations or other similar county associations for fire protection	Membership in a county association not focused on fire protection

CATEGORY 12 - Workers' compensation premiums.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Worker's comp. premium of the department	Worker's comp. premium for other entities

CATEGORY 13 - Educational and training supplies and fire prevention promotional materials, not to exceed \$500 per year.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Rulers, pencils, stickers, etc. used for educational, training and promotion of fire prevention totaling no more than \$500/yr.	Promotional and educational expenditures in excess of \$500 in aggregate per calendar year.

CATEGORY 14 - Food, bottled water, and food-related items, like disposable plates and utensils, to provide necessary meals and water to a fire company when responding to an emergency and is in no way connected to any fundraising events.

Examples of Allowable Expenditures	Examples of Expenditures <u>NOT</u> Allowable
Food and bottled water for firefighters directly attributable to an emergency response.	Supplies, food, beverages, etc. for the monthly fish fry or any other fundraising event.
Disposable plates and utensils for firefighters directly attributable to an emergency response.	Supplies, food, beverages, etc. for meetings, get togethers, or training.

Documentation

Since volunteer fire departments receive public tax monies, department officials have a responsibility to the public to conduct the Department's financial affairs in a fiscally conservative and responsible manner. This includes keeping financial records which provide a documented audit trail and can easily verify the appropriateness of all department transactions. The treasurer, board, and officers are all responsible for ensuring that proper documentation is maintained. Proper documentation protects your department from fraud. The following documentation should be maintained and is required when we are engaged to audit your department.

Expenditures

One of the most common findings we see is unsupported expenditures, which are expenditure lacking sufficient supporting documentation to determine the permissibility of the transaction. The amount of any unsupported expenditures will be withheld from any future distribution(s) of state funds.

All expenditures must be documented with an itemized invoice or receipt from a licensed or registered business. Vendor statements are not acceptable. An itemized invoice shows the vendor name and address, department name and address, as well as the date, quantity, price, item description, and amount of each item purchased.

Example Itemized Invoice

FIRE EQUIPMENT INC. 123 Station Lane Flames, WV 25555 Phone (304) 555-5555 P.O. No. 123456789		INVOICE INVOICE #[100] DATE: MARCH 7, 2013	
BILL TO: ABC VFD 123 Fire Lane Flames, WV 25555		SHIP TO: ABC VFD 123 Fire Lane Flames, WV 25555	
Quantity	DESCRIPTION	RATE	AMOUNT
1	Hose <i>Line item 4</i> (engine 41)	500.00	500.00
5	Helmets <i>Line item 1</i> (new fire fighters)	40.00	200.00
1	Training Video Set <i>Line item 3</i> (fire fighting training video)	150.00	150.00
<i>PAID WITH CHECK #1234</i> <i>Ok Chief Smith</i>			
Make all checks payable to Fire Equipment Inc. Net 30 Thank you for your business!		TOTAL	850.00

The treasurer should document the appropriateness (authority, use, and purpose) of each expenditure. The membership should review and approve all expenditures monthly. The treasurer should write on the invoice and make a notation in the check ledger detailing the authority, use, and purpose of each expenditure.

The treasurer should write the check number on the invoice and notate or stamp "Paid" on the invoice to reduce the risk of duplicate payment. You may wish to make a copy of the check and attach it to the invoice and any delivery information. Invoices should be filed and maintained in a secure manner in which the department can most efficiently retrieve the documentation. The department may wish to file invoices by vendor, alphabetically, or by check number. However, if your department is ever audited by our office, we ask that you please send invoices in order of check number and use paper clips instead of staples. It is imperative that all documentation be retained.

Repair log

A log should be kept for repairs to vehicles and equipment detailing equipment ID, serial or model number, repair date, vendor, and expenditure amount.

Fuel purchases

All fuel purchases must be for department use only. No state funds may be used to purchase fuel used in personal vehicles or department vehicles used for personal use. The department is required to document the date, gallons, equipment id, and amount of all fuel purchases. A gas log may be kept to document department fuel purchases. The amount of any improperly documented fuel purchases will be withheld from any future distribution(s) of state funds.

Fuel log

Vehicle Id: #1 Vehicle description: Engine 21

Date	Vendor	Odometer	Gallons	Unit Price	Amount	Purchaser	Description
11/1/2012	Brown's Exxon	20544	40	4.05	\$162.00	Chief Joe Jones	Diesel
11/7/2012	Star City BP	20624	10	3.99	\$39.90	Joe Smith	Diesel
Totals			50		\$201.90		

See attached receipts

Checks

Expenditures should also be documented by a cancelled check or debit evidenced on your monthly bank statement. Check amounts should be for the amount of the purchase as shown on the invoice. Checks should be recorded in numerical order.

Voided checks

All original documentation for voided checks and checks used to document electronic debits must be kept.

Checks to individuals

Protect yourself and the department. The treasurer should not write checks payable to themselves, cash, or other individuals for reimbursements and advances using your state account. The Department should make the check payable to the vendor or use an alternate allowable account for reimbursements. All checks should be documented with an itemized invoice or receipt.

Overpayments, refunds, and reimbursements

At a minimum, volunteer fire department officials should maintain the following documents, as applicable:

- Original invoices or receipts for all expenditures (Please note that account statements that do not list the vendor name and address, department name and address, date, item(s) purchased, quantity purchased, and price per item are not acceptable.)
- Bank statements and account reconciliations
- Canceled checks
- Financial journals
- Financial ledgers, duplicate deposit slips
- Training certificates
- Mutual fund statements
- Custodial account statements and agreements
- Investment documents
- Loan and mortgage agreements
- Insurance policies
- Minutes of all department meetings
- WV Sales Tax Exemption certificate (if applicable)
- Federal Tax Identification Number certificate
- Vehicle titles
- Current department bylaws
- Cumulative equipment roster
- Membership roster of the department
- Names and addresses of all department officials

Commingled funds, deposits and transfers

A volunteer or part-volunteer fire company or department is required to have a dedicated bank account for all funds received from the Municipal Pensions and Protection Fund (Municipal Fund), the Fire Protection Fund (Protection Fund), and any other state distribution, including state grant money. Distributions from the Municipal Fund or the Fire Protection Fund are restricted and must remain in the designated state account unless the money is either expended for a purpose previously outlined or it is transferred to an interest-bearing account comprised solely of Municipal Fund or Protection Fund monies. If money from any source other than the Municipal Fund or Protection Fund is deposited into the designated state fund account for any

reason, the department has 60 calendar days from the date of deposit to make a transfer of the money out of the state account. Transfers that are made from the state account to remove these other monies must be for the exact amount of the deposit that was made. If money from a source other than the Municipal Fund or Protection Fund remains in the state account longer than 60 calendar days, the money is restricted the same as the money received from the Municipal Fund or Protection Fund.

The department should maintain a record of all deposits, copies of deposit slips, emails, and bank statements for deposits made in your state account. When a department transfers money from the state account that is not from the Protection Fund or Municipal Fund documentation supporting the source of the funds, withdraw or transfer of the funds, and the subsequent deposit must be maintained by the department.

Please note that the changes to W.Va. Code effective June 6, 2023, will result in a significant change to the VFD audit process at the Legislative Auditor's Office. Historically, the Post Audit Division has traced transfers out of the state fund and into the general fund by obtaining invoices from the general fund for expenditures. This will no longer be possible. If a department transfers restricted funds to an account commingled with funds from other sources, including writing a check from the state account to the department, the amount of the transfer that was mixed with the funds from another source will be withheld from future distributions. Even if the department uses the funds transferred for a permissible expenditure, this action still causes an unauthorized use of funds. This change applies to money received from the Municipal Fund, the Protection Fund, and any money from other sources that remain in the state account in excess of 60 calendar days.

Record Keeping: Effective Internal Control

Tone at the top

One of the primary responsibilities of the Board of Governors is to ensure proper internal controls are maintained in order to help protect department assets from fraud, waste, abuse, and possible misappropriation of funds. Officers' attitudes and expectations concerning control policies and procedures are critical to establishing effective internal control. Officers should fairly administer control policies and procedures to insure the membership is informed of policies and procedures and knows what to expect when policies are not followed.

Internal control is the process, effected by the entity's board of directors, management and other personnel, designed to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.¹ Safeguarding assets against theft and unauthorized use, acquisition, or disposal is also part of internal control.

Control policies and procedures

We offer the following accounting policies and procedures to help provide a basis for effective internal control. **Segregation of duties** requires that different individuals be assigned responsibility for different elements of related activities, particularly those involving **authorization, custody, or recordkeeping**.

Authorization

The department should establish clear authority for authorization of expenditures. The treasurer or record keeper should not have the authority to authorize transactions. All expenditures should be authorized by the membership.

The department should establish a written budget, detailing the types, amounts, and limits of authorized annual expenditures and projected revenues. The membership should vote on the approved budget.

Proposed expenditures should be reviewed, discussed, and approved by the membership. The Board should establish a limit for emergencies authorized by the Chief or a designee provided written documentation is maintained.

The treasurer or record keeper should provide a list of all monthly expenditures to the Board. Board members should review all monthly expenditures and compare it with their budget. The Board should investigate any questionable or unauthorized expenditures. The board should also investigate any expenditure that exceeds the authorized budget.

The review of financial information should not be limited to the Board or a select group of members. An audit committee should be established to review department records for proper endorsement, documentation and accuracy. Members of the audit committee should be independent of the responsibilities of authorization and recording transactions. Once a month the committee should review selected expenditures and trace them to the underlying documentation. They also should review and compare account reconciliations and bank statements with the department's financial statements. Any unlawful expenditures should be documented and reported to the Board. If the Board fails to take action, the membership should

report any unlawful expenditures to the appropriate law enforcement authority in the area. The secretary should make and maintain minutes detailing the authorization, review and approval of all expenditures.

Custody

The Board and the treasurer share in the responsibility for the custody of the department's financial records. The department should establish written procedures for the custody and retention of financial records. Records should be maintained in a secure and safe manner and in a secure, central location. The following is some additional guidance:

1. Records should be maintained in a location not susceptible to floods.
2. Records should be maintained in a locked fire proof file cabinet.
3. Vital records should be maintained in a safety deposit box.
4. Periodic back up of your computer files should be made.
5. Copies and backups of all important records and programs should be maintained at a secure, off-site location.
6. Physical access to records should be limited.
7. The Board should secure records when there is a change in treasurers.

The department should establish written policies and procedures for safeguarding assets against theft and unauthorized use, acquisition, or disposal. A record of all vehicles, equipment, and supplies should be maintained. (See Appendix 5) Please note the following:

1. A fuel log should be maintained.
2. A repair log should be maintained.
3. The Chief or designee should take a periodic inventory of selected items.
4. A complete inventory should be taken on an annual basis.
5. The department should establish written policies that clearly state which individual, either by name or rank, has the right to access each piece of equipment.
6. The department should establish written procedures for members who misappropriate or misuse assets or violate department policies.
7. Board members and officers should monitor and report unauthorized use of department vehicles, equipment or supplies.
8. Expensive equipment or other items susceptible to theft should be secured and access limited.
9. The Board should provide written documentation for the purchase or disposal of equipment.
10. Maintain a list of people who have keys, and change locks periodically or when deemed necessary.
11. Security cameras can be installed to detect and deter theft.

Record Keeping

Documentation provides the foundation for an effective reporting system. The treasurer of the department should provide sufficient documentation to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. The department **must** maintain sufficient records and reconciliations to protect the legal and financial

rights of the department.

1. The treasurer **must** document all expenditures with an itemized invoice or receipt. (See Appendix G)
2. Funds from the quarterly state formula distributions from the State Treasurer's Office **must** be maintained in a separate bank account and not commingled with any other funds. (See "Commingled" page 12)
3. The department **must** gain sufficient knowledge of W.Va. Code §8-15-8(b) to determine allowable expenditures.
4. The treasurer **must** maintain a detailed check register. (See Appendix F)The department **must** reconcile the bank statement each month. When possible, reconciliations should be performed by someone other than the person writing and recording the checks. (See Appendix H)
5. A detailed schedule of all vehicles, equipment and supplies **must** be maintained. These schedules are important to track equipment and can be used to prepare depreciation schedules for your IRS form 990 and are required when your department is audited. (See Appendix D)
6. The treasurer **must** document all fuel purchases with an itemized invoice or receipt. The invoice or receipt **must** state the vendor, date, gallons purchased, and amount and should indicate the vehicle ID and purchaser. A fuel log should be maintained for each vehicle. (See Appendix C). The amount of any unsupported expenditures will be withheld from any future distribution(s) of state funds.

Check writing and endorsements

Checks should never be made payable to cash, petty cash, yourself, the department, or individuals. Reimbursements for expenditures, change funds or advances for fund raising activities or holiday celebrations are not allowable under WV Code §8-15-8(b).

The treasurer should properly endorse checks used to transfer funds to a state savings account. The treasurer should immediately write or stamp "For Deposit Only, Department Name Savings Account, and account number." Checks should be made payable to "Department Name Savings Account." All deposit and bank statement information must be maintained. Your state savings accounts must not be commingled with funds from any other source. Best practices for writing checks are as follows:

1. The department should require two signatures to authorize and process all checks as well as transfers to a savings account. Checks should be marked two signatures required. The department should obtain written documentation from its bank verifying two signatures are required.
2. The treasurer should obtain a letter or other documentation from the Board, Chief, or designee for electronic funds transfer (EFT) transactions, transfers or other debits.
3. Checks and banking information should be locked in a central location.
4. Checks **must** be used in order. Skipped checks should be voided.
5. All voided checks should be marked void, a copy of the marked check retained in the records, and the original check destroyed.

6. **Never** sign a blank or incomplete check.
7. **Never** make a check payable to cash.
8. Checks should be marked void after a certain period. For example, the check could state "Void after 90 days."
9. The treasurer should maintain documentation of authorization and propriety of all transactions. The treasurer should maintain the minutes of Board meetings documenting authorized expenditures, and the Chief or his/her designee should initial all invoices for approval.

Bylaws

Bylaws set forth the specific operating procedures of the department. The department should update its bylaws to include applicable control policies and procedures. The bylaws should state the disposition of funds, equipment, and buildings upon dissolution.

Appendix A-Additional Information

How do I change my banking information?

The Post Audit Division does not have access to and cannot make any changes to your banking information that is setup with the State. These duties are performed by the West Virginia State Auditor's Office. If changes need to be made to your banking information, or if you need to sign up for direct deposit, please visit the State Auditor's website:

<https://www.wvsao.gov/electronicpayments/>

Helpful links

WV Legislature: <http://www.wvlegislature.gov/>

Post Audit Division: <http://www.wvlegislature.gov/Joint/postaudit.cfm>

VFD Audit Reports: https://www.wvlegislature.gov/Joint/Postaudit/vfd_audits.cfm

W.Va. Code restrictions on state funds: <https://code.wvlegislature.gov/8-15-8B/>

W.Va. Code accountability for stat funds: <https://code.wvlegislature.gov/12-4-14B/>

WV State Fire Marshall: www.firemarshal.wv.gov/Pages/default.aspx

Quarterly distributions from WV State Treasurer's Office: <https://wvtreasury.com/Banking-Services/Revenue-Distributions/Volunteer-Fire-Departments>

Federal Grants: www.fema.gov/welcome-assistance-firefighters-grant-program

Appendix B-W.Va. Code §12-4-14b

§12-4-14b. Accountability of volunteer and part-volunteer fire companies or departments receiving state funds for equipment and training; review or audit of expenditures; withholding of state funds for delinquency or misuse; notifications.

(a) *Definitions.* — For the purposes of this section:

“Equipment and training grant” means a grant of money to a volunteer fire company or a part-volunteer fire department from the Fire Service Equipment and Training Fund created in §29-3-5f of this code;

“Formula distribution” means a distribution of money to volunteer and part-volunteer fire companies or departments made pursuant to §33-3-14d, §33-3-33, and §33-12C-7 of this code; and

“State funds accounts” means every bank account and investment account established by a volunteer or part-volunteer fire company or department into which the volunteer or part-volunteer fire company or department has deposited or invested money from formula distributions and equipment and training grants.

(b) *Filing required documentation.* — Every volunteer and part-volunteer fire company or department seeking to receive formula distributions or an equipment and training grant shall file copies of bank statements and check images from the company’s or department’s state funds accounts for the previous calendar year with the Legislative Auditor on or before February 1 of each year.

(c) *Reviews and audits.* — The Legislative Auditor is authorized to conduct regular reviews or audits of deposits and expenditures from formula distribution and equipment and training grant funds by volunteer and part-volunteer fire companies or departments. The Legislative Auditor may assign an employee or employees to perform audits or reviews at his or her direction. The State Treasurer shall provide the Legislative Auditor information, in the manner designated by the Legislative Auditor, concerning formula distributions and equipment and training grants paid to volunteer or part-volunteer fire companies and departments. The volunteer or part-volunteer fire company or department shall cooperate with the Legislative Auditor, the Legislative Auditor’s employees, and the State Auditor in performing their duties under the laws of this state.

(d) *State Auditor.* — Whenever the State Auditor performs an audit of a volunteer or part-volunteer fire company or department for any purpose, the Auditor shall also conduct an audit of other state funds received by the company or department pursuant to §33-3-14d, §33-3-33, and §33-12C-7 of this code. The Auditor shall send a copy of the audit to the Legislative Auditor. The Legislative Auditor may accept an audit performed by the Auditor in lieu of performing an audit under this section.

(e) *Withholding of funds.* —The Treasurer is authorized to withhold payment of a formula distribution or an equipment and training grant from a volunteer or part-volunteer fire company or department, when properly notified by the Legislative Auditor pursuant to this section, of any of the following conditions:

(1) Failure to file, in a timely manner, copies of bank statements and check images with the Legislative Auditor;

(2) Failure to cooperate with a review or audit conducted by the Legislative Auditor;

(3) Misapplication of state funds; or

(4) Failure to file a report or a sworn statement of expenditures as required by §12-4-14 of this code for a state grant other than an equipment and training grant.

(f) *Delinquency in filing.* — If, after February 1, a volunteer or part-volunteer fire company or department has failed to file the required bank statements and check images with the Legislative Auditor, the Legislative Auditor shall notify the delinquent company or department at two separate times in writing of the delinquency and of possible forfeiture of its Fire Service Equipment and Training Fund distribution for the year. If the required bank statements and check images are not filed with the Legislative Auditor by March 31, unless the time period is extended by the Legislative Auditor, the Legislative Auditor shall then notify the Treasurer who shall withhold payment of any amount that would otherwise be distributed to the company or department. Prior to each subsequent quarterly disbursement of funds by the Treasurer, the Legislative Auditor shall notify each delinquent company or department twice per each quarter in which the company or department is delinquent. The Legislative Auditor may choose the method or methods of notification most likely to be received by the delinquent company or department.

(g) *Noncooperation.* — If, in the course of an audit or review by the Legislative Auditor, a volunteer or part-volunteer fire company or department fails to provide documentation of its accounts and expenditures in response to a request of the Legislative Auditor, the Legislative Auditor shall notify the State Treasurer who shall withhold payment of any amount that would otherwise be distributed to the company or department under the provisions of §33-3-14d, §33-3-33, and §33-12C-7 of this code until the Legislative Auditor informs the State Treasurer that the company or department has cooperated with the review or audit.

(h) *Reporting of other grants.* — Nothing in this section alters the duties and responsibilities of a volunteer or part-volunteer fire company or department imposed under §12-4-14 of this code if that company or department has received funds from any state grant program other than from the Fire Service Equipment and Training Fund. If the Legislative Auditor is notified by a grantor that a volunteer or part-volunteer fire company or department has failed to file a report or a sworn statement of expenditures for a state grant it received, the Legislative Auditor shall notify the State Treasurer who shall withhold further distributions to the company or department in the manner provided in this section.

(i) *Escrow and forfeiture of moneys withheld.* — The Volunteer Fire Department Audit Account previously created in the Treasury is hereby continued. When the State Treasurer receives notice to withhold the distribution of money to a volunteer or part-volunteer fire company or department pursuant to this section, the Treasurer shall instead deposit the amounts withheld into the Volunteer Fire Department Audit Account. If the Treasurer receives notice that the volunteer or part-volunteer fire company or department has come into compliance in less than one year from the date of deposit into this special revenue account, then the Treasurer shall

release and distribute the withheld amounts to the company or department, except that any interest that has accrued thereon shall be credited to the general revenue of the state. If, after one year from payment of the amount withheld into the special revenue account, the Legislative Auditor informs the State Treasurer of continued noncooperation by the company or department, the delinquent company or department forfeits the amounts withheld and the State Treasurer shall pay the amounts withheld into Fire Service Equipment and Training Fund created in §29-3-5f of this code.

(j) Misuse of state money. — If the Legislative Auditor determines that a volunteer or part-volunteer fire company or department has used formula distribution money for purposes not authorized by §8-15-8b of this code or has used equipment and training grant money for purposes not authorized by the grant program, the Legislative Auditor shall give a written notice of noncompliance to the company or department. If a volunteer or part-volunteer fire company or department disagrees or disputes the finding, the company or department may contest the finding by submitting a written objection to the Legislative Auditor within five working days of receipt of the Legislative Auditor's finding. The department or company shall then have 60 days from the date of the Legislative Auditor's finding to provide documentation to substantiate that the expenditures were made for authorized purposes. If the volunteer or part-volunteer fire company or department does not dispute the findings of the Legislative Auditor or if the company or department is not able to substantiate an authorized purpose for the expenditure, the Legislative Auditor shall notify the Treasurer of the amount of misapplied money and the Treasurer shall deduct that amount from future distributions to that company or department until the full amount of unauthorized expenditure is offset.

Appendix C- W.Va. Code §8-15-8b

§8-15-8b. Authorized expenditures of revenues from the Municipal Pensions and Protection Fund and the Fire Protection Fund; deductions for unauthorized expenditures; record retention.

(a) Money received from the state for volunteer and part-volunteer fire companies and departments, pursuant to §33-3-14d, §33-3-33, and §33-12C-7 of this code, shall be deposited into a bank account dedicated to state received funds and may not be commingled with moneys received from any source other than the state. Distributions from the Municipal Pensions and Protection Fund and the Fire Protection Fund allocated to volunteer and part-volunteer fire companies and departments may be expended only for the following:

- (1) Personal protective equipment, including helmet, bunker coats, pants, boots, gloves, or combination of bunker pants and boots, coats, and gloves;
- (2) Equipment for compliance with the national fire protection standard or automotive fire apparatus, NFPA-1901;
- (3) Compliance with insurance service office recommendations relating to fire departments;
- (4) 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 or part-volunteer fire company or department members;
- (5) The direct costs incurred due to the purchase of land, the construction of new facilities, or the expansion of current facilities, when these costs can be demonstrated by the department to increase the effectiveness and efficiency of the fire protection services; as well as maintenance required to maintain the functionality of physical facilities of the department;
- (6) Retirement of debts, but only if the debts were incurred exclusively for the purchase of the goods and services allowed under this subsection;
- (7) Payment of utility bills, including internet and telephone bills which may include cell phones when the cell phone is used for fire department related work only;
- (8) Payment of the cost of immunizations, including any laboratory work incident to the immunizations, for firefighters against hepatitis-b and other blood-borne pathogens only when:
(A) purchased through the state immunization program or lowest-cost provider; and (B) no-cost or low-cost administration from local boards of health or other similar programs are unavailable;
- (9) Insurance policies, including:
 - (A) Property/casualty insurance premiums for protection and indemnification against loss or damage or liability;
 - (B) Life insurance premiums to provide a benefit not to exceed \$20,000 for firefighters;
 - (C) Accident and sickness insurance premiums which may be offered to cover individual members of a volunteer or part-volunteer fire company; or

(D) Umbrella policies that contain various types of insurance policies to protect against loss and liability, so long as life insurance premiums in the amounts prescribed above and property/casualty insurance are part of any umbrella policy;

(10) 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;

(11) Dues paid to national, state, and county associations;

(12) Workers' compensation premiums;

(13) Educational and training supplies and fire prevention promotional materials, not to exceed \$500 per year; and

(14) Food, bottled water, and food-related items, like disposable plates and utensils, to provide necessary meals and water to a fire company when responding to an emergency and is in no way connected to any fundraising events.

(b) If a volunteer or part-volunteer fire company or department uses any amount of money received from the Municipal Pensions and Protection Fund or the Fire Protection Fund for an item, service, or purpose not authorized by this section, that amount, when determined by an official audit, review, or investigation, shall be deducted from future distributions to the volunteer fire company or part-volunteer fire department.

(c) If a volunteer or part-volunteer fire company or department purchases goods or services authorized by this section, but then returns the goods or cancels the services for a refund, then any money refunded shall be deposited back into the same, dedicated bank account used for the deposit of distributions from the Municipal Pensions and Protection Fund and the Fire Protection Fund.

(d) A volunteer or part-volunteer fire company or department shall have a dedicated bank account for all funds received from the Municipal Pensions and Protection Fund, the Fire Protection Fund, and any other state distribution, including state grant money.

(1) Any distributions received from the Municipal Pensions and Protection Fund or the Fire Protection Fund shall remain in the bank account dedicated to receiving state funds and be used in accordance with this section.

(2) All other moneys, including state grants, must be transferred out of the account used to receive state funds and transferred into another bank account within 60 days of receipt and such transfer must be in the exact amount of the deposit. If any money is received from sources other than the Municipal Pensions and Fire Protection Fund or the Fire Protection Fund and is not transferred to another account within 60 days, the money may only be used in accordance with this section.

(e) Each volunteer or part-volunteer fire company and department shall retain, for five calendar years, all invoices, receipts, and payment records for the goods and services paid with money received from the state for volunteer and part-volunteer fire companies and departments,

pursuant to §33-3-14d, §33-3-33, and §33-12C-7 of this code and money received as a grant from the Fire Service Equipment and Training Fund as provided in §29-3-5f of this code.

(f) Volunteer and part-volunteer fire companies and departments may also invest the received moneys, described in subsection (a) of this section, and collect interest thereon: *Provided*, That volunteer and part-volunteer fire companies and departments shall not commingle the received moneys with funds received from any other source, shall not use the invested money as collateral or security for any loan, and shall retain all resulting statements of accounts and earnings for a minimum of five years from the date of the statements.