

# LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION

## Grant Town Volunteer Fire Department

FOR THE YEAR ENDING DECEMBER 31, 2010

### REPORT OVERVIEW

- Scope Limitation - Lack of Records
- Unable to Audit



WEST VIRGINIA LEGISLATIVE AUDITOR  
**POST AUDIT DIVISION**



*Aaron Allred - Legislative Auditor*  
*Stacy Sneed, CPA - Director*

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**STATE OF WEST VIRGINIA**



**FINANCIAL COMPLIANCE INSPECTION  
OF  
GRANT TOWN  
VOLUNTEER FIRE DEPARTMENT**

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**FOR THE YEAR ENDING DECEMBER 31, 2010**

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**OFFICE OF THE LEGISLATIVE AUDITOR  
POST AUDIT DIVISION**

**CAPITOL BUILDING**

**CHARLESTON, WEST VIRGINIA 25305-0610**

## LEGISLATIVE POST AUDITS SUBCOMMITTEE

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### Senate

President Jeff Kessler, Chairman  
Roman Prezioso  
Mike Hall

### House

Speaker Richard Thompson, Chairman  
Harry Keith White  
Tim Armstead

### WEST VIRGINIA LEGISLATIVE AUDITOR LEGISLATIVE POST AUDIT DIVISION

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Legislative Auditor

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Post audit reports are available on-line at  
[http://www.legis.state.wv.us/Joint/postaudit/vfd\\_audits.cfm](http://www.legis.state.wv.us/Joint/postaudit/vfd_audits.cfm)

For more information about the Legislative Post Audit Division, please visit our website at  
[www.legis.state.wv.us/Joint/postaudit/postaudit.cfm](http://www.legis.state.wv.us/Joint/postaudit/postaudit.cfm)

**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

Stacy L. Sneed, CPA, CICA, Director  
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Charleston, West Virginia 25305-0610



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September 12, 2012

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 12, Article 4, Section 14 as amended, we conducted a compliance inspection and review of the financial transactions and records of the Grant Town Volunteer Fire Department's state funds for the calendar year ended December 31, 2010. 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/nmh

**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**

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**EXECUTIVE SUMMARY**

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According to an article in the Charleston Gazette dated November 22, 2011, West Virginia State Police arrested Grant Town Mayor and chief of the Grant Town Volunteer Fire Department Bobby Riggs and was charged with four counts of embezzlement, four counts of forgery and four counts of uttering. According to State Police spokesman Sgt. Michael Baylous stated Riggs fraudulently cashed four checks totaling about \$9,000.00, on the Fire Department's accounts.

**SCOPE LIMITATION:**

We were assigned to perform an examination of the Grant Town Volunteer Fire Department for the period of January 1, 2010 through December 31, 2010. This examination is mandated by *West Virginia Code*, Chapter 12, Article 4, Section 14, as amended. On March 14, 2011, we sent Grant Town Volunteer Fire Department, via certified mail, an engagement letter detailing the purpose, scope, each party's responsibilities, and documents required to complete our examination. We did not receive the required documents to complete our examination and we were not able to apply other auditing procedures to satisfy ourselves as to the accuracy of its statement of annual expenditures and financial records, the scope of our work was not sufficient to enable us to complete an examination of the Department.

On July 5, 2011, in accordance with the provisions of Chapter 12, Article 4, Section 14, of the West Virginia Code the Legislative Auditor determined the Volunteer Fire Department was not cooperating and notified the State Treasurer to withhold payment of any amount that would otherwise be distributed to the Fire Department under the provisions of Sections 14(d) and 33, Article 3, and Section 16(a), Article 13, all of Chapter 33 of this Code.

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

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**INTRODUCTION**

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**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

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**OFFICERS AND STAFF**

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Robert Riggs, Jr.....President  
Candee Pope .....Treasurer  
John Riley .....Fire Chief

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

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**SCOPE**

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We have contacted the department on multiple occasions to attempt to obtain bank statements and supporting documentation for its State account. However, the Department has not provided the documentation we requested. On July 5, 2011, we placed the Department's State funding on hold in an effort to obtain the documentation, but as of now, we have not received it. Since the Department did not provide the needed documentation and we were not able to apply other auditing procedures to satisfy ourselves as to the accuracy of its statement of annual expenditures and financial records, the scope of our work was not sufficient to enable us to complete any procedures of the Department.

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**OBJECTIVES AND METHODOLOGIES**

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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 Audits 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.

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**CONCLUSIONS**

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We did not receive the required documents to complete our examination and we were not able to apply other auditing procedures to satisfy ourselves as to the accuracy of its statement of annual expenditures and financial records, the scope of our work was not sufficient to enable us to complete an examination of the department.

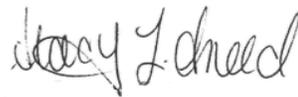
On July 5, 2011, in accordance with the provisions of Chapter 12, Article 4, Section 14, of the West Virginia Code the Legislative Auditor determined the Volunteer Fire Department was not cooperating and notified the State Treasurer to withhold payment of any amount that would otherwise be distributed to the Fire Department under the provisions of Sections 14(d) and 33, Article 3, and Section 16(a), Article 13, all of Chapter 33 of this Code.

**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 4<sup>th</sup> day of October 2012.



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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; and County Clerk, Marion County.