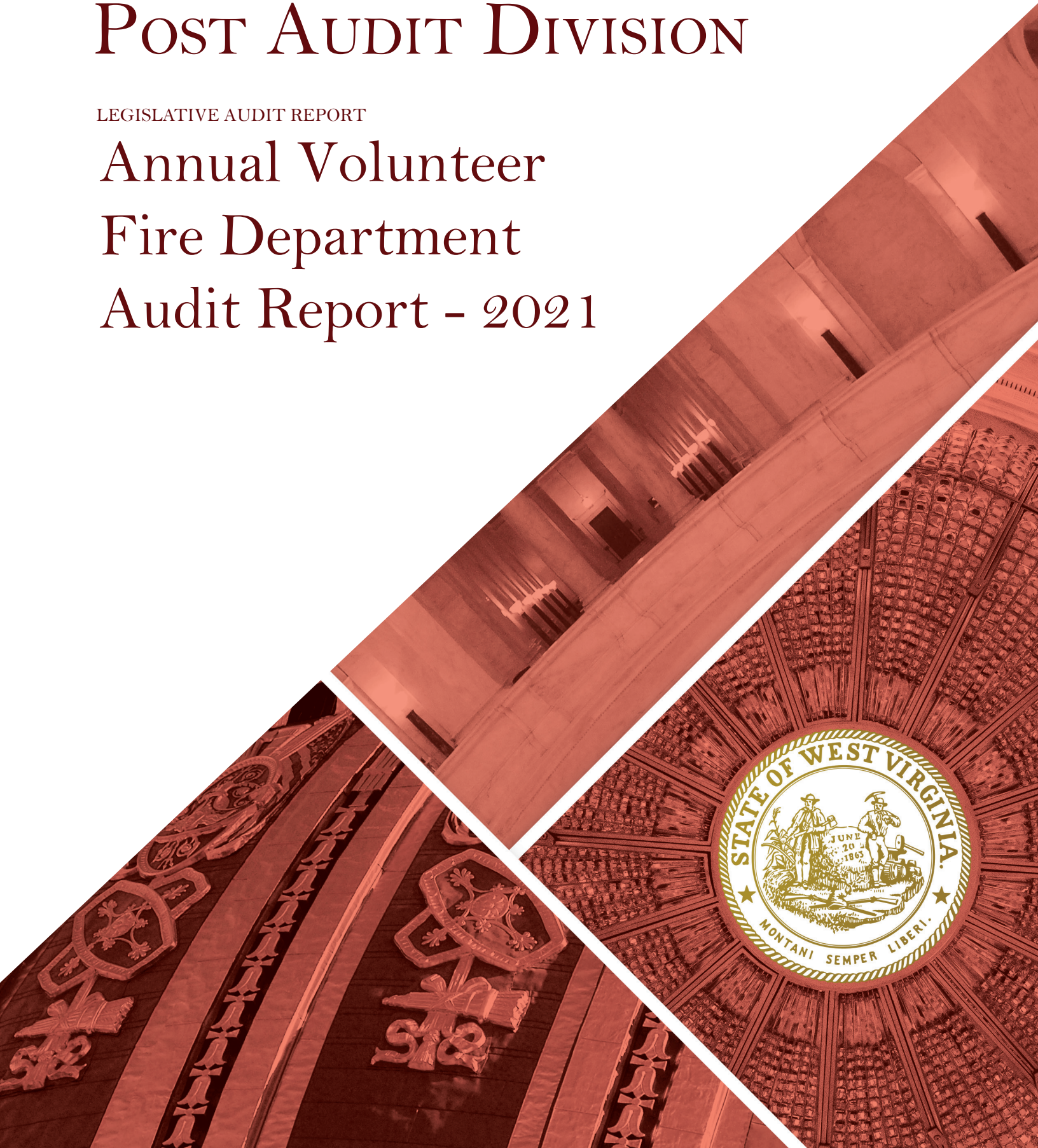


JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR

POST AUDIT DIVISION

LEGISLATIVE AUDIT REPORT

Annual Volunteer Fire Department Audit Report - 2021



JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR

POST AUDIT DIVISION

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Legislative Audit Report

January 9, 2022

Annual Volunteer Fire Department Audit Report - 2021

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State Funding of Volunteer and Part Volunteer Fire Departments

Every year, the State distributes millions of dollars to hundreds of West Virginia volunteer and part volunteer fire departments (VFD) for the purpose of providing funding for firefighting equipment, training, and maintenance. Established by W.Va. Code §33-3-33 and collected by the Insurance Commission, one source of the money is a 0.55 percent surcharge imposed on fire and casualty insurance policies issued in West Virginia. Also, W.Va. Code §33-3-14d established an additional premium tax equal to one percent of taxable premiums on fire insurance and casualty insurance policies to be collected by the Insurance Commission. Finally, W.Va. Code §29-3E-7 created a fireworks safety fee of twelve percent of all retail sales of consumer fireworks in the State. All money collected from the surcharge established in W.Va. Code §33-3-33, as well as twenty-five percent of the amount collected from the additional premium established in W.Va. Code §33-3-14d and twenty-five percent of the amount collected from the fireworks safety fee established in W.Va. Code §29-3E-7 comprises the Fire Protection Fund. The amount collected annually is subsequently distributed among qualifying departments through quarterly payments¹. These funds are to be used on specific items outlined in W.Va. Code §8-15-8b, such as protective equipment, rescue equipment, utilities for the fire stations, fire fighter training costs, insurance on buildings and automobiles, fuel, and workers' compensation premiums. Table 1 below shows the amounts distributed and the number of departments that benefited from these distributions over the last eight years.

| Table 1 – Distribution of State Funds for Volunteer and Part Volunteer Fire Departments - 2013 to 2021 | | | | | |
|---|------------------------------|-----------------------------------|---|----------------------------|---------------------------------|
| Year of Distribution | Number of Departments | Received Full Distribution | Did Not Receive Full Distribution* | Received No Funding | Total Amount Distributed |
| 2014 | 430 | 420 | 8 | 2 | \$19,696,194.49 |
| 2015 | 430 | 410 | 19 | 1 | \$19,896,613.74 |
| 2016 | 431 | 402 | 29 | 0 | \$20,198,716.58 |
| 2017 | 428 | 400 | 27 | 1 | \$20,600,530.71 |
| 2018 | 428 | 421 | 7 | 0 | \$22,453,199.93 |
| 2019 | 428 | 410 | 18 | 0 | \$22,663,900.23 |
| 2020 | 427 | 421 | 5 | 1 | \$22,561,109.69 |
| 2021 | 428 | 415 | 12 | 1 | \$20,665,238.89 |

Data Obtained from W.Va. State Treasurer's Office website.
 *A VFD may lose its quarterly distribution if specific conditions are not met, such as not filing bank statements and check images for the previous calendar year for its state bank account(s) with the Legislative Auditor's Office, not cooperating with an audit, having monetary findings from an audit, being out of compliance with the State Fire Marshal, or being out of compliance with a DHHR grant.

In addition, it should be noted that the amount of each fire department's quarterly allotment distributed by the W.Va. State Treasurer's Office varies depending on whether the fire department is a fully-volunteer department or a part volunteer department. Further, the amount distributed to a part volunteer department varies based upon a calculation made by the State Treasurer's Office with information from the Municipal Pensions Oversight Board.

¹ Part volunteer fire departments, departments that are not entirely comprised of volunteer firefighters and have some members who are compensated for their service, receive a pro-rated portion of funds determined by the State Treasurer's Office based on information from the Municipal Pensions Oversight Board.

By February 1st, all departments are required to file copies of the bank statements and check images for their state bank account(s) for the previous calendar year with the Legislative Auditor's Office. In January, the Post Audit Division mailed a letter to each of the departments to remind them of the deadline and instructions on how to file the required documents.

The Legislative Auditor is granted the authority to withhold a department's state funding if the department fails to meet certain requirements stipulated in W.Va. Code. Scenarios that would cause a department to have its funding withheld include the following:

- If an audit of a department results in monetary findings, such as for expenditures not allowed by W.Va. Code §8-15-8b and/or expenditures not properly supported by a receipt or invoice;
- If a department fails to cooperate with an audit by not providing documents such as bank statements or invoices;
- If a department fails to respond to the Legislative Auditor's correspondence; and/or
- If a department does not file bank statements and check images for its state bank account(s) for the preceding year by April 1st.

Additionally, the State Fire Marshal also has the authority to withhold a department's state funding if the department fails to meet the standards of the State Fire Marshal. Funds withheld from non-compliant VFDs are held in escrow.

After one year of non-compliance, a department forfeits one quarter of its funding for each quarter it remains non-compliant. For example, if a department became non-compliant due to not filing its bank statements and check images by April 1, 2020, and remained non-compliant for the entire year, it would lose its first quarterly distribution that was withheld from the April 1, 2020 funding on April 1, 2021. If the department was still non-compliant at the beginning of the next quarter, it would lose the next quarterly distribution that was withheld and so on, until it became compliant. Funds forfeited by non-compliant VFDs are paid by the State Treasurer into the Fire Service Equipment and Training Fund created in W.Va. Code §29-3-5f.

W.Va. Code §12-4-14b grants the Legislative Auditor the authority to conduct audits of the state funding received by VFDs. An audit determines if the department has maintained its state money in a separate account and has spent the money on allowable items. The audit is limited to a review of the bank account in which the department deposits its state funds, commonly referred to as the department's "state account." There are three typical findings that can result from the VFD audits:

- Unallowable Expenditures (when the money is spent on items not allowed by Code);
- Lack of Supporting Documentation (when the VFD has not provided a proper invoice, receipt, or other documentation to support its assertion that an expenditure is allowable and for the benefit of the department); and
- Commingled Funds (when the VFD has mixed state funds with funds from other sources such as by transferring funds from its state account to its non-state or "general" account, thereby making it difficult to trace the money).

When the Legislative Auditor determines a volunteer or part-volunteer company, or department has used formula distributions or equipment and training grant money for purposes not

authorized, the Legislative Auditor gives 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, it can contest the finding by submitting a written objection within five working days. The department or company shall then have 60 days from the date of the Legislative Auditor’s finding notification to provide any additional documentation for the Legislative Auditor to consider before finalizing the audit findings and withholding any funds due to noncompliance.

Objective

The objective of the audit of volunteer fire departments is to evaluate compliance with W.Va. Code §8-15-8b which states, in part:

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

*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.***

*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**². (Emphasis Added)*

Scope

Pursuant to the authority granted by W.Va. Code §12-4-14, the Legislative Auditor conducted a compliance audit for the following 25 volunteer and part volunteer fire departments in 2021:

- Blue Ridge Mountain
- Citizen’s
- Cool Springs
- Dallas
- East River
- Farmington
- Fayetteville
- Glen Dale
- Harts
- Lavalette
- Mabscott
- Main Harts
- Meadow Bridge
- Morrisvale
- Moundsville
- Oak Hill
- Peterstown
- Princeton
- Ravenswood
- Reynoldsville
- Ronceverte
- Shepherdstown
- Spencer Roane
- Wayne
- Weirton

Some audits were conducted for years prior to 2021 because they were holdovers from a prior sample selection but not completed during that year. Therefore, they were carried over and completed in 2021. Finally, a subset of the audits was conducted for multiple years due to assessed risk.

Methodology

Post Audit management examined data from previous audits and identified potential indicators for a high-risk of noncompliance. The generalized categories associated with a high assessed level of risk include:

² Subdivisions 1 through 15 can be found in Appendix A of this report.

1. Departments that had not had an audit;
2. Departments that had not had a recent audit;
3. Departments that had an audit with large discrepancies; and
4. The Department was delinquent in financial filings.

Additionally, we considered other factors such as communication of possible concerns from members of the Legislature and the general public. The VFD Auditor begins with the department with the highest assessed level of risk and proceeds down the list completing as many departments as possible within the year before updating the risk assessment and beginning with a new list in January of the next year. Any audits that remain incomplete from the preceding year are completed prior to beginning audits from the new list.

Summary of 2021 VFD Audits

Of the 25 volunteer and part volunteer fire departments that were audited, 11 were not in compliance with W.Va. Code. Table 2 below groups these 11 non-compliant departments into categories of findings.

| Table 2 – Type of Finding(s) Noted for Non-Compliant Fire Departments | |
|---|------------------------------|
| Type of Finding | Number of Departments |
| Commingled Funds Only | 4 |
| Commingled Funds and Unallowable Expenditures | 1 |
| Commingled Funds and Unsupported Expenditures | 0 |
| Commingled Funds, Unallowable Expenditures, and Unsupported Expenditures | 0 |
| Unallowable Expenditures Only | 2 |
| Unsupported Expenditures Only | 1 |
| Unallowable Expenditures and Unsupported Expenditures | 0 |
| Total | <u>8</u> |
| <i>Data obtained from Legislative Auditor's analysis.</i> | |

The figures on the next two pages illustrate the amounts audited for each department and the total amount that was found to be out of compliance, if applicable. Previous reports are available at http://www.legis.state.W.Va.us/Joint/postaudit/vfd_audits.cfm.

A summary of VFDs in compliance with W.Va. Code §8-15-8b begins on page eight. Beginning on page 26, the results of the audits of the eight VFDs found to be in non-compliance are summarized, including the findings and recommendations.

Volunteer Fire Departments in Compliance with W.Va. Code

The following VFDs were audited for compliance with W.Va. Code §8-15-8b and had no findings to report. Table 3 below notes the department, county in which the department is located, and the total funds audited.

| Table 3 – Volunteer Fire Departments in Compliance with W.Va. Code | | |
|---|---------------|------------------------------|
| Department | County | Total Funds Audited |
| Citizen's | Jefferson | \$105,211.32 |
| Cool Springs | Monongalia | \$153,061.49 |
| East River | Mercer | \$90,907.07 |
| Farmington | Marion | \$122,801.99 |
| Glen Dale | Marshall | \$78,577.73 |
| Lavalette | Wayne | \$89,374.97 |
| Mabscott | Raleigh | \$236,634.76 |
| Meadowbridge | Fayette | \$195,130.05 |
| Morrisvale | Boone | \$138,940.99 |
| Moundsville | Marshall | \$103,937.43 |
| Oak Hill | Fayette | \$179,938.34 |
| Peterstown | Monroe | \$115,446.19 |
| Princeton | Mercer | \$79,847.59 |
| Ravenswood | Jackson | \$101,741.42 |
| Ronceverte | Greenbrier | \$65,547.64 |
| Shepherdstown | Jefferson | \$126,623.94 |
| Weirton | Hancock | \$34,247.10 |
| Total: | | <u>\$2,017,970.02</u> |

The results of the completed audits have been discussed with each respective department. The following report sections detail the results for each department audited found to be in compliance as listed in Table 3.

CITIZEN'S VOLUNTEER FIRE DEPARTMENT

Citizen's VFD, in Jefferson County, began 2020 with a balance of \$41,700.56 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$0. Therefore, the audited funds totaled \$105,211.32.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 4 – CITIZEN'S VFD State Funds Audited - Calendar Year 2020 | | |
|---|---------------------|----------------|
| State Account | | |
| Beginning Balance | \$41,700.56 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$0</u> | |
| Total Funds Audited | | \$105,211.32 |
| Expenditures | | |
| Proper Expenditures | <u>\$105,201.14</u> | |
| Total Expenditures | | \$105,201.14 |
| Balance Remaining in Account | | |
| | | <u>\$10.18</u> |

The results presented in this report have been reviewed and discussed with the Citizen's VFD.

COOL SPRINGS VOLUNTEER FIRE DEPARTMENT

The Cool Springs VFD, in Monongalia County, was in compliance with W.Va. Code.

The Department made an additional deposit of \$71,850.13 which appeared to be funds from outside sources; however, the department provided documentation that proved the funds were originally state funds, not commingled funds.

The Department began with a balance of \$17,700.60 in its state account on January 1, 2020. During the period audited, the Department received \$63,510.76 in quarterly allotments disbursed by the W.Va. State Treasurer and made an additional deposit of \$71,850.13 into the state account. Thus, the total amount of funds audited for the period was \$153,061.49.

The Department's financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, is summarized in the table below.

| Table 5 – COOL SPRINGS VFD | | |
|---|---------------|---------------------------|
| State Funds Audited - Calendar Year 2020 | | |
| State Account Deposits | | |
| Beginning Balance | \$17,700.60 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits | \$71,850.13 | |
| Transferred Funds | <u>\$0.00</u> | |
| Total Funds Audited | | \$153,061.49 |
| State Account Expenditures | | |
| Proper Expenditures | \$54,344.67 | |
| Inadequate Expenditure Documentation | \$0 | |
| Unallowable Expenditures | <u>\$0</u> | |
| Total Expenditures | | <u>\$54,344.67</u> |
| Balance Remaining in State Account | | <u>\$98,716.82</u> |

The results presented in this report have been reviewed and discussed with the Citizen's VFD.

EAST RIVER VOLUNTEER FIRE DEPARTMENT

East River VFD, in Mercer County, began 2020 with a balance of \$27,396.31 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. Therefore, the audited funds totaled \$90,907.07.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 6 – EAST RIVER VFD State Funds Audited - Calendar Year 2020 | | |
|--|--------------------|--------------------|
| State Account | | |
| Beginning Balance | \$27,396.31 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$0.00</u> | |
| Total Funds Audited | | \$90,907.07 |
| Expenditures | | |
| Proper Expenditures | <u>\$53,183.68</u> | |
| Total Expenditures | | <u>\$53,183.68</u> |
| Balance Remaining in Account | | <u>\$37,723.39</u> |

The results presented in this report have been reviewed and discussed with the East River VFD.

FARMINGTON VOLUNTEER FIRE DEPARTMENT

Farmington VFD, in Marion County, began 2020 with a balance of \$59,291.23 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$0. Therefore, the audited funds totaled \$122,801.99.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 7 – FARMINGTON VFD State Funds Audited - Calendar Year 2020 | | |
|--|-------------------|---------------------|
| State Account | | |
| Beginning Balance | \$59,291.23 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$0</u> | |
| Total Funds Audited | | \$122,801.99 |
| Expenditures | | |
| Proper Expenditures | <u>\$8,919.25</u> | |
| Total Expenditures | | <u>\$8,919.25</u> |
| Balance Remaining in Account | | <u>\$113,882.74</u> |

The results presented in this report have been reviewed and discussed with the Farmington VFD.

GLEN DALE VOLUNTEER FIRE DEPARTMENT

Glen Dale VFD, in Marshall County, began 2020 with a balance of \$15,060.96 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$6.01. Therefore, the audited funds totaled \$78,577.73.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 8 – GLEN DALE VFD State Funds Audited - Calendar Year 2020 | | |
|---|-------------------|--------------------|
| State Account | | |
| Beginning Balance | \$15,060.96 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$6.01</u> | |
| Total Funds Audited | | \$78,577.73 |
| Expenditures | | |
| Proper Expenditures | <u>\$3,399.15</u> | |
| Total Expenditures | | <u>\$3,399.15</u> |
| Balance Remaining in Account | | <u>\$75,178.58</u> |

The results presented in this report have been reviewed and discussed with the Glen Dale VFD.

LVALETTE VOLUNTEER FIRE DEPARTMENT

Lavalette VFD, in Wayne County, began 2020 with a balance of \$25,864.21 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$0.00. Therefore, the audited funds totaled \$89,374.97.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code are summarized in the table below.

| Table 9 – LVALETTE VFD State Funds Audited - Calendar Year 2020 | | |
|--|--------------------|--------------------|
| State Account | | |
| Beginning Balance | \$25,864.21 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$0.00</u> | |
| Total Funds Audited | | \$89,374.97 |
| Expenditures | | |
| Proper Expenditures | <u>\$56,845.45</u> | |
| Total Expenditures | | <u>\$56,845.45</u> |
| Balance Remaining in Account | | <u>\$32,529.52</u> |

The results presented in this report have been reviewed and discussed with the Lavalette VFD.

MABSCOTT VOLUNTEER FIRE DEPARTMENT

Mabscott VFD, in Raleigh County, began 2019 with a balance of \$180,769.60 in its state account. The Department received additional funds from the State in the amount of \$54,269.01 during 2019 and earned \$1,596.15 in interest. Therefore, the audited funds totaled \$236,634.76.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the figure below.

| Table 10 – MABSCOTT VFD State Funds Audited - Calendar Year 2019 | | |
|---|-------------------|---------------------|
| State Account | | |
| Beginning Balance | \$180,769.60 | |
| State Treasurer Deposits | \$54,269.01 | |
| Additional Deposits & Interest Earned | <u>\$1,596.15</u> | |
| Total Funds Audited | | \$236,634.76 |
| Expenditures | | |
| Proper Expenditures | <u>\$0.00</u> | |
| Total Expenditures | | <u>\$0.00</u> |
| Balance Remaining in Account | | <u>\$236,634.76</u> |

The results presented in this report have been reviewed and discussed with the Mabscott VFD.

MEADOW BRIDGE VOLUNTEER FIRE DEPARTMENT

Meadow Bridge VFD, in Fayette County, began 2020 with a balance of \$131,358.52 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$260.77. Therefore, the audited funds totaled \$195,130.05.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 11 – MEADOW BRIDGE VFD State Funds Audited - Calendar Year 2020 | | |
|--|---------------------|---------------------|
| State Account | | |
| Beginning Balance | \$131,358.52 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$260.77</u> | |
| Total Funds Audited | | \$195,130.05 |
| Expenditures | | |
| Proper Expenditures | <u>\$172,455.29</u> | |
| Total Expenditures | | <u>\$172,455.29</u> |
| Balance Remaining in Account | | <u>\$22,674.76</u> |

The results presented in this report have been reviewed and discussed with the Meadow Bridge VFD.

MORRISVALE VOLUNTEER FIRE DEPARTMENT

Morrisvale VFD, in Boone County, began 2020 with a balance of \$75,221.78 in its state account. The Department received additional funds from the State in the amount of \$63,693.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$25.45. Therefore, the audited funds totaled \$138,940.99.

The Department’s financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 12 – MORRISVALE VFD State Funds Audited - Calendar Year 2020 | | |
|---|--------------------|--------------------|
| State Account | | |
| Beginning Balance | \$75,221.78 | |
| State Treasurer Deposits | \$63,693.76 | |
| Additional Deposits & Interest Earned | <u>\$25.45</u> | |
| Total Funds Audited | | \$138,940.99 |
| Expenditures | | |
| Proper Expenditures | <u>\$82,019.76</u> | |
| Total Expenditures | | <u>\$82,019.76</u> |
| Balance Remaining in Account | | <u>\$56,921.23</u> |

The results presented in this report have been reviewed and discussed with the Morrisvale VFD.

MOUNDSVILLE VOLUNTEER FIRE DEPARTMENT

Moundsville VFD, in Marshall County, began 2020 with a balance of \$40,375.55 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$51.12. Therefore, the audited funds totaled \$103,937.43.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 13 – Moundsville VFD State Funds Audited - Calendar Year 2020 | | |
|--|----------------|---------------------|
| State Account | | |
| Beginning Balance | \$40,375.55 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$51.12</u> | |
| Total Funds Audited | | \$103,937.43 |
| Expenditures | | |
| Proper Expenditures | <u>\$0</u> | |
| Total Expenditures | | <u>\$0</u> |
| Balance Remaining in Account | | <u>\$103,937.43</u> |

The results presented in this report have been reviewed and discussed with the Moundsville VFD.

OAK HILL VOLUNTEER FIRE DEPARTMENT

Oak Hill VFD, in Fayette County, began 2020 with a balance of \$115,724.59 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$702.99. Therefore, the audited funds totaled \$179,938.34.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 14 – OAK HILL VFD State Funds Audited - Calendar Year 2020 | | |
|---|-----------------|---------------------|
| State Account | | |
| Beginning Balance | \$115,724.59 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$702.99</u> | |
| Total Funds Audited | | \$179,938.34 |
| Expenditures | | |
| Proper Expenditures | <u>\$0</u> | |
| Total Expenditures | | <u>\$0</u> |
| Balance Remaining in Account | | <u>\$179,938.34</u> |

The results presented in this report have been reviewed and discussed with the Oak Hill VFD.

PETERSTOWN VOLUNTEER FIRE DEPARTMENT

Peterstown VFD, in Monroe County, began 2020 with a balance of \$51,935.43 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$0. Therefore, the audited funds totaled \$115,446.19.

The Department’s financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 15 – PETERSTOWN VFD State Funds Audited - Calendar Year 2020 | | |
|---|-------------|----------------------------|
| State Account | | |
| Beginning Balance | \$51,935.43 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$0</u> | |
| Total Funds Audited | | \$115,446.19 |
| Expenditures | | |
| Proper Expenditures | <u>\$0</u> | |
| Total Expenditures | | <u>\$0</u> |
| Balance Remaining in Account | | <u>\$115,446.19</u> |

The results presented in this report have been reviewed and discussed with the Peterstown VFD.

PRINCETON VOLUNTEER FIRE DEPARTMENT

Princeton VFD, in Mercer County, began 2020 with a balance of \$45,832.75 in its state account. The Department received additional funds from the State in the amount of \$34,008.46 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$6.38. Therefore, the audited funds totaled \$79,847.59.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 16 – PRINCETON VFD State Funds Audited - Calendar Year 2020 | | |
|--|---------------|--------------------|
| State Account | | |
| Beginning Balance | \$45,832.75 | |
| State Treasurer Deposits | \$34,008.46 | |
| Additional Deposits & Interest Earned | <u>\$6.38</u> | |
| Total Funds Audited | | \$79,847.59 |
| Expenditures | | |
| Proper Expenditures | <u>\$0</u> | |
| Total Expenditures | | <u>\$0</u> |
| Balance Remaining in Account | | <u>\$79,847.59</u> |

The results presented in this report have been reviewed and discussed with the Princeton VFD.

RAVENSWOOD VOLUNTEER FIRE DEPARTMENT

Ravenswood VFD, in Jackson County, began 2020 with a balance of \$38,230.66 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$0. Therefore, the audited funds totaled \$101,741.42.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 17 – RAVENSWOOD VFD State Funds Audited - Calendar Year 2020 | | |
|---|--------------------|---------------------------|
| State Account | | |
| Beginning Balance | \$38,230.66 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$0</u> | |
| Total Funds Audited | | \$101,741.42 |
| Expenditures | | |
| Proper Expenditures | <u>\$50,000.00</u> | |
| Total Expenditures | | <u>\$50,000.00</u> |
| Balance Remaining in Account | | <u>\$51,741.42</u> |

The results presented in this report have been reviewed and discussed with the Ravenswood VFD.

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

Ronceverte VFD, in Greenbrier County, began 2020 with a balance of \$36.88 in its state account. The Department received additional funds from the State in the amount of \$63,510.76 during 2020. Therefore, the audited funds totaled \$63,547.64.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 18 – RONCEVERTE VFD State Funds Audited - Calendar Year 2020 | | |
|---|--------------------|--------------------|
| State Account | | |
| Beginning Balance | \$36.88 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits & Interest Earned | <u>\$0.00</u> | |
| Total Funds Audited | | \$63,547.64 |
| Expenditures | | |
| Proper Expenditures | <u>\$63,434.38</u> | |
| Total Expenditures | | <u>\$63,434.38</u> |
| Balance Remaining in Account | | <u>\$113.26</u> |

The results presented in this report have been reviewed and discussed with the Ronceverte VFD.

SHEPHERDSTOWN VOLUNTEER FIRE DEPARTMENT

Shepherdstown VFD, in Jefferson County, began 2019 with a balance of \$72,078.75 in its state account. The Department received additional funds from the State in the amount of \$54,269.01 during 2019 and earned \$276.18 in interest. Therefore, the audited funds totaled \$126,623.94.

The Department's financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 19 – SHEPHERDSTOWN VFD State Funds Audited - Calendar Year 2019 | | |
|--|--------------------|---------------------|
| State Account | | |
| Beginning Balance | \$72,078.75 | |
| State Treasurer Deposits | \$54,269.01 | |
| Additional Deposits & Interest Earned | <u>\$276.18</u> | |
| Total Funds Audited | | \$126,623.94 |
| Expenditures | | |
| Proper Expenditures | <u>\$24,247.16</u> | |
| Total Expenditures | | <u>\$24,247.16</u> |
| Balance Remaining in Account | | <u>\$102,376.78</u> |

The results presented in this report have been reviewed and discussed with the Shepherdstown VFD.

WEIRTON VOLUNTEER FIRE DEPARTMENT

Weirton VFD, in Hancock County, began 2020 with a balance of \$21,094.45 in its state account. The Department received additional funds from the State in the amount of \$13,077.72 during 2020. There were additional deposits into the account, and interest earned on the account, totaling \$74.93. Therefore, the audited funds totaled \$34,247.10.

The Department’s financial activity in its state account during the audit period, including amounts audited, accounted for, and in compliance with W.Va. Code is summarized in the table below.

| Table 20 – WEIRTON VFD State Funds Audited - Calendar Year 2020 | | |
|--|----------------|---------------------------|
| State Account | | |
| Beginning Balance | \$21,094.45 | |
| State Treasurer Deposits | \$13,077.72 | |
| Additional Deposits & Interest Earned | <u>\$74.93</u> | |
| Total Funds Audited | | \$34,247.10 |
| Expenditures | | |
| Proper Expenditures | <u>\$0</u> | |
| Total Expenditures | | <u>\$0</u> |
| Balance Remaining in Account | | <u>\$34,247.10</u> |

The results presented in this report have been reviewed and discussed with the Weirton VFD.

Volunteer Fire Departments Not in Compliance with W.Va. Code

The following VFDs were audited and were not in compliance with W.Va. Code §8-15-8b. Table 21 below notes the department, county in which the department is located, the total funds audited, and the total amount not in compliance with W.Va. Code.

| Table 21 - Departments Not in Compliance with W.Va. Code | | | |
|---|---------------|----------------------------|---------------------------------|
| Department | County | Total Funds Audited | Amount Not in Compliance |
| Blue Ridge Mountain | Jefferson | \$204,081.27 | \$138.45 |
| Dallas | Marshall | \$107,749.91 | \$3.20 |
| Fayetteville | Fayette | \$253,276.56 | Commingled Only |
| Harts | Lincoln | \$270,689.28 | \$242.00 |
| Main Harts | Lincoln | \$88,752.62 | Commingled Only |
| Reynoldsville | Harrison | \$54,327.88 | \$332.88 |
| Spencer Roane | Roane | \$161,843.85 | Commingled Only |
| Wayne | Wayne | \$219,041.56 | <u>Commingled Only</u> |
| Total: | | | <u>\$716.53</u> |

The results and recommendations of the completed audits have been discussed with each respective department. The following report sections detail the results for each department audited and found to be non-compliant as listed in Table 21.

BLUE RIDGE MOUNTAIN VOLUNTEER FIRE COMPANY

The Blue Ridge Mountain VFC, in Jefferson County, **was not in compliance with W.Va. Code.**

The total amount of \$138.45 not in compliance with W.Va. Code was for expenditures not permissible under W.Va. Code §8-15-8b. Items or services the Company purchased that are not permissible included: paid item fees and late payment charges.

In addition, the Company commingled \$18,500.00 of state funds by making transfers out of the state account to a non-state bank account. However, the Company was able to substantiate the use of these transfers.

The Company began with a balance of \$621.45 in its state account on January 1, 2018. During the period audited, the Company received \$171,132.82 in quarterly allotments disbursed by the W.Va. State Treasurer and made additional deposits of \$32,327.00 into the state account. Thus, the total amount of funds audited for the period was \$204,081.27.

The Company's financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, is summarized in the table below.

| Table 22 – BLUE RIDGE MOUNTAIN VFC State Funds Audited - Calendar Years 2018 - 2020 | | |
|--|--------------------|---------------------|
| State Account Deposits | | |
| Beginning Balance | \$621.45 | |
| State Treasurer Deposits | \$171,132.82 | |
| Additional Deposits | <u>\$32,327.00</u> | |
| Total Funds Audited | | \$204,081.27 |
| State Account Expenditures | | |
| Proper Expenditures | \$171,941.50 | |
| Inadequate Expenditure Documentation | \$0.00 | |
| Unallowable Expenditures | \$138.45 | |
| Commingled Funds Accounted For | <u>\$18,500.00</u> | |
| Total Expenditures | | <u>\$190,579.95</u> |
| Balance Remaining in State Account | | <u>\$13,501.32</u> |

Pursuant to W.Va. Code §8-15-8b(b) the Legislative Auditor formally notified the W.Va. State Treasurer to withhold a total of \$138.45 from the Company's future quarterly distribution(s) for the expenditures found to be not in compliance with the provisions of W.Va. Code §8-15-8b.

Additionally, the Legislative Auditor made the following recommendations to the Company:

1. The Legislative Auditor recommended the Company cease expending monies from the state account for items or services not permitted by W.Va. Code §8-15-8b(a).
2. The Legislative Auditor recommended the Company cease transferring state funds into non state bank accounts.

The findings and recommendations detailed above have been reviewed and discussed with the Blue Ridge Mountain VFC. The Company is in the process of complying with the recommendations.

DALLAS VOLUNTEER FIRE DEPARTMENT

The Dallas VFD, in Marshall County, **was not in compliance with W.Va. Code.**

The total amount of \$3.20 not in compliance with W.Va. Code was for expenditures not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: a late fee.

The Department began with a balance of \$44,239.15 in its state account on January 1, 2020. During the period audited, the Department received \$63,510.76 in quarterly allotments disbursed by the W.Va. State Treasurer. Thus, the total amount of funds audited for the period was \$107,749.91.

The Department’s financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, is summarized in the table below.

| Table 23 – DALLAS VFD | | |
|---|---------------|--------------------|
| State Funds Audited - Calendar Year 2020 | | |
| State Account Deposits | | |
| Beginning Balance | \$44,239.15 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits | <u>\$0.00</u> | |
| Total Funds Audited | | \$107,749.91 |
| State Account Expenditures | | |
| Proper Expenditures | \$16,369.20 | |
| Inadequate Expenditure Documentation | \$0.00 | |
| Unallowable Expenditures | <u>\$3.20</u> | |
| Total Expenditures | | <u>\$16,372.40</u> |
| Balance Remaining in State Account | | <u>\$91,377.51</u> |

Pursuant to W.Va. Code §8-15-8b(b) the Legislative Auditor formally notified the W.Va. State Treasurer to withhold a total of \$3.20 from the Department’s future quarterly distribution(s) for the expenditures found to be not in compliance with the provisions of W.Va. Code §8-15-8b.

Additionally, the Legislative Auditor made the following recommendations to the Department:

1. The Legislative Auditor recommended the Department cease expending monies from the state account for items or services not permitted by W.Va. Code §8-15-8b(a).

The findings and recommendations detailed above have been reviewed and discussed with the Dallas VFD. The Department is in the process of complying with the recommendations.

FAYETTEVILLE VOLUNTEER FIRE DEPARTMENT

The Fayetteville VFD, in Fayette County, **was not in compliance with W.Va. Code.**

The Department commingled \$14,753.50 of funds from other sources with its state funds by depositing this amount in its state account.

The Department began with a balance of \$174,228.18 in its state account on January 1, 2020. During the period audited, the Department received \$63,510.76 in quarterly allotments disbursed by the W.Va. State Treasurer and made deposits of \$15,537.62, including interest, into the state account. Thus, the total amount of funds audited for the period was \$253,276.56.

The Department's financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, is summarized in the table below.

| Table 24 – FAYETTEVILLE VFD State Funds Audited - Calendar Year 2020 | | |
|---|---------------|----------------------------|
| State Account Deposits | | |
| Beginning Balance | \$174,228.18 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits | \$15,537.62 | |
| Transferred Funds | <u>\$0.00</u> | |
| Total Funds Audited | | \$253,276.56 |
| State Account Expenditures | | |
| Proper Expenditures | \$88,478.82 | |
| Inadequate Expenditure Documentation | \$0.00 | |
| Unallowable Expenditures | <u>\$0.00</u> | |
| Total Expenditures | | <u>\$88,478.82</u> |
| Balance Remaining in State Account | | <u>\$164,797.74</u> |

The Legislative Auditor made the following recommendations to the Department:

1. The Legislative Auditor recommended the Department cease depositing or transferring non state funds into its state bank account, unless the funds are a reimbursement whose original purchase originated with monies from the state bank account.

The findings and recommendations detailed above have been reviewed and discussed with the Fayetteville VFD. The Department is in the process of complying with the recommendations.

HARTS VOLUNTEER FIRE DEPARTMENT

The Harts VFD, in Lincoln County, **was not in compliance with W.Va. Code.**

The total amount of \$242.00 not in compliance with W.Va. Code was for expenditures that had insufficient supporting documentation to determine either the items purchased or the intent of the purchase. This prevents a determination being made as to the compliance of the purchase with W.Va. Code.

The Department began with a balance of \$207,178.52 in its state account on January 1, 2020. During the period audited, the Department received \$63,510.76 in quarterly allotments disbursed by the W.Va. State Treasurer. Thus, the total amount of funds audited for the period was \$270,689.28.

The Department's financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, is summarized in the table below.

| Table 25 – HARTS VFD | | |
|---|-----------------|---------------------|
| State Funds Audited - Calendar Year 2020 | | |
| State Account Deposits | | |
| Beginning Balance | \$207,178.52 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits | \$0.00 | |
| Transferred Funds | <u>\$0.00</u> | |
| Total Funds Audited | | \$270,689.28 |
| State Account Expenditures | | |
| Proper Expenditures | \$39,620.71 | |
| Inadequate Expenditure Documentation | \$0.00 | |
| Unallowable Expenditures | <u>\$242.00</u> | |
| Total Expenditures | | <u>\$39,862.71</u> |
| Balance Remaining in State Account | | <u>\$230,826.57</u> |

Pursuant to W.Va. Code §8-15-8b(b) the Legislative Auditor formally notified the W.Va. State Treasurer to withhold a total of \$240.00 from the Department's future quarterly distribution(s) for the expenditures found to be not in compliance with the provisions of W.Va. Code §8-15-8b.

Additionally, the Legislative Auditor made the following recommendations to the Department:

1. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state monies in accordance with W.Va. Code §8-15-8b(d) that is sufficient enough to be able to determine the specific item or service purchased as well as the total cost, purchase date, and permissibility under W.Va. Code §8-15-8b(a).

The findings and recommendations detailed above have been reviewed and discussed with the Harts VFD. The Department is in the process of complying with the recommendations.

MAIN HARTS VOLUNTEER FIRE DEPARTMENT

The Main Harts VFD, in Lincoln County, **was not in compliance with W.Va. Code.**

The Department commingled \$10.98 of funds from other sources with its state funds by depositing this amount in its state account.

The Department began with a balance of \$88,752.62 in its state account on January 1, 2020. During the period audited, the Department received \$50,737.47 in quarterly allotments disbursed by the W.Va. State Treasurer and made an additional deposit of \$10.98 into the state account. Thus, the total amount of funds audited for the period was \$139,501.07.

The Department's financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, is summarized in the figure below.

| Table 26 – MAIN HARTS VFD State Funds Audited - Calendar Year 2020 | | |
|---|---------------|----------------------------|
| State Account Deposits | | |
| Beginning Balance | \$88,752.62 | |
| State Treasurer Deposits | \$50,737.47 | |
| Additional Deposits | \$10.98 | |
| Transferred Funds | <u>\$0.00</u> | |
| Total Funds Audited | | \$139,501.07 |
| State Account Expenditures | | |
| Proper Expenditures | \$2,875.00 | |
| Inadequate Expenditure Documentation | \$0.00 | |
| Unallowable Expenditures | <u>\$0.00</u> | |
| Total Expenditures | | <u>\$2,875.00</u> |
| Balance Remaining in State Account | | <u>\$136,626.07</u> |

The Legislative Auditor made the following recommendations to the Department:

1. The Legislative Auditor recommended the Department cease depositing or transferring non state funds into its state bank account, unless the funds are a reimbursement whose original purchase originated with monies from the state bank account.

The findings and recommendations detailed above have been reviewed and discussed with the Main Harts VFD. The Department is in the process of complying with the recommendations.

REYNOLDSVILLE VOLUNTEER FIRE DEPARTMENT

The Reynoldsville VFD, in Harrison County, **was not in compliance with W.Va. Code.**

The total amount of \$332.88 not in compliance with W.Va. Code was for expenditures not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: flags, food and beverages, food and beverage-related products, late payment charges, an extra Sam’s Club membership, late penalties/fees, and a picture frame.

The Department began with a balance of \$58.87 in its state account on January 1, 2019. During the period audited, the Department received \$54,269.01 in quarterly allotments disbursed by the W.Va. State Treasurer. Thus, the total amount of funds audited for the period was \$54,327.88.

The Department’s financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, is summarized in the table below.

| Table 27 – REYNOLDSVILLE VFD State Funds Audited - Calendar Year 2019 | | |
|--|-----------------|--------------------|
| State Account Deposits | | |
| Beginning Balance | \$58.87 | |
| State Treasurer Deposits | \$54,269.01 | |
| Additional Deposits | \$0.00 | |
| Transferred Funds | <u>\$0.00</u> | |
| Total Funds Audited | | \$54,327.88 |
| State Account Expenditures | | |
| Proper Expenditures | \$50,726.49 | |
| Inadequate Expenditure Documentation | \$0.00 | |
| Unallowable Expenditures | <u>\$332.88</u> | |
| Total Expenditures | | <u>\$51,059.37</u> |
| Balance Remaining in State Account | | <u>\$3,268.51</u> |

Pursuant to W.Va. Code §8-15-8b(b) the Legislative Auditor formally notified the W.Va. State Treasurer to withhold a total of \$332.88 from the Department’s future quarterly distribution(s) for the expenditures found to be not in compliance with the provisions of W.Va. Code §8-15-8b.

Additionally, the Legislative Auditor made the following recommendations to the Department:

1. The Legislative Auditor recommended the Department cease expending monies from the state account for items or services not permitted by W.Va. Code §8-15-8b(a).

The findings and recommendations detailed above have been reviewed and discussed with the Reynoldsville VFD. The Department is in the process of complying with the recommendations.

SPENCER-ROANE VOLUNTEER FIRE DEPARTMENT

The Spencer-Roane VFD, in Roane County, **was not in compliance with W.Va. Code.**

The Department commingled \$1,666.58 of funds from other sources with its state funds by depositing this amount in its state account.

The Department began with a balance of \$96,666.51 in its state account on January 1, 2020. During the period audited, the Department received \$63,510.76 in quarterly allotments disbursed by the W.Va. State Treasurer and made an additional deposit of \$1,666.58 into the state account. Thus, the total amount of funds audited for the period was \$161,843.85.

The Department's financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, are summarized in the figure below.

| Table 28 – SPENCER-ROANE VFD State Funds Audited – Calendar Year 2020 | | |
|--|---------------|---------------------|
| State Account Deposits | | |
| Beginning Balance | \$96,666.51 | |
| State Treasurer Deposits | \$63,510.76 | |
| Additional Deposits | \$1,666.58 | |
| Transferred Funds | <u>\$0.00</u> | |
| Total Funds Audited | | \$161,843.85 |
| State Account Expenditures | | |
| Proper Expenditures | \$30,608.63 | |
| Inadequate Expenditure Documentation | \$0.00 | |
| Unallowable Expenditures | <u>\$0.00</u> | |
| Total Expenditures | | <u>\$30,608.63</u> |
| Balance Remaining in State Account | | <u>\$131,235.22</u> |

The Legislative Auditor made the following recommendations to the Department:

1. The Legislative Auditor recommends the Department cease depositing non-state funds in its state bank account, and if necessary, open a new account for the non-state funds.

The findings and recommendations detailed above have been reviewed and discussed with the Spencer-Roane VFD. The Department is in the process of complying with the recommendations.

WAYNE VOLUNTEER FIRE DEPARTMENT

The Wayne VFD, in Wayne County, **was not in compliance with W.Va. Code.**

The Department commingled \$4,000.00 of funds from other sources with its state funds by depositing this amount in its state account.

The Department began with a balance of \$46,599.06 in its state account on July 1, 2016. During the period audited, the Department received \$155,574.14 in quarterly allotments disbursed by the W.Va. State Treasurer and made additional deposits of \$16,868.36 into the state account. Of the \$16,868.36 in additional deposits, \$12,868.36 were not commingled due to the deposits being refunds for expenditures made from the state account. Thus, the total amount of funds audited for the period was \$219,041.56.

The Department's financial activity in the state account during the audit period, including amounts audited, accounted for, and not in compliance with W.Va. Code, is summarized in the table below.

| Table 29 – WAYNE VFD | | |
|---|---------------|---------------------|
| State Funds Audited - Fiscal Years 2017-2019 | | |
| State Account Deposits | | |
| Beginning Balance | \$46,599.06 | |
| State Treasurer Deposits | \$155,574.14 | |
| Additional Deposits – Not Commingled | \$12,868.36 | |
| Additional Deposits – Commingled | \$4,000.00 | |
| Transferred Funds | <u>\$0.00</u> | |
| Total Funds Audited | | \$219,041.56 |
| State Account Expenditures | | |
| Proper Expenditures | \$190,389.45 | |
| Inadequate Expenditure Documentation | \$0.00 | |
| Unallowable Expenditures | <u>\$0.00</u> | |
| Total Expenditures | | <u>\$190,389.45</u> |
| Balance Remaining in State Account | | <u>\$28,652.11</u> |

The Legislative Auditor made the following recommendations to the Department:

1. The Legislative Auditor recommends the Department cease depositing non-state funds in its state bank account, and if necessary, open a new account for the non-state funds.

The findings and recommendations detailed above have been reviewed and discussed with the Wayne VFD. The Department is in the process of complying with the recommendations.

Statewide Commingling Audit

As stated previously in this report, the commingling of funds from other sources with state funds was the most common finding in our 2021 VFD audits. In the 2019 and 2020 annual VFD audit reports, 45% of the departments reviewed were found to have comingled funds from other sources with the state funds in violation of W.Va. Code. Given the frequency that this issue presents itself, the Legislative Auditor conducted an audit of all departments in calendar year 2020 to determine how many were commingling funds, and what potentially caused the commingling to occur. According to W.Va. Code §8-15-8b(a), as amended:

“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, may not be comingled with moneys received from any other source, except money received as a grant from the Fire Service Equipment and Training Fund as provided in §29-3-5f of this code...” (Emphasis Added)

Typically, a department will designate a checking or savings account as the “state account” and use this account to receive the quarterly fund distributions. These quarterly distributions are made by the State Treasurer to those accounts through an electronic funds transfer. Based on current W.Va. Code, any funds received from any other source in the designated state account, that is not a quarterly distribution or grant from the Fire Service Equipment Training Fund, is considered commingling of funds. The only deposits to the state account that are acceptable for a department to make are for sales, refunds, and reimbursements in instances where the original purchase was made with funds from the state account. The Post Audit Division is required to audit the use of state funds distributed to the VFDs to ensure those funds are used in accordance with state law. The practice of commingling funds from other sources with the restricted state funds makes it difficult to determine which funds were used and in turn whether the expenditure is allowable under current W.Va. Code. Further, it is unclear whether funds from other sources comingled in the state account would be subject to the same restrictions in W.Va. Code due to them being comingled with the state funds or if those funds should be treated differently when audited.

The following are common scenarios that result in the improper commingling of funds from other sources with restricted funds in the state account:

- The Department deposits non-state funds (donations, fundraising proceeds, reimbursements for improper expenditures, etc.) in its state bank account.
- The Department transfers funds from a non-state bank account into the state bank account.
- The Department transfers funds from the state bank account to another bank account that contains non-state funds.
- The Department writes a check to itself and deposits the check into another bank account that contains non-state funds.
- The Department deposits paper checks from the State (other than a quarterly state formula distribution) into the state bank account. This could include state grants among other state funds.
- The Department receives electronic deposits of state funds other than a quarterly state formula distribution.

The Legislative Auditor analyzed the calendar year 2020 bank statements for 419 departments³ to identify any potentially commingled funds. Once these transactions were identified, each department was contacted to determine the specific parameters for each transaction, since a determination of commingling cannot be made solely from the bank statement documentation. Each department was asked to provide supporting documentation and an explanation for each transaction identified as potentially commingled funds.

After reviewing the documentation and responses provided by each department, the Legislative Auditor determined that all departments commingled funds during the 2020 calendar year. Based on the Legislative Auditor's analysis the reason departments commingling funds in the state account can be attributed to two primary causes; a change in the method by which funds are distributed to departments and simple human error coupled with a lack of understanding of the requirements for the state account.

In regard to the first cause, prior to the conversion to wvOASIS the state still processed numerous transactions using physical checks, and volunteer fire departments were able to receive physical checks for the quarterly distributions and deposit them into their state account accordingly. If a department would receive state fund disbursements that were not allowed to be deposited in the state account under W.Va. Code §8-15-8b(a), the department could simply deposit the check to another account. After the conversion to wvOASIS, these distributions were made as electronic fund transfers and physical checks were no longer sent to the departments, requiring them to register an account with the state to receive the quarterly distributions and designate that account as the state account. However, this may also result in the state making deposits of funds from other sources into those accounts as they are the only account that the departments have registered with the state to receive funds. While the funding itself is not a cause for concern, this practice results in an immediate violation of W.Va. Code as it is currently constructed, as the accounts are restricted to receiving funds from the sources stipulated in W.Va. Code §8-15-8b(a) and any other fund deposits results in commingling. During the 2020 calendar year, this affected all departments that received a \$10,000 distribution of CARES Act funds from the Governor, which was deposited into the state accounts of the VFDs as this was the only account the departments held with the state to receive such a mass distribution of funds. This change from checks to electronic fund transfers for how state funds are disbursed to VFDs has unintentionally resulted in issues of commingling that are of no fault of the departments. It appears that this is most likely attributable to the fact that this unintended consequence was not contemplated in the context of W.Va. Code §8-15-8b(a) when the state moved to electronic fund transfers and away from paper checks, and it is possible that this may be corrected or alleviated through an amendment to W.Va. Code. Of the departments noted in our review as having comingled funds, a total of 22 departments were found to have comingled funds due to the change from paper checks to electronic fund transfers, excluding the CARES Act distribution, to distribute funds to the departments.

The most common cause for commingling, excluding the CARES Act distribution, can be attributed to a combination of human error and a lack of knowledge regarding the requirements for the state account stipulated in W.Va. Code. In reviewing the responses provided by the departments concerning transactions noted as possible commingling, it was clear that many

³ All VFDs must file the previous calendar years bank statements by February 1st, per W.Va. Code §12-4-14b(b).

instances were the result of simple errors that occurred when departments were processing deposits to the departments' various bank accounts. As noted previously, departments must maintain a separate bank account to receive the quarterly state fund distributions. Other funds received by the VFDs must be deposited into separate accounts, and departments often have multiple accounts to manage funds received from various sources. Departments may also face turnover of the volunteer roster and its leadership, and as a result the knowledge of how to operate the various accounts and the restrictions for the state account may not be readily known by the individuals responsible for the management of the departments bank accounts. This in turn results in errors where some funds are deposited into the state account improperly, or state funds are moved into an account with non-restricted funds improperly, resulting in commingling of funds in violation of W.Va. Code. These causes for commingling account for at least⁴ 77 departments that were found to have commingled funds.

The Legislative Auditor continues to work with the departments to assist them in understanding the requirements of W.Va. Code for the proper accounting of state funds. Amendments to W.Va. Code could be made to address these issues and clarify those requirements for the departments that may help alleviate these issues. For instance, commingling in of itself causes issues in accounting for the use of funds as restricted funds are mixed with unrestricted funds, making it nearly impossible to accurately determine which monies were spent on a particular transaction. In the instances noted where the state had made additional fund distributions to the departments that were not the quarterly distribution, such as the CARES Act funds, those funds are mixed with the quarterly distributions which are restricted to use on items and services specified in W.Va. Code. It is unclear based on current statute whether CARES Act funds, or other state fund distributions, would be held to the same restrictions as the quarterly distributions simply by being deposited into the state account, or whether those funds should be allowed to be transferred out of the account and used in accordance with the terms of the CARES Act.

It is the opinion of the Legislative Auditor that the most practical solution would be to modify W.Va. Code to stipulate that departments which receive state funds into the state account that are not from a funding source authorized in W.Va. Code §8-15-8b(a) be allowed to transfer those funds out in a lump sum transaction totaling the full amount of the fund deposit within 60 days of receipt of those funds without penalty. This would allow the departments to maintain a single bank account for all state fund disbursements and allow the departments to move non-restricted state fund deposits out of the state account to use as allowed.

⁴ Twenty departments did not respond to our request for information. No cause for the commingled funds could be determined.

Appendix A – Allowable VFD Expenditures Per W.Va. Code §8-15-8b

West Virginia Code §8-15-8b describes the authorized expenditures that may be made with the money distributed from the fire protection fund to the volunteer fire departments. Expenditures that may be made are in Code as follows:

- (1) Personal protective equipment, including protective head gear, bunker coats, pants, boots, 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 fire company or department members;*
- (5) Capital improvements reasonably required for effective and efficient fire protection service and maintenance of the capital improvements;*
- (6) Retirement of debts;*
- (7) Payment of utility bills;*
- (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: Provided, That the vaccine shall be purchased through the state immunization program or from the lowest cost vendor available: Provided, however, That volunteer and part volunteer fire companies and departments shall seek to obtain no cost administration of the vaccinations through local boards of health: Provided further, That in the event any volunteer or part volunteer fire company or department is unable to obtain no cost administration of the vaccinations through a local board of health, the company or department shall seek to obtain the lowest cost available for the administration of the vaccinations from a licensed health care provider;*
- (9) Any filing fee required to be paid to the Legislative Auditor's Office under section fourteen, article four, chapter twelve of this code relating to sworn statements of annual expenditures submitted by volunteer or part volunteer fire companies or departments that receive state funds or grants;*
- (10) Property/casualty insurance premiums for protection and indemnification against loss or damage or liability;*
- (11) 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;*
- (12) Dues paid to national, state and county associations;*
- (13) Workers' Compensation premiums;*

(14) Life insurance premiums to provide a benefit not to exceed \$20,000 for firefighters; and

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



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