

LEGISLATIVE AUDIT REPORT

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

FOR THE YEARS ENDING DECEMBER 31, 2007 & 2006

AUDIT OVERVIEW

Commingled Funds

Not Allowable Items

Lack of Supporting Documentation



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POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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September 28, 2010

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 an attestation engagement of the Ronceverte Volunteer Fire Department for the years ended December 31, 2007 and December 31, 2006. We conducted our attestation in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stacy L. Sneed".

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

SLS/rwa

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

TABLE OF CONTENTS

Executive Summary2

Introduction3

 Post Audit Authority 3

 Background..... 3

Officers and Staff5

Audit Scope6

Objectives, Methodologies, and Conclusions6

Exit Conference.....7

Findings8

 Finding 1 8

 Finding 2 9

 Finding 3 10

Supplemental Information – Statements11

**Certificate of Director,
Legislative Post Audit Division13**

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

EXECUTIVE SUMMARY

Ronceverte VFD Greenbrier County	<u>December 31, 2007 and 2006</u>
Commingled Funds	\$98,662.01
Not Allowable Items	9,344.52
Lack of Supporting Documentation	<u>8,497.55</u>
Total	<u>\$17,842.07</u>
*See recommendations below	

*We recommend Ronceverte VFD comply with Chapter 8, Article 15, Section 8b of the West Virginia Code, as amended, and maintain all funds received from the State in separate accounts and not commingle with funds received from any other source.

*The Ronceverte VFD has complied with Chapter 8, Article 15, Section 8b of the West Virginia Code, as amended, and maintains State funds in a separate account.

*We recommend Ronceverte VFD reimburse their state account for \$17,842.07 for items that are not allowed and/or lacked supporting documentation.

*We recommend Ronceverte VFD make and maintain their records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the Fire Department designed to furnish information to protect the legal and financial rights of the Fire Department.

Currently, department records are maintained by a CPA, and reconciled monthly.

*We further recommend post audit perform an additional audit of the Ronceverte VFD for the year ended 2010.

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

INTRODUCTION

POST AUDIT AUTHORITY

The audit is being 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 receive 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.

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

OFFICERS AND STAFF

Kevin Brammer President of the Governing Board
Bill Rose Vice President of the Governing Board
Eric Guthrie Secretary
Darrell Miller Treasurer
Jody Campbell Fire Chief

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

ATTESTATION SCOPE

We conducted an attestation engagement of the Ronceverte Volunteer Fire Department for the years ending December 31, 2007 and 2006. Our attestation scope included compliance with laws and regulations. The attestation was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

OBJECTIVES AND METHODOLOGIES

The objective of our attestation engagement was to review expenditures from the Departments 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, and to evaluate its compliance with applicable State laws, rules and regulations.

Our sample of Departments to test was randomly selected after determining a population of all Departments that filed their Financial Statements with our office.

This communication is intended solely for the information and use of the Post Audit Subcommittee, the members of the WV Legislature, and the Volunteer Fire Department. However, once released by the Post Audit Subcommittee, this report is a matter of public record and its distribution is not limited.

Our reports are designed to assist the Post Audit 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.

CONCLUSIONS

During our audit period, a Greenbrier County Circuit Judge ordered that all locks be changed, the dissolution of the Department and the establishment of a new Department, as well as an audit by State officials and the State Police. They were also placed under a receivership. Three of the officers were charged with embezzlement and conspiracy to commit embezzlement as well as 3 other members, and the spouse of the Department President. According to current officers, approximately \$60,000.00, of which approximately \$3,300.00 were State funds, were misused.

Trustees have been appointed to the Department, which includes a C.P.A. They are currently taking care of all the Department's financial accounts, as well as performing reconciliations. Currently the Department maintains all State funds in a separate account. The Department has already reimbursed their State account in the amount of \$10,000.00 and will make every effort to deposit the balance as soon as fiscally possible.

We noted the Department commingled State funds with other sources in non compliance with Chapter 8, Article 15, Section 8b of the West Virginia Code, as amended. We also noted the Department made several purchases that were not allowable or were not supported under Chapter 8, Article 15, Section 8b of the West Virginia Code, as amended. The Department needs to implement better procedures to ensure all documentation is kept in a manner sufficient for review.

EXIT CONFERENCE

We discussed this report with the current Fire Chief of the Ronceverte VFD on September 28, 2010. All findings and recommendations were reviewed and discussed. The Ronceverte VFD agreed to all findings and recommendations.

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

FINDINGS

Finding 1: Ronceverte Volunteer Fire Department commingled \$98,662.01 of State funds with funds from other sources.

Due to the commingling of funds, we are unable to determine if all expenditures, totaling \$98,662.01, made from State funds were allowable and/or properly documented.

Recommendation

We recommend Ronceverte VFD comply with Chapter 8, Article 15, Section 8b of the West Virginia Code, as amended, and maintain all funds received from the State in separate accounts and not commingle with funds received from any other source.

We recommend Ronceverte VFD monitor the use of company's cell phones, gas purchases, and other expenses.

We recommend Ronceverte VFD make and maintain their records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the Fire Department designed to furnish information to protect the legal and financial rights of the Fire Department.

We further recommend post audit perform an additional audit of the Ronceverte VFD for the year ended 2010.

Finding 2: Unallowable Expenditures

Ronceverte VFD purchased items costing \$9,344.52 with State funds that were not allowable.

Condition:

Based on supporting documentation provided to us, we determined the following items were purchased with State money that were not allowable under the West Virginia Code:

<u>Description</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Mike Grimmitt	\$ 500.00	\$0.00
Andy Campbell	300.00	0.00
Mike Grimmitt	1,000.00	0.00
Gall's	1,357.87	0.00
Greenbrier County Health Dept	234.50	0.00
Cardinal Printing	645.00	0.00
Ronceverte Service Station	156.19	0.00
Adwell's Auto	150.96	0.00
First National Bank	<u>5,000.00</u>	<u>0.00</u>
Totals	<u>\$9,344.52</u>	<u>\$0.00</u>

Recommendation:

We recommend the Ronceverte Volunteer Fire Department reimburse their State account \$9,344.52 for the items that were purchased that were not allowable and to expend their State money only for the items listed in West Virginia Code Chapter 8, Article 15, Section 8b, as amended.

Finding 3: Undocumented Expenditures

Based on supporting documentation provided to us, we determined the following items were purchased with State money that did not have supporting documentation pursuant to West Virginia Code:

<u>Description</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
USPS	\$ 40.56	\$0.00
Global Collect BV	39.99	0.00
Security Unlimited	25.00	0.00
Casey Morgan	81.37	0.00
Greenbrier County Fire Assoc.	50.00	0.00
Mercer County Fire Fighters	255.00	0.00
Days Inn	398.26	0.00
Jody Campbell	350.00	0.00
Greebrier City Fire & Emergency Responders	350.00	0.00
Bill Rose	20.00	0.00
West Virginia State Firemen's Assoc.	100.00	0.00
Darrell Miller	413.58	0.00
Jody Campbell	413.58	0.00
Greenbrier County Heath Dept	410.00	0.00
NAPA	43.87	0.00
Lowes	237.59	0.00
NAPA Auto Parts	41.27	0.00
State Tax Department	125.00	0.00
NAPA	494.17	0.00
US Cellular	610.44	0.00
Mathew Campbell	1,453.00	0.00
Schewels	1,036.03	0.00
Napa - Wilson Bros Auto	876.48	0.00
Adwell's	70.00	0.00
GCEAS	155.00	0.00
State Electric	130.33	0.00
NAPA	10.63	0.00
Martin & Jones	37.50	0.00
NAPA	118.85	0.00
Grainger	<u>110.05</u>	<u>0.00</u>
<u>Totals</u>	<u>\$8,497.55</u>	<u>\$0.00</u>

Recommendation:

We recommend the Ronceverte Volunteer Fire Department reimburse their State account \$8,497.55 for the items that were purchased that were not properly documented.

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

**SUPPLEMENTAL INFORMATION
STATEMENTS OF EXPENDITURES YEAR ENDED DECEMBER 31, 2007**

	<u>VFD</u>	<u>AUDIT</u>	<u>DIFFERENCES</u>
Chapter 8, Article 15, Section 8b(1)	\$ 0.00	\$ 2,973.75	(\$ 2,973.75)
Chapter 8, Article 15, Section 8b(2)	2,115.67	0.00	2,115.67
Chapter 8, Article 15, Section 8b(3)	1,055.00	260.00	795.00
Chapter 8, Article 15, Section 8b(4)	8,350.20	1,300.87	7,049.33
Chapter 8, Article 15, Section 8b(5)	7,169.05	5,355.46	1,813.59
Chapter 8, Article 15, Section 8b(6)	36,764.02	30,417.18	6,346.84
Chapter 8, Article 15, Section 8b(7)	4,174.20	9,910.60	(5,736.40)
Chapter 8, Article 15, Section 8b(8)	5,000.00	0.00	5,000.00
Chapter 8, Article 15, Section 8b(9)	1,679.74	0.00	1,679.74
Chapter 8, Article 15, Section 8b(10)	3,348.59	0.00	3,348.59
Chapter 8, Article 15, Section 8b(11)	2,334.69	3,283.14	(948.45)
Chapter 8, Article 15, Section 8b(12)	<u>100.00</u>	<u>0.00</u>	<u>100.00</u>
Total Disbursements For Year Ended December 31, 2007	<u>\$72,091.16</u>	<u>\$53,501.00</u>	<u>\$18,590.16</u>

RONCEVERTE VOLUNTEER FIRE DEPARTMENT

**SUPPLEMENTAL INFORMATION
STATEMENTS OF EXPENDITURES YEAR ENDED DECEMBER 31, 2006**

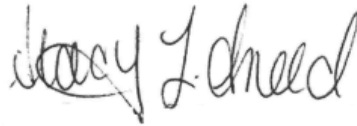
	<u>VFD</u>	<u>AUDIT</u>	<u>DIFFERENCES</u>
Chapter 8, Article 15, Section 8b(1)	\$ 234.03	\$ 234.03	\$ 0.00
Chapter 8, Article 15, Section 8b(2)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(3)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(4)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(5)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(6)	66,059.67	65,200.25	859.42
Chapter 8, Article 15, Section 8b(7)	1,893.91	2,985.14	(1,091.23)
Chapter 8, Article 15, Section 8b(8)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(9)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(10)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(11)	450.00	450.00	0.00
Chapter 8, Article 15, Section 8b(12)	<u>100.00</u>	<u>100.00</u>	<u>0.00</u>
Total Disbursements For Year Ended December 31, 2006	<u>\$ 68,737.61</u>	<u>\$ 68,969.42</u>	<u>(\$ 231.81)</u>
Total Disbursements For Years Ended December 31, 2007, and 2006	<u>\$140,828.77</u>	<u>\$122,470.42</u>	<u>\$18,358.35</u>

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 12th day of October 2010.



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

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Ronceverte Volunteer Fire Department; Prosecuting Attorney, Greenbrier County; County Clerk, Greenbrier County; Governor; Attorney General; State Auditor; and State Fire Marshal.