

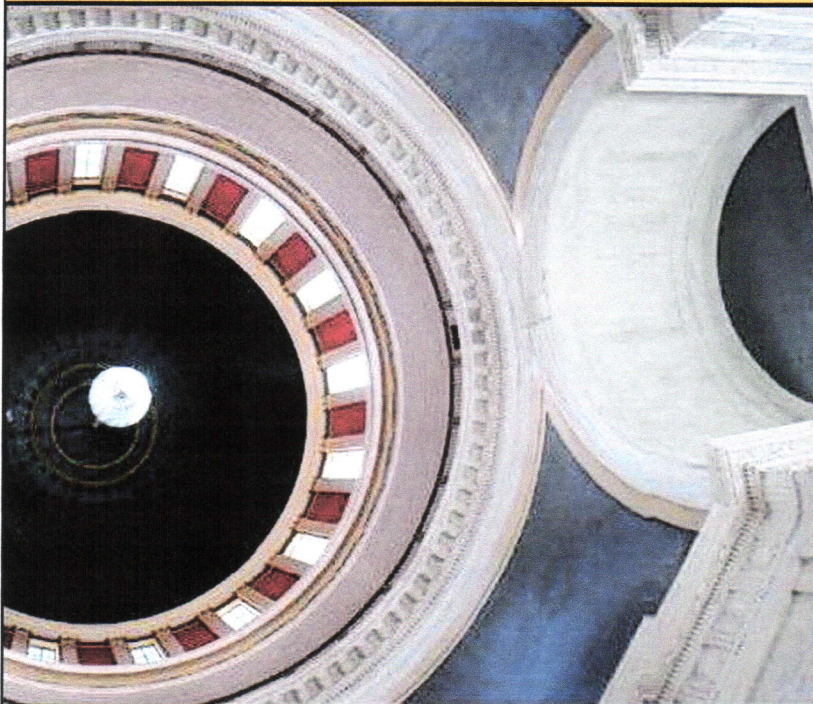
LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION

WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT

FOR THE YEAR ENDING DECEMBER 31, 2011

REPORT OVERVIEW

- Lack of Support
- Unallowable
- Commingled



WEST VIRGINIA LEGISLATIVE AUDITOR POST AUDIT DIVISION



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

We conducted a compliance inspection and review of the financial transactions and records of the Washington Lands Volunteer Fire Department's state funds for the calendar year ended December 31, 2008. We reported on September 13, 2011 the VFD lacked proper supporting documentation for expenditures totaling \$4,656.74. In compliance with the provisions of the W.Va. Code, §12-4-14 as amended, we conducted a follow-up compliance inspection and review of the financial transactions and records of the Washington Lands Volunteer Fire Department's state funds for the calendar year ended December 31, 2011. 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 blue ink that reads "Denny Rhodes".

Denny Rhodes, Acting Director
Legislative Post Audit Division

DR/nmh

WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

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WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

EXECUTIVE SUMMARY

Lack of Supporting Documentation	\$5,864.33
Unallowable Expenditures	\$652.85
Commingled Funds	<u>\$4,757.84</u>
Total	\$11,275.02

We reported on September 13, 2011 the VFD lacked proper supporting documentation for expenditures totaling \$4,656.74.

In compliance with the provisions of W. Va. Code §12-4-14 as amended, we conducted a follow-up compliance inspection and review of the financial transactions and records of the Washington Lands Volunteer Fire Department's state funds for the calendar year ended December 31, 2011.

Due to the commingling of state funds and lack of accurate financial records, we were unable to determine if all expenditures for the year ended December 31, 2011 were allowable and supported. However, based on the documents provided, we noted the following:

FINDING 1 LACK OF SUPPORT:

The Fire Department lacked proper supporting documentation for expenditures totaling \$5,864.33.

Recommendation:

We recommend the department maintain proper documentation for all expenditures made from state funds and reimburse their state account \$5,864.33 for expenditures that lacked proper support.

FINDING 2 UNALLOWABLE:

The Washington Lands Volunteer Fire Department made \$652.85 in expenditures identified from state funds that were not allowed by W. Va. Code §8-15-8(b), as amended.

Recommendation:

We recommend the state revenues allocated to the Fire Department only be used for expenditures, as authorized by W. Va. Code §8-15-8(b), as amended. We further recommend the Department reimburse their state account \$652.85 for items that were unallowable.

FINDING 3 COMMINGLED:

The Fire Department commingled State funds with funds from other sources totaling \$4,757.84.

Recommendation:

We recommend the Washington Lands VFD maintain all State funds in a separate account and not commingled with funds received from other sources.

Response:

The department will reimburse their state account for items that lacked proper support or were unallowable. The department agreed with all findings and recommendations.

WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

INTRODUCTION

POST AUDIT AUTHORITY

The procedures were conducted pursuant to W. Va. Code, §12-4-14, 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 W. Va. Code, §33-3-14d, 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 W. Va. Code, §33-12c-9, 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 W. Va. Code, §33-3-14d, as amended.

The West Virginia Legislature again provided additional revenue for the volunteer and part Volunteer Fire Departments by authorizing, under W. Va. Code, §33-3-33, 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.

W. Va. Code, §33-3-14d 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 W. Va. Code, §8-15-8a, as amended:

The Legislature placed restrictions on the use of these additional revenues by the Volunteer Fire Departments under W. Va. Code, §8-15-8b, as amended March 8, 2000, and again April 9, 2005.

Prior to the March 8, 2000 amendment, W. Va. Code, §8-15-8b 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, W. Va. Code, §8-15-8b did not allow Dues as

described in subsection (12). On March 13, 2010, W. Va. Code, §8-15-8b 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.

W. Va. Code, §12-4-14, 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.

W. Va. Code, §12-4-14 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.

WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

OFFICERS AND STAFF

William Murphy.....President
Wilda AllenVice President
Mary Gump. Treasurer
Gina MurphySecretary
Chad Gump.....Fire Chief

WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

SCOPE

We conducted an evaluation of the revenue and expenditure transactions, and other records of the Washington Lands Volunteer Fire Department's state accounts for the year ending December 31, 2011. Our scope included determining instances of noncompliance with W. Va. Code, §8-15-8b, and other applicable laws and regulations. The Compliance inspection was conducted in accordance with criteria set forth by the Legislative Post Audit Division.

OBJECTIVES AND METHODOLOGIES

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. Our sample also included specific departments selected for audit at the request of the Fire Marshal or by Legislative Post Audit.

We scheduled all canceled checks that were submitted regarding State funds, accounting for every check number in sequence. We matched these checks to the proper invoices and noted any lack of documentation and any instances of noncompliance with W. Va. Code, §8-15-8b, as amended. We reviewed the bank statements to determine if the account was commingled, or if any other deposits were made during the year that did not come from the WV State Treasurer. While reviewing the bank statements we also looked for any other electronic debits or credits or bank service charges. For all State grants awarded to the department for our audit period we requested and reviewed the grant agreement, supporting invoices, bank statements, checks, ledgers, and sworn statement of expenditures, if applicable, to determine if expenditures for the grant were allowable and properly documented.

We made copies of any documents that were questionable. We developed a list of any missing documentation and sent it with a letter to the Fire Chief of the Department to give them a minimum of one week to find any missing documents and to explain any discrepancies we might have with the amount reported by the Department versus the audited amount. We prepared our findings if applicable and report after the deadline had passed. We discussed this report with the Department and explained they would get a copy of the report when it is presented to the Subcommittee.

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.

WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

CONCLUSIONS

Based on our review, due to the commingling of state funds and lack of accurate financial records we were unable to determine if all expenditures were allowable and supported. However based on our review of documents provided, we determined the department lacked proper support for expenditures totaling \$5,864.33 and made expenditures totaling \$652.85 that were not allowed by W. Va. Code §8-15-8(b), as amended. We also found the department commingled Non State funds with State funds totaling \$4,757.84.

EXIT CONFERENCE

We discussed this report with the Treasurer of the Washington Lands Volunteer Fire Department on March 14, 2014. All findings and recommendations were reviewed and discussed. The department agreed with all findings and recommendations.

WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

FINDINGS

FINDING 1 LACK OF SUPPORT:

CONDITION:

Based on the documentation provided to us, the Washington Lands Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$5,864.33. We noted the Fire Department could not provide proper documentation for the following expenditures:

<u>CHECK NO.</u>	<u>CHECK DATE</u>	<u>PAYEE</u>	<u>AMOUNT</u>	<u>INFORMATION REQUIRED</u>
2308	12/24/2010	Green Acres Power sports	\$18.95	Itemized invoice
2312	1/20/2011	ABC Fire Services	\$500.00	Itemized invoice
2313	VOID	VOID	\$0.00	Original voided check
2315	1/20/2011	Fleet Towing & Repair	\$514.97	List of insured vehicles including this vehicle
2316	1/20/2011	Marshall County PSD	\$99.24	Itemized invoice
2320	2/16/2011	Marshall County PSD #2	\$51.98	Itemized invoice
2323	2/16/2011	ABC Fire Services LLC	\$1,000.00	Itemized invoice
2325	3/8/2011	Upper Ohio Valley Fire & Rescue School	\$385.00	Itemized invoice
EFT	4/21/2011	American Electric Power	\$0.35	Support for remainder
2332	4/25/2011	ABC Fire Services LLC	\$491.80	Itemized invoice
2335	4/25/2011	Comcast	\$142.08	Itemized invoice

2336	4/25/2011	Valley National Gases	\$199.58	Invoice supporting entire check amt.
2340	VOID	VOID	\$0.00	Original voided check
2347	VOID	VOID	\$0.00	Original voided check
2350	7/17/2011	Exxon Goddard's	\$23.03	Support for remainder
2354	8/15/2011	Frontier	\$120.31	Support for duplicate payment
2356	8/15/2011	Keds Ace Hardware	\$79.20	Support for remainder
2357	8/15/2011	Goddard's Exxon	\$309.02	Itemized invoice
2360	8/15/2011	Comcast Business Class	\$106.80	Breakdown of charges
2361	8/15/2011	Dale's Pontiac Sales Inc.	\$268.96	Itemized invoice
2364	8/19/2011	Washington Lands VFD Unrestricted Account	\$675.00	Itemized invoice(s)
2366	8/24/2011	Autozone	\$42.35	Itemized invoice
2368	9/7/2011	Pepsi Beverages Company	\$151.85	Itemized invoice
2369	10/6/2011	Ked's Ace Hardware	\$44.18	Itemized invoice
2370	10/6/2011	Comcast	\$108.80	Breakdown of charges
2371	VOID	VOID	\$0.00	Original voided check
2372	10/6/2011	Goddard's Exxon	\$8.00	Support for remainder
2373	VOID	VOID	\$0.00	Original voided check
2374	10/21/2011	AT&T	\$318.98	Subsequent invoice
2376	11/11/2011	Office of the Secretary of State	\$150.00	Itemized invoice
2378	11/19/2011	Comcast	<u>\$53.90</u>	Support for entire check amt.
		Total	<u>\$5,864.33</u>	

CRITERIA:

W. Va. Code §8-15-8(b), as amended, states in part:

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

Revenues allocated to volunteer and part volunteer fire companies and departments may be expended only for the items listed in subdivisions (1) through (15) of this section. 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.”

CAUSE:

The Department did not have sufficient procedures in place to insure that all expenditures are properly documented.

EFFECT:

There is a greater risk for fraud and abuse when expenditures are not properly documented. Due to the lack of proper supporting documentation, we were unable to determine if these expenditures were allowable.

RECOMMENDATION:

We recommend the department maintain proper documentation for all expenditures made from state funds and reimburse their State account \$5,864.33 for expenditures that lacked proper support.

FINDING 2 UNALLOWABLE:

CONDITION:

The Washington Lands Volunteer Fire Department made \$652.85 in expenditures identified from state funds that were not allowed by W. Va. Code §8-15-8(b), as amended.

We determined the following items were purchased with State money that were not allowable under the West Virginia Code:

<u>CHECK</u>	<u>CHECK</u>			
<u>NO.</u>	<u>DATE</u>	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
2334	4/25/2011	Comcast	\$3.98	Cable TV
2362	8/20/2011	Ohio Valley Awards	\$449.50	Decals/Poster Trophies
2363	8/19/2011	Pepsi	\$86.60	Pepsi & Mt. Dew
2378	11/19/2011	Comcast	\$106.80	Partially for Cable TV
2384	11/19/2011	Comcast	<u>\$5.97</u>	Cable TV
		Total	\$652.85	

CRITERION:

W. Va. Code §8-15-8(b), as amended, states in part:

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

Revenues allocated to volunteer and part volunteer fire companies and departments may be expended only for the items listed in subdivisions (1) through (15) of this section. 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.”

CAUSE:

The Department may not have sufficient knowledge of W. Va. Code §8-15-8(b) to determine allowable expenditures under the Code.

EFFECT:

Due to unallowable expenditures, the Department may have less funding available for expenditures required for effective and efficient fire protection services.

RECOMMENDATION:

We recommend the state revenues allocated to the Fire Department only be used for expenditures, as authorized by W. Va. Code §8-15-8(b), as amended. We further recommend the Department reimburse their state account \$652.85 for items that were unallowable.

FINDING 3 COMMINGLED:

CONDITION:

The Washington Lands Volunteer Fire Department commingled State funds with funds from other sources totaling \$4,757.84.

CRITERION:

W.Va. Code §8-15-8(b), as amended, states in part:

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

Revenues allocated to volunteer and part volunteer fire companies and departments may be expended only for the items listed in subdivisions (1) through (15) of this section. Funds received from the state for volunteer and part volunteer fire companies and departments, pursuant to sections fourteen-d and thirty-three, article three, and section seven, article twelve-c, all of chapter thirty-three of this code, **may not be commingled with funds received from any other source.” Emphasis added**

CAUSE:

The Department deposited \$4,757.84 from other sources into their State account. We were unable to determine the source of these funds.

EFFECT:

Due to the commingling of funds, we may be unable to determine if all expenditures made from state funds were allowable and/or properly documented.

RECOMMENDATION:

We recommend the Washington Lands VFD maintain all State funds in a separate account and not commingled with funds received from other sources.

WASHINGTON LANDS VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES YEAR ENDED DECEMBER 31, 2011

<u>Authorizing W.Va Code</u>	AUDIT	VFD	DIFFERENCES
Chapter 8, Article 15, Section 8b(1)	\$0.00	\$8,973.72	-\$8,973.72 b
Chapter 8, Article 15, Section 8b(2)	\$3,000.00	\$3,000.00	\$0.00
Chapter 8, Article 15, Section 8b(3)	\$1,400.00	\$2,698.45	-\$1,298.45 c
Chapter 8, Article 15, Section 8b(4)	\$4,432.18	\$1,353.31	\$3,078.87 d
Chapter 8, Article 15, Section 8b(5)	\$1,138.36	\$0.00	\$1,138.36 e
Chapter 8, Article 15, Section 8b(6)	\$0.00	\$0.00	\$0.00
Chapter 8, Article 15, Section 8b(7)	\$7,362.53	\$8,351.68	-\$989.15 f
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)	\$9,561.56	\$9,561.56	\$0.00
Chapter 8, Article 15, Section 8b(11)	\$1,857.19	\$2,708.60	-\$851.41 g
Chapter 8, Article 15, Section 8b(12)	\$100.00	\$275.00	-\$175.00 h
Chapter 8, Article 15, Section 8b(13)	\$5,521.00	\$5,521.00	\$0.00
Chapter 8, Article 15, Section 8b(14)	\$0.00	\$0.00	\$0.00
Chapter 8, Article 15, Section 8b(15)	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Disbursements For Year Ended December 31, 2011	\$34,372.82	\$42,443.32	-\$8,070.50 a

a = Difference between total audited distributions and total distributions reported on financial statement:

Items that lack support	-\$5,864.33
Items that were unallowable	-652.85
GL total \$40,729.53 but reported \$42,443.32 on financial statement	-\$1,713.79
Check 2368 included on bank statement but not included on ledger	\$151.85
Check 2363 written for \$86.60 per audit but coded as \$86.80 on financial statement	-\$0.20
Check 2388 written for \$134.82 per audit but coded as \$126.00 on financial statement	<u>\$8.82</u>
Total	-\$8,070.50

b, c, d, e, f, g, h = Incorrect coding of line items plus above noted items that lacked support, were unallowable or were recording errors