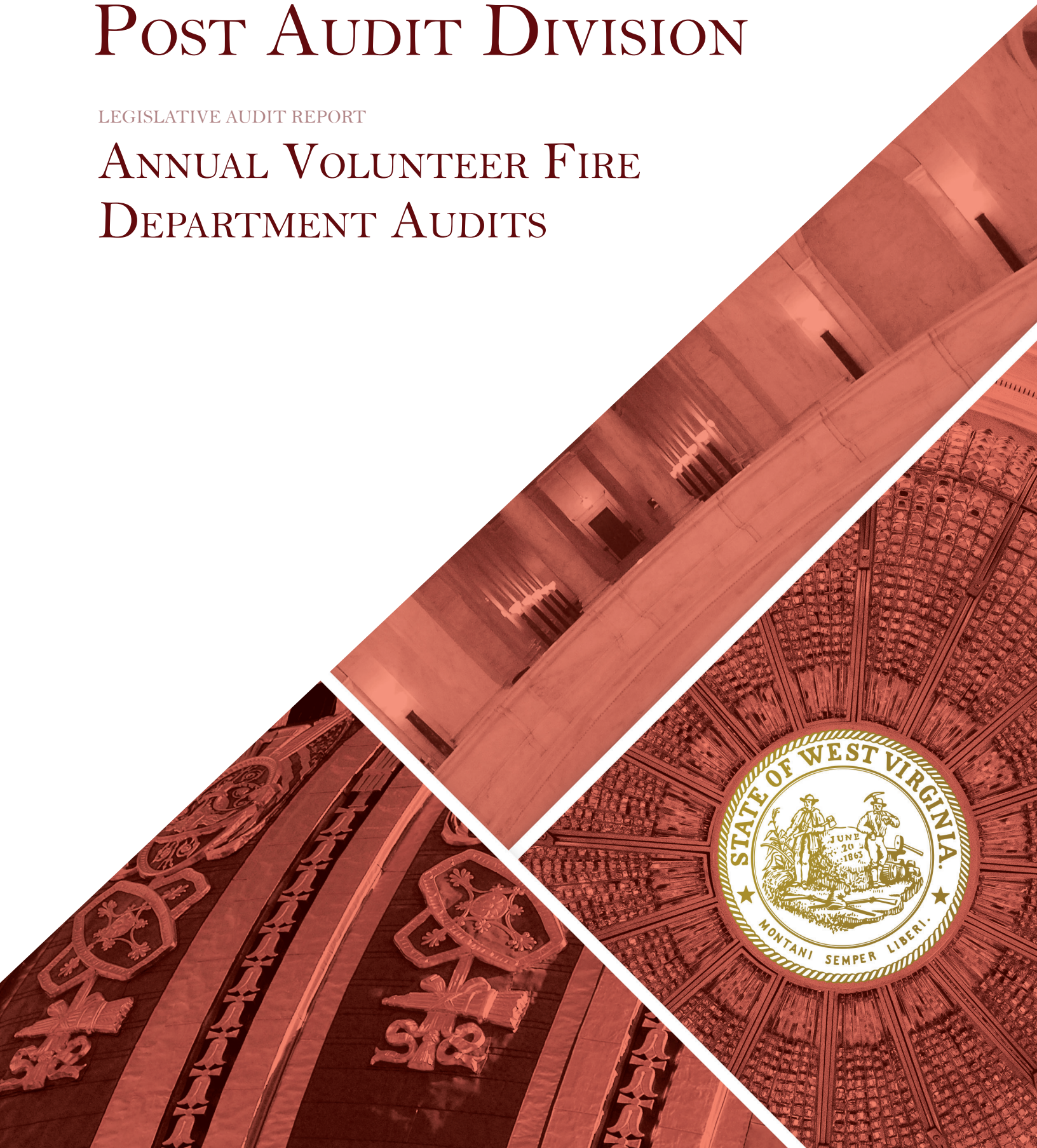


JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR

POST AUDIT DIVISION

LEGISLATIVE AUDIT REPORT

ANNUAL VOLUNTEER FIRE DEPARTMENT AUDITS



JOINT COMMITTEE ON
GOVERNMENT & FINANCE

***Note:** On Monday, February 6, 2017, the Legislative Manager/ Legislative Auditor's wife, Elizabeth Summit, began employment as the Governor's Deputy Chief Counsel. Most or all the actions discussed and work performed in this report occurred after this date. However, the Governor's Deputy Chief Counsel was not involved in the subject matter of this report, nor did the audit team have any communications with her regarding the report. As Deputy Chief Counsel, the Legislative Auditor's wife is not in a policy making position within the Executive Branch. Therefore, the Post Audit Division does not believe there are any threats to independence with regard to this report as defined in A3.06.a and A3. 06.b of the Generally Accepted Government Auditing Standards. Furthermore, the Legislative Auditor has instructed the Director of the Post Audit Division to document and discuss any issues he believes are a threat to the division's independence with the President of the Senate and the Speaker of the House due to Ms. Summit's position.*

OFFICE OF THE
LEGISLATIVE AUDITOR
Legislative Manager & Legislative Auditor, Aaron Allred

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JANUARY 8, 2019
LEGISLATIVE AUDIT REPORT

2018 ANNUAL Report of VOLUNTEER FIRE DEPARTMENT AUDITS

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Table of Contents

Background – State Funding of Volunteer and Part-Volunteer Fire Departments	3 -
Objective	4 -
Scope.....	5 -
Methodology	5 -
Summary of 2018 VFD Audits.....	6 -
Volunteer Fire Departments in Compliance	7 -
Alum Creek Volunteer Fire Department	8 -
Clearview Volunteer Fire Department	9 -
Craigsville-Beaver-Cottle Volunteer Fire Department.....	10 -
Grantsville Volunteer Fire Department	11 -
Hacker Valley Volunteer Fire Department.....	12 -
Institute Volunteer Fire Department.....	13 -
Jackson’s Mill Volunteer Fire Department	14 -
Morrisvale Volunteer Fire Department	15 -
Town of Sophia Volunteer Fire Department	16 -
Volunteer Fire Departments Not in Compliance with W.Va. Code.....	17 -
Anawalt Volunteer Fire Department	18 -
Boggs Run Volunteer Fire Department	20 -
Bridgeport Volunteer Fire Department.....	22 -
Cameron Volunteer Fire Department	23 -
Coal River Volunteer Fire Department	25 -
Coalwood-Caretta Volunteer Fire Department.....	27 -
Ellamore Volunteer Fire Department	29 -
Fairview Volunteer Fire Department.....	30 -
Fort Ashby Volunteer Fire Department.....	31 -
Fort Gay Volunteer Fire Department.....	32 -
Gauley Bridge Volunteer Fire Department	33 -
Glasgow Volunteer Fire Department.....	34 -
Grafton Fire Department	35 -
Green Valley Volunteer Fire Department	37 -

Jane Lew Volunteer Fire Department.....	- 38 -
Newell Volunteer Fire Department	- 39 -
Oakvale Volunteer Fire Department.....	- 41 -
Springfield Valley Volunteer Fire Department	- 43 -
Teays Valley Volunteer Fire Department.....	- 45 -
Van Volunteer Fire Department	- 47 -
Wallace Volunteer Fire Department.....	- 49 -
Legislative Auditor’s Comments	- 51 -
Appendix.....	- 52 -

Background – 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, 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 makes up 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. Figure 1 below shows the amounts distributed and the number of departments that benefited from these distributions over the last seven years.

Figure 1 – Distribution of State Funds for Volunteer and Part-Volunteer Fire Departments - 2012 to 2018					
Year of Distribution	Total # of Departments	Received Full Distribution	Did Not Receive Full Distribution**	Received No Funding	Total Amount Distributed
2012	430	385	43	2	\$ 18,142,095.01
2013	439	373	65	1	\$ 18,184,727.75
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
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 a Statement of Expenditures with the Legislative Auditor's Office, not cooperating with an audit, being out of compliance with the State Fire Marshal, or being out of compliance with a DHHR grant.					

By February 14th of each year, all departments are required to file a *Statement of Expenditures*, often referred to as the financial statement, with the Legislative Auditor's Office showing how the money was spent. In January of each year, the Post Audit Division mails a letter to each of the departments to remind them of the deadline and instructions on how to file the

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.

statement. The Post Audit website allows departments to log in and complete the form on-line or print a form to be mailed in. The instructions on how to fill out the form are also on the website.

The Legislative Auditor is granted the authority to withhold a department's state funding if the department fails to meet certain standards. These standards include the following:

- 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
- If a department does not file a *Statement of Expenditures* for the preceding year by July 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 Statement of Expenditures by July 1, 2018, and remained non-compliant for the entire year, it would lose its July 1, 2018 funding on July 1, 2019. If the department was still non-compliant at the beginning of the next quarter, or October 1, 2019, it would lose the funding it would have received on October 1, 2018 and so on until it became compliant. Funds forfeited by non-compliant VFDs are added to the quarterly amounts distributed to the departments that are in compliance for that quarter.

W.Va. Code §12-4-14 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).

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 30 volunteer fire departments:

- Alum Creek
- Anawalt
- Boggs Run
- Bridgeport
- Cameron
- Clearview
- Coal River
- Coalwood-Caretta
- Craigsville-Beaver-Cottle
- Ellamore
- Fairview
- Fort Ashby
- Fort Gay
- Gauley Bridge
- Glasgow
- Grafton
- Grantsville
- Green Valley
- Hacker Valley
- Institute
- Jackson's Mill
- Jane Lew
- Morrisvale
- Newell
- Oakvale
- Springfield Valley
- Teays Valley
- Town of Sophia
- Van
- Wallace

Methodology

Post Audit management and the VFD Auditor 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:

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.

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

Summary of 2018 VFD Audits

Of the 30 volunteer fire departments that were audited, 21 were not in compliance with W.Va. Code. Figure two below groups these 21 non-compliant departments into categories of findings.

Figure 2 – Type of Finding(s) Noted for Non-Compliant Fire Departments	
Type of Finding	Number of Departments
Commingled Funds Only	6
Commingled Funds and Unallowable Expenditures	2
Commingled Funds and Unsupported Expenditures	2
Commingled Funds, Unallowable Expenditures, and Unsupported Expenditures	4
Unallowable Expenditures Only	2
Unsupported Expenditures Only	1
Unallowable Expenditures and Unsupported Expenditures	4
Total	21

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 on the Post Audit website at http://www.legis.state.W.Va.us/Joint/postaudit/vfd_audits.cfm

A summary of VFDs found to be in compliance begins on page seven. Beginning on page 17, those 21 VFDs found to be in non-compliance are summarized, including the findings and recommendations associated with the audit.

Volunteer Fire Departments in Compliance

The following nine VFDs were audited for compliance with W.Va. Code §8-15-8b and had no findings to report. Table 1 below notes the department, county in which the department is located, and the total funds audited.

Table 1 – Volunteer Fire Departments in Compliance with W.Va. Code		
Department	County	Total Funds Audited
Alum Creek	Lincoln	\$74,452.20
Clearview	Ohio	\$160,767.24
Craigsville-Beaver-Cottle	Nicholas	\$50,847.38
Grantsville	Calhoun	\$185,909.92
Hacker Valley	Webster	\$56,124.63
Institute	Kanawha	\$51,079.24
Jackson's Mill	Lewis	\$52,882.51
Morrisvale	Boone	\$239,412.56
Town of Sophia	Raleigh	\$162,518.72
Total:		<u>\$1,033,994.40</u>

The following report sections detail the results for each department audited and found to be in compliance as listed in Table 1.

ALUM CREEK VOLUNTEER FIRE DEPARTMENT

Alum Creek VFD, in Lincoln County, began 2016 with a balance of \$14,155.05 in its state account. The Department received additional funds from the State in the amount of \$48,687.15 during 2016. There were additional deposits into the account, and interest earned on the account, totaling \$11,610. Therefore, the audited funds totaled \$74,452.20.

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 figure below.

Table 2 – ALUM CREEK VFD State Funds Audited - Calendar Year 2016		
State Account		
Beginning Balance	\$14,155.05	
State Treasurer Deposits	\$48,687.15	
Additional Deposits & Interest Earned	<u>\$11,610.00</u>	
Total Funds Audited		\$74,452.20
Expenditures		
Proper Expenditures	<u>\$62,053.63</u>	
Total Expenditures		<u>\$62,053.63</u>
Balance Remaining in Account		<u>\$12,398.57</u>

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

CLEARVIEW VOLUNTEER FIRE DEPARTMENT

Clearview VFD, in Ohio County, began 2017 with a balance of \$110,715.18 in its state account. The Department received additional funds from the State in the amount of \$49,981.67 during 2017. Additionally, the state bank account earned \$70.39 in interest. Therefore, the audited funds totaled \$160,767.24.

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 figure below.

Table 3 – CLEARVIEW VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$110,715.18	
State Treasurer Deposits	\$49,981.67	
Interest Earned	<u>\$70.39</u>	
Total Funds Audited		\$160,767.24
Expenditures		
Proper Expenditures	<u>\$25.00</u>	
Total Expenditures		<u>\$25.00</u>
Balance Remaining in Account		<u>\$160,742.24</u>

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

CRAIGSVILLE-BEAVER-COTTLE VOLUNTEER FIRE DEPARTMENT

Craigsville-Beaver-Cottle VFD, in Nicholas County, began 2017 with a balance of \$857.80 in its state account. The Department received additional funds from the State in the amount of \$49,981.67 during 2017. Additionally, the state bank account earned \$7.91 in interest. Therefore, the audited funds totaled \$50,847.38.

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 figure below.

Table 4 – CRAIGSVILLE-BEAVER-COTTLE VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$857.80	
State Treasurer Deposits	\$49,981.67	
Interest Earned	<u>\$7.91</u>	
Total Funds Audited		\$50,847.38
Expenditures		
Proper Expenditures	<u>\$38,459.50</u>	
Total Expenditures		<u>\$38,459.50</u>
Balance Remaining in Account		
		<u>\$12,387.88</u>

The results presented in this report have been reviewed and discussed with the Craigsville-Beaver-Cottle VFD.

GRANTSVILLE VOLUNTEER FIRE DEPARTMENT

Grantsville VFD, in Calhoun County, began 2017 with a balance of \$137,140.69 in its state account. The Department received additional funds from the State in the amount of \$37,385.95 during 2017. There were additional deposits into the account, and interest earned on the account, totaling \$11,383.28. Therefore, the audited funds totaled \$185,909.92.

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 figure below.

Table 5 – GRANTSVILLE VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$137,140.69	
State Treasurer Deposits	\$37,385.95	
Additional Deposits & Interest Earned	<u>\$11,383.28</u>	
Total Funds Audited		\$185,909.92
Expenditures		
Proper Expenditures	<u>\$30,435.93</u>	
Total Expenditures		<u>\$30,435.93</u>
Balance Remaining in Account		<u>\$155,473.99</u>

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

HACKER VALLEY VOLUNTEER FIRE DEPARTMENT

Hacker Valley VFD, in Webster County, began 2017 with a balance of \$6,142.96 in its state account. The Department received additional funds from the State in the amount of \$49,981.67. Therefore, the audited funds totaled \$56,124.63.

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 figure below.

Table 6 – HACKER VALLEY VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$6,142.96	
State Treasurer Deposits	<u>\$49,981.67</u>	
Total Funds Audited		\$56,124.63
Expenditures		
Proper Expenditures	<u>\$53,133.13</u>	
Total Expenditures		<u>\$53,133.13</u>
Balance Remaining in Account		<u>\$2,991.50</u>

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

INSTITUTE VOLUNTEER FIRE DEPARTMENT

Institute VFD, in Kanawha County, began 2017 with a balance of \$1,091.33 in its state account. The Department received additional funds from the State in the amount of \$49,981.67 during 2017. Additionally, the state bank account earned \$6.24 in interest. Therefore, the audited funds totaled \$51,079.24.

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 figure below.

Table 7 – INSTITUTE VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$1,091.33	
State Treasurer Deposits	<u>\$49,981.67</u>	
Total Funds Audited		\$51,079.24
Expenditures		
Proper Expenditures	<u>\$37,151.24</u>	
Total Expenditures		<u>\$37,151.24</u>
Balance Remaining in Account		<u>\$13,928.00</u>

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

JACKSON'S MILL VOLUNTEER FIRE DEPARTMENT

Jackson's Mill VFD, in Lewis County, began 2016 with a balance of \$4,195.36 in its state account. The Department received additional funds from the State in the amount of \$48,687.15 during 2016. Therefore, the audited funds totaled \$52,882.51.

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 figure below.

Table 8 – JACKSON'S MILL VFD State Funds Audited - Calendar Year 2016		
State Account		
Beginning Balance	\$4,195.36	
State Treasurer Deposits	<u>\$48,687.15</u>	
Total Funds Audited		\$52,882.51
Expenditures		
Proper Expenditures	<u>\$50,972.29</u>	
Total Expenditures		<u>\$50,972.29</u>
Balance Remaining in Account		<u><u>\$1,910.22</u></u>

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

MORRISVALE VOLUNTEER FIRE DEPARTMENT

Morrisvale VFD, in Boone County, began Fiscal Year 2017 with a balance of \$189,249.48 in its state account. The Department received additional funds from the State in the amount of \$50,060.59 during Fiscal Year 2017. Additionally, the state bank account earned \$102.49 in interest. Therefore, the audited funds totaled \$239,412.56.

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 figure below.

Table 9 – MORRISVALE VFD State Funds Audited - Calendar Years 2016 and 2017		
State Account		
Beginning Balance	\$189,249.48	
State Treasure Deposits	\$50,060.59	
Interest Earned	<u>\$102.49</u>	
Total Funds Audited		\$239,412.56
Expenditures		
Proper Expenditures	<u>\$27,247.07</u>	
Total Expenditures		<u>\$27,247.07</u>
Balance Remaining in Account		
		<u>\$212,165.49</u>

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

TOWN OF SOPHIA VOLUNTEER FIRE DEPARTMENT

Town of Sophia VFD, in Raleigh County, began 2016 with a balance of \$63,849.90 in its state account. The Department received additional funds from the State in the amount of \$98,668.82. Therefore, the audited funds totaled \$162,518.72.

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 figure below.

Table 10 – TOWN OF SOPHIA VFD State Funds Audited - Calendar Years 2016 and 2017		
State Account		
Beginning Balance	\$63,849.90	
State Treasurer Deposits	<u>\$98,668.82</u>	
Total Funds Audited		\$162,518.72
Expenditures		
Proper Expenditures	<u>\$79,821.50</u>	
Total Expenditures		<u>\$79,821.50</u>
Balance Remaining in Account		<u><u>\$82,697.22</u></u>

The results presented in this report have been reviewed and discussed with the Town of Sophia VFD.

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

The following 21 VFDs were audited and were found not to be in compliance with W.Va. Code §8-15-8b. Table 11 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 11 - Departments Not in Compliance with W.Va. Code			
Department	County	Total Funds Audited	Amount not in Compliance
Anawalt	McDowell	\$58,989.22	\$457.97
Boggs Run	Marshall	\$149,521.16	\$46,896.92
Cameron	Marshall	\$122,356.91	\$10,296.31
Coal River	Raleigh	\$50,674.23	\$5,689.50
Coalwood-Caretta	McDowell	\$76,565.16	\$147.16
Fort Gay	Wayne	\$72,293.36	\$946.65
Gauley Bridge	Fayette	\$50,255.92	\$1,308.37
Grafton	Taylor	\$61,606.94	\$105.00
Green Valley	Cabell	\$52,003.90	\$250.00
Newell	Hancock	\$53,424.68	\$3,937.05
Oakvale	Mercer	\$87,979.07	\$91.74
Springfield Valley	Hampshire	\$93,064.43	\$4,140.56
Teays Valley	Putnam	\$72,192.83	\$175.86
Van	Boone	\$147,771.88	\$4,985.34
Wallace	Harrison	\$53,065.40	<u>\$490.59</u>
Bridgeport	Harrison	\$48,687.15	Commingled Funds
Ellamore	Upshur	\$87,734.72	Commingled Funds
Fairview	Marion	\$60,006.80	Commingled Funds
Fort Ashby	Mineral	\$149,585.40	Commingled Funds
Glasgow	Kanawha	\$48,995.23	Commingled Funds
Jane Lew	Lewis	<u>\$67,444.30</u>	Commingled Funds
Total:		<u>\$1,664,218.69</u>	<u>\$79,919.02</u>

The following report sections detail the results for each department audited and found to be non-compliant as listed in Table 11.

ANAWALT VOLUNTEER FIRE DEPARTMENT

Anawalt VFD, in McDowell County, **was not in compliance with W.Va. Code.**

The total amount of \$457.97 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.

Additionally, the Department comingled \$1,915 of funds from other sources in its state account.

The Department began with a balance of \$44,487.57 in its state account on November 1, 2015. During the period audited, the Department received \$12,586.65 in quarterly allotments disbursed by the W.Va. State Treasurer and deposited \$1,915.00 from other sources into its state account. Thus, the total amount of funds audited for the period was \$58,989.22.

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 12 – ANAWALT VFD State Funds Audited - Partial Calendar Year 2016 ³		
State Account		
Beginning Balance	\$44,487.57	
State Treasurer Deposits	\$12,586.65	
Additional Deposits	<u>\$1,915.00</u>	
Total Funds Audited		\$58,989.22
State Account Expenditures		
Proper Expenditures	\$47,028.60	
Inadequate Expenditure Documentation	<u>\$457.97</u>	
Total Expenditures		<u>\$47,486.57</u>
Balance Remaining in Account		<u>\$11,502.65</u>

Recommendations Made to the Department

1. Normally, the Legislative Auditor would have recommended the Department reimburse its state account a total of \$457.97 for the purchases with insufficient documentation. However, due to the Department depositing \$1,915.00 from other sources into its state account, the Legislative Auditor did not make this recommendation.
2. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.

³ The Department was prohibited from receiving state funds due to noncompliance; therefore, only a portion of the year was available to audit.

3. The Legislative Auditor recommended the Department cease depositing non-state funds into its designated state bank account and, if necessary, setup another bank account for funds not provided by the State.

The results presented in this report have been reviewed and discussed with the Anawalt VFD. The Department is in the process of complying with the recommendations.

BOGGS RUN VOLUNTEER FIRE DEPARTMENT

Boggs Run VFD, in Marshall County, **was not in compliance with W.Va. Code.**

Of the total amount of \$46,896.92 not in compliance with W.Va. Code, \$11,737.14 was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: food and food-related items, beverages, accident & sickness insurance, alcohol, an ice maker, license plates, lottery tickets, magazine subscriptions, a power inverter, t-shirts, propane tank exchanges, and tickets for fundraisers.

The remaining amount of \$35,159.78 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.

Additionally, the Department comingled \$52,393.33 of funds from other sources in its state account. Finally, the VFD commingled its state funds by writing two checks to itself for \$1,800 and \$50, respectively.

The Department began with a balance of \$48,441.68 in its state account on January 1, 2016. During the period audited, the Department received \$48,687.15 in quarterly allotments disbursed by the W.Va. State Treasurer and deposited \$52,392.33 from other sources into its state account. Thus, the total amount of funds audited for the period was \$149,521.16.

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 13 – BOGGS RUN VFD State Funds Audited - Calendar Year 2016		
State Account		
Beginning Balance	\$48,441.68	
State Treasurer Deposits	\$48,687.15	
Additional Deposits	<u>\$52,392.33</u>	
Total Funds Audited		\$149,521.16
State Account Expenditures		
Proper Expenditures	\$99,410.45	
Inadequate Expenditure Documentation	\$35,159.78	
Unallowable Expenditures	\$11,737.14	
Transferred Funds Accounted For	<u>\$1,850.00</u>	
Total Expenditures		<u>\$148,157.37</u>
Balance Remaining in Account		<u><u>\$1,363.79</u></u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Boggs Run Volunteer Fire Department cease commingling its state account with funds from other sources. The Department deposited \$52,392.33 from other sources into its state account and wrote two checks to itself for \$1,800 and \$50, respectively. These practices are not allowed per W.Va. Code. The only funds that should be going into the state account are the four quarterly distributions from the State Treasurer's Office and any refunds or reimbursements for expenditures made from the state account. Once in the state account, these funds should not be transferred or otherwise removed from the state account unless used for an allowable expenditure.
2. The Legislative Auditor recommended the Boggs Run Volunteer Fire Department maintain adequate supporting documents for all expenditures made from its state account.
3. The Legislative Auditor recommended the Boggs Run Volunteer Fire Department cease using its state funding to purchase items and/or services that are not allowed by W.Va. Code Section 8-15-8b. Please note that if a VFD returns an item purchased with state funds, it must put the funds it obtains back into the state account. If the purchase was made on a credit card, the funds should go back onto the card and not be returned for cash.
4. For future audits, the Legislative Auditor recommended the Boggs Run Volunteer Fire Department write the check number on each invoice or receipt and place the invoices/receipts in order by check number. All invoices/receipts provided should correspond to a specific check number.
5. Normally, the Legislative Auditor would have recommended that the Boggs Run Volunteer Fire Department reimburse its state account (i.e. move funds from a non-state bank account into the state account) a total of \$46,896.92 for the expenditures that were unsupported or not allowed. However, since the VFD deposited more than this amount into the state account, the Legislative Auditor did not make this recommendation.

The results presented in this report have been provided to the Boggs Run VFD in the form of a letter. The Department did not disagree with any of the above recommendations.

BRIDGEPORT VOLUNTEER FIRE DEPARTMENT

Bridgeport VFD, in Harrison County, **was not in compliance with W.Va. Code**. The Department commingled its state funds with funds from other sources by directing the State Auditor's Office to deposit its quarterly state funding of \$48,687.15 into a non-state account. The Legislative Auditor was unable to determine the beginning and the ending balances due to the commingling of state funds⁴.

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department maintain all state funds in a separate bank account to ensure there is no commingling with funds received from other sources.

The results presented in this report have been reviewed and discussed with the Bridgeport VFD. The Department has complied with our request by creating a separate fund for the state funds.

⁴ The state funds were deposited into the General Fund and designated as for the Fire Department. This fund had a total original budget of over \$14.5 million, and the Fire Department Budget was \$2.5 million. Each month's bank statement is over 110 pages long, and they wrote over 3,600 checks during the last fiscal year. It was not cost effective to analyze the \$2.5 million in expenditures for approximately \$49,000 in state funding.

CAMERON VOLUNTEER FIRE DEPARTMENT

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

Of the total amount of \$10,296.31 not in compliance with W.Va. Code, \$2,105.20 was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: accident and sickness insurance, returned item fee, overdraft fees, negative account balance fee, food, sales tax on food, beverages, and ice.

The remaining amount of \$8,191.11 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.

Additionally, the Department comingled \$21,349.55 of funds from other sources in its state account.

The Department began with a balance of \$9,181.11 in its state account on January 1, 2013. During the period audited, the Department received \$91,826.25 in quarterly allotments disbursed by the W.Va. State Treasurer and deposited \$21,349.55 from other sources into its state account. Thus, the total amount of funds audited for the period was \$122,356.91.

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, are summarized in the figure below.

Table 14 – CAMERON VFD State Funds Audited - Calendar Years 2013 and 2014		
State Account		
Beginning Balance	\$9,181.11	
State Treasurer Deposits	\$91,826.25	
Additional Deposits	<u>\$21,349.55</u>	
Total Funds Audited		\$122,356.91
State Account Expenditures		
Proper Expenditures	\$107,864.57	
Unallowable Expenditures	\$2,105.20	
Inadequate Expenditure Documentation	<u>\$8,191.11</u>	
Total Expenditures		<u>\$118,160.38</u>
Balance Remaining in Account		<u>\$4,196.53</u>

Recommendations Made to the Department

1. Normally, the Legislative Auditor would have recommended the Department reimburse its state account a total of \$10,296.31 for the purchases not permitted by W.Va. Code §8-15-8b and for the purchases with insufficient documentation. However, due to the Department depositing \$21,349.55 from other sources into its state account, the Legislative Auditor did not make this recommendation.
2. The Legislative Auditor recommended the Department cease expending funds from the state account for items or services not permitted by W.Va. Code §8-15-8b.
3. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.
4. The Legislative Auditor recommended the Department cease depositing non-state funds into its designated state bank account and, if necessary, setup another bank account for funds not provided by the State.

The results presented in this report have been reviewed and discussed with the Cameron VFD. The Department states that it has been complying with the recommendation concerning the commingling of funds and that it has been maintaining adequate documentation for its state account expenditures. It also will no longer purchase accident and sickness insurance, food, beverages, and other unallowable items with state funds.

COAL RIVER VOLUNTEER FIRE DEPARTMENT

Coal River VFD, in Raleigh County, **was not in compliance with W.Va. Code.**

Of the total amount of \$5,689.50 not in compliance with W.Va. Code, \$4,308.95 was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: Transfers out of the state account, TV and TV-related services, towing of a bus, food-and-beverage-related items, literacy donations on Frontier bills, and late fees.

The remaining amount of \$1,380.55 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 \$712.08 in its state account on January 1, 2016. During the period audited, the Department received \$48,687.15 in quarterly allotments disbursed by the W.Va. State Treasurer and transferred \$1,275.00 out of its state account. Thus, the total amount of funds audited for the period was \$50,674.23.

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 15 – COAL RIVER VFD State Funds Audited - Calendar Year 2016		
State Account		
Beginning Balance	\$712.08	
State Treasurer Deposits	\$48,687.15	
Transferred Funds	<u>\$1,275.00</u>	
Total Funds Audited		\$50,674.23
State Account Expenditures		
Proper Expenditures	\$43,362.91	
Inadequate Expenditure Documentation	\$1,380.55	
Unallowable Expenditures	\$4,308.95	
Transferred Funds Accounted For	<u>\$1,275.00</u>	
Total Expenditures		<u>\$50,327.41</u>
Balance Remaining in Account		<u><u>\$346.82</u></u>

Recommendations Made to the Department

- The Department was able to provide supporting documentation for an allowable expenditure that exceeded the \$1,275.00 of funds transferred out of the state account. Therefore, the Legislative Auditor recommended the Department reimburse the state account a total of \$4,414.50 for the purchases with insufficient documentation and for the remaining purchases not permitted by W.Va. Code §8-15-8b.

2. The Legislative Auditor recommended the Department cease expending funds from the state account for items or services not permitted by W.Va. Code §8-15-8b.
3. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.
4. The Legislative Auditor recommended the Department cease transferring state funds from the designated state bank account to a non-state bank account.

The results presented in this report have been reviewed and discussed with the Coal River VFD. The Department is in the process of complying with the recommendations.

COALWOOD-CARETTA VOLUNTEER FIRE DEPARTMENT

Coalwood-Caretta VFD, in McDowell County, **was not in compliance with W.Va. Code.**

Of the total amount of \$147.16 not in compliance with W.Va. Code, \$3.00 was not in compliance due to this purchase being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: beverage cups.

The remaining amount of \$144.16 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 \$26,485.28 in its state account on January 1, 2017. During the period audited, the Department received \$49,981.67 in quarterly allotments disbursed by the W.Va. State Treasurer and interest earned on the account totaling \$98.21. Thus, the total amount of funds audited for the period was \$76,565.16.

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 16 – COALWOOD–CARETTA VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$26,485.28	
State Treasurer Deposits	\$49,981.67	
Interest Earned	<u>\$98.21</u>	
Total Funds Audited		\$76,565.16
State Account Expenditures		
Proper Expenditures	\$42,616.13	
Inadequate Expenditure Documentation	\$144.16	
Unallowable Expenditures	<u>\$3.00</u>	
Total Expenditures		<u>\$42,763.29</u>
Balance Remaining in Account		<u>\$33,801.87</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$147.16 for both the purchases with insufficient documentation and for the purchase not permitted by W.Va. Code §8-15-8b.
2. The Legislative Auditor recommended the Department cease expending funds from the state account for items or services not permitted by W.Va. Code §8-15-8b.
3. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.

The results presented in this report have been reviewed and discussed with the Coalwood-Caretta VFD. The Department is in the process of complying with the recommendations.

ELLAMORE VOLUNTEER FIRE DEPARTMENT

Ellamore VFD, in Upshur County, **was not in compliance with W.Va. Code**. The Department commingled its state funds with funds from other sources by transferring \$67,000 out of its state account into a non-state account.

The Department began with a balance of \$15,204.33 in its state account on January 1, 2015. During the period audited, the Department received \$72,441.62 in quarterly allotments disbursed by the W.Va. State Treasurer and interest earned on the account totaling \$88.77. Thus, the total amount of funds audited for the period was \$87,734.72.

The Department's financial activity in the state account during the audit period, including amounts audited and accounted for, are summarized in the figure below.

Table 17 – ELLAMORE VFD State Funds Audited - Calendar Years 2015 and 2016		
State Account		
Beginning Balance	\$15,204.33	
State Treasurer Deposits	\$72,441.62	
Interest Earned	<u>\$88.77</u>	
Total Funds Audited		\$87,734.72
State Account Expenditures		
Proper Expenditures	<u>\$80,362.00</u>	
Total Expenditures		<u>\$80,362.00</u>
Balance Remaining in Account		<u><u>\$7,372.72</u></u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department cease transferring funds from its designated state bank account to a non-state bank account.

The results presented in this report have been reviewed and discussed with the Ellamore VFD. The Department is in the process of complying with the recommendation.

FAIRVIEW VOLUNTEER FIRE DEPARTMENT

Fairview VFD, in Marion County, **was not in compliance with W.Va. Code**. The Department commingled its state funds with funds from other sources by transferring \$30,000 out of its state account into a non-state account.

The Department began with a balance of \$35,135.04 in its state account on January 1, 2016. During the period audited, the Department received \$24,828.31 in quarterly allotments disbursed by the W.Va. State Treasurer and interest earned on the account totaling \$43.45. Thus, the total amount of funds audited for the period was \$60,006.80.

The Department's financial activity in the state account during the audit period, including amounts audited and accounted for, are summarized in the figure below.

Table 18 – FAIRVIEW VFD State Funds Audited - Calendar Year 2016		
State Account		
Beginning Balance	\$35,135.04	
State Treasurer Deposits	\$24,828.31	
Interest Earned	<u>\$43.45</u>	
Total Funds Audited		\$60,006.80
State Account Expenditures		
Proper Expenditures (Non-state account) ⁵	<u>\$30,000.00</u>	
Total Expenditures		<u>\$30,000.00</u>
Balance Remaining in Account		<u>\$30,006.80</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department cease transferring state funds from its designated state bank account to a non-state bank account.

The results presented in this report have been reviewed and discussed with the Fairview VFD. The Department is in the process of complying with the recommendation.

⁵ The Department supplied documentation to account for the \$30,000 that was transferred into the non-state account being spent on items allowed by W.Va. Code.

FORT ASHBY VOLUNTEER FIRE DEPARTMENT

Fort Ashby VFD, in Mineral County, **was not in compliance with W.Va. Code**. The Department commingled its state funds with funds from other sources by transferring \$70,000 out of its state account into a non-state account.

The Department began with a balance of \$100,874.51 in its state account on January 1, 2016. During the period audited, the Department received \$48,687.15 in quarterly allotments disbursed by the W.Va. State Treasurer and interest earned on the account totaling \$23.74. Thus, the total amount of funds audited for the period was \$149,585.40.

The Department's financial activity in the state account during the audit period, including amounts audited and accounted for, are summarized in the figure below.

Table 19 – FORT ASHBY VFD State Funds Audited - Calendar Year 2016		
State Account		
Beginning Balance	\$100,874.51	
State Treasurer Deposits	\$48,687.15	
Interest Earned	<u>\$23.74</u>	
Total Funds Audited		\$149,585.40
State Account Expenditures		
Proper Expenditures	<u>\$70,102.00</u>	
Total Expenditures		<u>\$70,102.00</u>
Balance Remaining in Account		<u>\$79,483.40</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department cease transferring state funds from its designated state bank account to a non-state bank account.

The results presented in this report have been reviewed and discussed with the Fort Ashby VFD. The Department states that it is following the recommendation.

FORT GAY VOLUNTEER FIRE DEPARTMENT

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

The total amount of \$946.65 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 \$0 in its state account on July 18, 2016. During the period audited, the Department received \$72,293.36 in quarterly allotments disbursed by the W.Va. State Treasurer. Thus, the total amount of funds audited for the period was \$72,293.36.

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 20 – FORT GAY VFD State Funds Audited – Partial Calendar Year 2016		
State Account		
Beginning Balance	\$0	
State Treasurer Deposits	<u>\$72,293.36</u>	
Total Funds Audited		\$72,293.36
State Account Expenditures		
Proper Expenditures	\$55,699.53	
Inadequate Expenditure Documentation	<u>\$946.65</u>	
Total Expenditures		<u>\$56,646.18</u>
Balance Remaining in Account		<u>\$15,647.18</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$946.65 for the purchases with insufficient documentation.
2. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.

The results presented in this report have been reviewed and discussed with the Fort Gay VFD. The Department is in the process of complying with the recommendations.

GAULEY BRIDGE VOLUNTEER FIRE DEPARTMENT

Gauley Bridge VFD, in Fayette County, **was not in compliance with W.Va. Code.**

The total amount of \$1,308.37 not in compliance with W.Va. Code was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: TV and related charges, NSF charges, and a late payment charge.

The Department began with a balance of \$269.55 in its state account on January 1, 2017. During the period audited, the Department received \$49,981.67 in quarterly allotments disbursed by the W.Va. State Treasurer and interest earned on the account totaling \$4.70. Thus, the total amount of funds audited for the period was \$50,255.92.

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 21 – GAULEY BRIDGE VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$269.55	
State Treasurer Deposits	\$49,981.67	
Interest Earned	<u>\$4.70</u>	
Total Funds Audited		\$50,255.92
State Account Expenditures		
Proper Expenditures	\$46,089.53	
Inadequate Expenditure Documentation	\$0.00	
Unallowable Expenditures	<u>\$1,308.37</u>	
Total Expenditures		<u>\$47,397.90</u>
Balance Remaining in Account		<u><u>\$2,858.02</u></u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$1,308.37 for the purchases not permitted by W.Va. Code §8-15-8b.
2. The Legislative Auditor recommended the Department cease expending funds from its state account for items or services not permitted by W.Va. Code §8-15-8b.

The results presented in this report have been reviewed and discussed with the Gauley Bridge VFD. The Department is in the process of complying with the recommendations.

GLASGOW VOLUNTEER FIRE DEPARTMENT

Glasgow VFD, in Kanawha County, **was not in compliance with W.Va. Code**. The Department commingled its state funds with funds from other sources by directing the State Auditor's Office to deposit its quarterly state funding of \$91,826.25 into a non-state account. However, it should be noted that the Department later transferred \$43,411.40 into its state account from a non-state source, leaving a net total of \$48,414.85 in commingled funds.

The Department began with a balance of \$5,566.12 in its state account on January 1, 2013. During the period audited, the Department transferred \$23,411.40 in quarterly allotments disbursed by the W.Va. State Treasurer into its state account, made a miscellaneous deposit of \$20,000, and earned interest on the account totaling \$17.71. Thus, the total amount of funds audited for the period was \$48,995.23.

The Department's financial activity in the state account during the audit period, including amounts audited and accounted for, are summarized in the figure below.

Table 22 – GLASGOW VFD State Funds Audited - Calendar Years 2013 and 2014		
State Account		
Beginning Balance	\$5,566.12	
State Treasurer Deposits Transferred In	\$23,411.40	
Additional Deposits & Interest Earned	<u>\$20,017.71</u>	
Total Funds Audited		\$48,995.23
State Account Expenditures		
Proper Expenditures ⁶	<u>\$0</u>	
Total Expenditures		<u>\$0</u>
Balance Remaining in Account		<u>\$48,995.23</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department maintain all state funds in a separate bank account to ensure there is no commingling with funds received from other sources.

The results presented in this report have been reviewed and discussed with the Glasgow VFD. On July 17, 2018, the Department provided a copy of its July 6, 2018 state account bank statement verifying that state funding is now deposited directly into its state account.

⁶ No expenditure can be a proper expenditure if the funds expended were not from a state account. During the audit period the Department made all expenditures out of its general account.

GRAFTON FIRE DEPARTMENT

Grafton FD, in Taylor County, **was not in compliance with W.Va. Code.**

The total amount of \$105 not in compliance with W.Va. Code was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: “Ancillary” charges on the Department’s WEX Inc. fuel card.

Additionally, the Department comingled \$12,970.66 of funds from other sources in its state account.

The Department began with a balance of \$4,178.11 in its state account on January 1, 2016. During the period audited, the Department received \$44,458.17 in quarterly allotments disbursed by the W.Va. State Treasurer and deposited \$12,970.66 from other sources into its state account. Thus, the total amount of funds audited for the period was \$61,606.94.

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 23 – GRAFTON FD State Funds Audited - Calendar Year 2016		
State Account		
Beginning Balance	\$4,178.11	
State Treasurer Deposits	\$44,458.17	
Additional Deposits	<u>\$12,970.66</u>	
Total Funds Audited		\$61,606.94
State Account Expenditures		
Proper Expenditures	\$28,322.08	
Unallowable Expenditures	<u>\$105.00</u>	
Total Expenditures		<u>\$28,427.08</u>
Balance Remaining in Account		<u>\$33,179.86</u>

Recommendations Made to the Department

1. Normally, the Legislative Auditor would have recommended the Department reimburse its state account a total of \$105 for the unallowable expenditure. However, due to the Department depositing \$12,970.66 from other sources into its state account, the Legislative Auditor did not make this recommendation.
2. The Legislative Auditor recommended the Department cease expending funds from its state account for items or services not permitted by W.Va. Code §8-15-8b.
3. The Legislative Auditor recommended the Department cease depositing non-state funds into its designated state bank account and, if necessary, setup another bank account for funds not provided by the State.

The results presented in this report have been reviewed and discussed with the Grafton FD. The Department is in the process of complying with the recommendations.

GREEN VALLEY VOLUNTEER FIRE DEPARTMENT

Green Valley VFD, in Cabell County, **was not in compliance with W.Va. Code.**

The total amount of \$250 not in compliance with W.Va. Code was not in compliance due to the expenditure being for items or services not permissible under W.Va. Code §8-15-8b. The item or service the Department purchased that is not permissible was a late fee on a loan payment.

The Department began with a balance of \$1,942.50 in its state account on July 1, 2016. During the period audited, the Department received \$50,060.59 in quarterly allotments disbursed by the W.Va. State Treasurer. Thus, the total amount of funds audited for the period was \$52,003.09.

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 24 – GREEN VALLEY VFD State Funds Audited - Fiscal Year 2017		
State Account		
Beginning Balance	\$1,942.50	
State Treasurer Deposits	<u>\$50,060.59</u>	
Total Funds Audited		\$52,003.09
State Account Expenditures		
Proper Expenditures	\$47,911.00	
Unallowable Expenditures	<u>\$250.00</u>	
Total Expenditures		<u>\$48,161.00</u>
Balance Remaining in Account		<u>\$3,842.09</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$250 for the expenditure not permitted by W.Va. Code §8-15-8b.
2. The Legislative Auditor recommended the Department cease expending funds from its state account for items or services not permitted by W.Va. Code §8-15-8b.

The results presented in this report have been reviewed and discussed with the Green Valley VFD. The Department provided documentation verifying that it has already reimbursed its state account the recommended amount.

JANE LEW VOLUNTEER FIRE DEPARTMENT

Jane Lew VFD, in Lewis County, **was not in compliance with W.Va. Code**. The Department comingled \$1,223.65 of funds from other sources in its state account.

The Department began with a balance of \$16,229.71 in its state account on January 1, 2017. During the period audited, the Department received \$49,981.67 in quarterly allotments disbursed by the W.Va. State Treasurer, deposited \$1,223.65 from other sources into its state account, and earned interest totaling \$9.27. Thus, the total amount of funds audited for the period was \$67,444.30.

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 25 – JANE LEW VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$16,229.71	
State Treasurer Deposits	\$49,981.67	
Additional Deposits & Interest Earned	<u>\$1,232.92</u>	
Total Funds Audited		\$67,444.30
State Account Expenditures		
Proper Expenditures	<u>\$46,055.85</u>	
Total Expenditures		<u>\$46,055.85</u>
Balance Remaining in Account		<u>\$21,388.45</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department cease depositing non-state funds into its designated state bank account and, if necessary, setup another bank account for funds not provided by the State.

The results presented in this report have been reviewed and discussed with the Jane Lew VFD. The Department is in the process of complying with the recommendation.

NEWELL VOLUNTEER FIRE DEPARTMENT

Newell VFD, in Hancock County, **was not in compliance with W.Va. Code.**

Of the total amount of \$3,937.05 not in compliance with W.Va. Code, \$1,588.00 was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: Accident and Sickness Insurance.

The remaining amount of \$2,349.05 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 total of the beginning balances of the Department's two applicable state bank accounts during our audit period was \$3,442.66. During the period audited, the Department received \$49,981.67 in quarterly allotments disbursed by the W.Va. State Treasurer and interest earned on the account totaling \$0.35. Thus, the total amount of funds audited for the period was \$53,424.68.

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 26 – NEWELL VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$3,442.66	
State Treasurer Deposits	\$49,981.67	
Interest Earned	<u>\$0.35</u>	
Total Funds Audited		\$53,424.68
State Account Expenditures		
Proper Expenditures	\$43,758.27	
Inadequate Expenditure Documentation	\$2,349.05	
Unallowable Expenditures	<u>\$1,588.00</u>	
Total Expenditures		<u>\$47,695.32</u>
Balance Remaining in Account		<u>\$5,729.36</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$3,937.05 for both the purchases with insufficient documentation and for the purchases not permitted by W.Va. Code §8-15-8b.
2. The Legislative Auditor recommended the Department cease expending funds from its state account for items or services not permitted by W.Va. Code §8-15-8b.
3. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.

The results presented in this report been reviewed and discussed with the Newell VFD. The Department is in the process of complying with the recommendations.

OAKVALE VOLUNTEER FIRE DEPARTMENT

Oakvale VFD, in Mercer County, **was not in compliance with W.Va. Code.**

Of the total amount of \$91.74 not in compliance with W.Va. Code, \$64.73 was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: Dish Network for one month and late fees.

The remaining amount of \$27.01 was for an expenditure 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 \$29,881.94 in its state account on July 1, 2016. During the period audited, the Department received \$50,060.59 in quarterly allotments disbursed by the W.Va. State Treasurer, deposited \$8,034.00 in workers' compensation insurance reimbursements into its state account, and earned interest totaling \$2.54. Thus, the total amount of funds audited for the period was \$87,979.07.

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, are summarized in the figure below.

Table 27 – OAKVALE VFD State Funds Audited - Fiscal Year 2017		
State Account		
Beginning Balance	\$29,881.94	
State Treasurer Deposits	\$50,060.59	
Additional Deposits & Interest Earned	<u>\$8,036.54</u>	
Total Funds Audited		\$87,979.07
State Account Expenditures		
Proper Expenditures	\$62,698.84	
Inadequate Expenditure Documentation	\$27.01	
Unallowable Expenditures	<u>\$64.73</u>	
Total Expenditures		<u>\$62,790.58</u>
Balance Remaining in Account		<u>\$25,188.49</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$91.74 for both the purchase with insufficient documentation and for the purchases not permitted by W.Va. Code §8-15-8b.
2. The Legislative Auditor recommended the Department cease expending funds from its state account for items or services not permitted by W.Va. Code §8-15-8b.
3. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.

The results presented in this report have been reviewed and discussed with the Oakvale VFD. The Department is in the process of complying with the recommendations.

SPRINGFIELD VALLEY VOLUNTEER FIRE DEPARTMENT

Springfield Valley VFD, in Hampshire County, **was not in compliance with W.Va. Code.**

The total amount of \$4,140.56 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.

Additionally, the Department commingled its state funds with funds from other sources by transferring \$21,900 from its state account into its general account. However, we were able to determine that the VFD's compliant expenditures from its general account exceeded the amount transferred. The Department also commingled \$780.62 of funds from other sources in its state account.

The Department began with a balance of \$457.56 in its state account on January 1, 2013. During the period audited, the Department received \$91,826.25 in quarterly allotments disbursed by the W.Va. State Treasurer and deposited \$780.62 from other sources into its state account. Thus, the total amount of funds audited for the period was \$93,064.43.

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 – SPRINGFIELD VALLEY VFD State Funds Audited - Calendar Years 2013 and 2014		
State Account		
Beginning Balance	\$457.56	
State Treasurer Deposits	\$91,826.25	
Additional Deposits	<u>\$780.62</u>	
Total Funds Audited		\$93,064.43
State Account Expenditures		
Proper Expenditures	\$86,483.19	
Inadequate Expenditure Documentation	<u>\$4,140.56</u>	
Total Expenditures		<u>\$90,623.75</u>
Balance Remaining in Account		<u>\$2,440.68</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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. Due to the Department depositing \$780.62 into its state account, the Legislative Auditor recommended that the Department reimburse its state account a total of \$3,359.94 in expenditures not properly supported instead of the full amount of \$4,140.56.

2. The Legislative Auditor recommended the Department cease transferring funds from its state account to a non-state account unless it transfers the exact amount of an allowable expenditure and maintains sufficient supporting documentation for that expenditure. The Legislative Auditor did not recommend that the VFD reimburse its state account for the \$21,900 in transfers because the Department had at least that amount of expenditures from its general account that complied with W.Va. Code.
3. The Legislative Auditor recommended the Department cease depositing non-state funds into its designated state bank account and, if necessary, setup another bank account for funds not provided by the State.

The results presented in this report have been reviewed and discussed with the Springfield Valley VFD. The Department is in the process of complying with the recommendations.

TEAYS VALLEY VOLUNTEER FIRE DEPARTMENT

Teays Valley VFD, in Putnam County, **was not in compliance with W.Va. Code⁷**.

The total amount of \$175.86 not in compliance with W.Va. Code was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: Late charges.

Additionally, the Department commingled its state funds with funds from other sources by writing a check totaling \$16,866.52 out of its state account and depositing this amount in a non-state account.

The Department began with a balance of \$22,152.38 in its state account on January 1, 2017. During the period audited, the Department received \$49,981.67 in quarterly allotments disbursed by the W.Va. State Treasurer and interest earned on the account totaling \$58.78. Thus, the total amount of funds audited for the period was \$72,192.83.

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 29 – TEAYS VALLEY VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$22,152.38	
State Treasurer Deposits	\$49,981.67	
Interest Earned	<u>\$58.78</u>	
Total Funds Audited		\$72,192.83
State Account Expenditures		
Proper Expenditures	\$39,764.10	
Unallowable Expenditures	<u>\$175.86</u>	
Total Expenditures		<u>\$39,939.96</u>
Balance Remaining in Account		<u>\$32,252.87</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$175.86 for the purchases not permitted by W.Va. Code §8-15-8b.
2. The Legislative Auditor recommended the Department cease expending funds from the state account for items or services not permitted by W.Va. Code §8-15-8b.
3. The Legislative Auditor recommended the Department cease transferring state funds (or writing checks using state funds) from the designated state bank account to a non-state bank account.

⁷ This audit does not cover the time period (2013-2016) of the fraud publicly reported in 2018. Additionally, there were no obvious signs of fraud in the transactions reviewed.

The results presented in this report have been reviewed and discussed with the Teays Valley VFD. The Department provided verification that it reimbursed its state account.

VAN VOLUNTEER FIRE DEPARTMENT

Van VFD, in Boone County, **was not in compliance with W.Va. Code.**

Of the total amount of \$4,985.34 not in compliance with W.Va. Code, \$2,863.90 was not in compliance due to this purchase being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: Basic Coverage with Accidental Death & Dismemberment Insurance. It should be noted that the Department was unable to verify the portion of the \$2,863.90 that was attributable to Accidental Death & Dismemberment insurance. Therefore, we had to classify the entire amount as being unallowable.

The remaining amount of \$2,121.44 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 \$51,471.42 in its state account on January 1, 2015. During the period audited, the Department received \$96,300.46 in quarterly allotments disbursed by the W.Va. State Treasurer. Thus, the total amount of funds audited for the period was \$147,771.88.

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, are summarized in the figure below.

Table 30 – VAN VFD State Funds Audited – Calendar Years 2015 and 2016		
State Account		
Beginning Balance	\$51,471.42	
State Treasurer Deposits	<u>\$96,300.46</u>	
Total Funds Audited		\$147,771.88
State Account Expenditures		
Proper Expenditures	\$74,613.27	
Unallowable Expenditures	\$2,863.90	
Inadequate Expenditure Documentation	<u>\$2,121.44</u>	
Total Expenditures		<u>\$79,598.61</u>
Balance Remaining in Account		<u>\$68,173.27</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$4,985.34 for both the purchases with insufficient documentation and for the purchases not permitted by W.Va. Code §8-15-8b.
2. The Legislative Auditor recommended the Department cease expending funds from its state account for items or services not permitted by W.Va. Code §8-15-8b.

3. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.

The results presented in this report have been reviewed and discussed with the Van VFD. The Department is in the process of complying with the recommendations.

WALLACE VOLUNTEER FIRE DEPARTMENT

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

Of the total amount of \$490.59 not in compliance with W.Va. Code, \$155.48 was not in compliance due to these purchases being for items or services not permissible under W.Va. Code §8-15-8b. Items or services the Department purchased that are not permissible included: electric bills for the location where fundraisers are held and to power its concession trailer and a late fee.

The remaining amount of \$335.11 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.

Additionally, the Department commingled its state funds with funds from other sources by transferring \$1,611.94 out of its state account into a non-state account.

The Department began with a balance of \$3,083.73 in its state account on January 1, 2017. During the period audited, the Department received \$49,981.67 in quarterly allotments disbursed by the W.Va. State Treasurer. Thus, the total amount of funds audited for the period was \$53,065.40.

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 31 – WALLACE VFD State Funds Audited - Calendar Year 2017		
State Account		
Beginning Balance	\$3,083.73	
State Treasurer Deposits	<u>\$49,981.67</u>	
Total Funds Audited		\$53,065.40
State Account Expenditures		
Proper Expenditures	\$51,748.01	
Inadequate Expenditure Documentation	\$335.11	
Unallowable Expenditures	<u>\$155.48</u>	
Total Expenditures		<u>\$52,238.60</u>
Balance Remaining in Account		<u>\$826.80</u>

Recommendations Made to the Department

1. The Legislative Auditor recommended the Department reimburse its state account a total of \$490.59 for both the purchases with insufficient documentation and the purchases not permitted by W.Va. Code §8-15-8b.
2. The Legislative Auditor recommended the Department cease expending funds from its state account for items or services not permitted by W.Va. Code §8-15-8b.
3. The Legislative Auditor recommended the Department maintain supporting documentation for the expenditures of state funds 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.

4. The Legislative Auditor recommended the Department cease transferring state funds from its designated state bank account to a non-state bank account.

The results presented in this report have been reviewed and discussed with the Wallace VFD. The Department is in the process of complying with the recommendations.

Legislative Auditor's Comments

One of the most consistent audit findings with regard to the state funding provided to volunteer fire departments is the comingling of outside funds in the state bank account. W.Va. Code §8-15-8b requires state funds be kept separate from other funding. When a VFD commingles its state account, it makes it difficult to ensure that state funds were spent in accordance with W.Va. Code §8-15-8b, which describes the allowable expenditures that can be made with state funds. Commingling also increases the risk for fraud because the auditor(s) cannot determine with which type of funds an expenditure was made. For example, if a fire department commingles \$1,000 of funds from other sources with the \$1,000 in state funds already in its state bank account and then commits fraud by knowingly spending \$500 on an unallowable item or service, the auditor does not know if the \$500 utilized state funds or non-state funds.

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. The Legislative Auditor has questions regarding if the distributions are being properly calculated. The Post Audit Division is currently looking into the issue further to determine if a recommendation needs to be made to correct this issue through potential statutory revision/clarification. If it is determined to be an issue, the Legislative Auditor will release a special report with recommendations on the matter during the upcoming 2019 legislative session. However, if everything is found to be correct, no other work will be completed on the matter.

Appendix

W.Va. 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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