

LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION

Smithers Volunteer Fire Department

FOR THE YEAR ENDING DECEMBER 31, 2010

REPORT OVERVIEW

- Lack of Supporting Documentation
- Unallowable Expenditures
- Unauthorized Payments
- Improper Record Keeping



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POST AUDIT DIVISION



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www.legis.state.wv.us/Joint/postaudit/postaudit.cfm

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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December 4, 2012

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 12, Article 4, Section 14 as amended, we conducted a compliance inspection and review of the financial transactions and records of the Smithers Volunteer Fire Department's state funds for the calendar year ended December 31, 2010. We conducted our review and compliance inspection based on the criteria set forth by the Legislative Post Audit Division.

Respectfully submitted,

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

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

SLS/rwa

SMITHERS VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

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SMITHERS VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

EXECUTIVE SUMMARY

Due to the lack of documentation and proper ledgers and reconciliation we were unable to determine if all expenditures were allowable or properly documented. However, based on the documentation provided, we noted the following:

FINDING 1 LACK OF SUPPORT:

The Smithers Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$12,696.84. We noted 15 checks written to individuals, of which five were undocumented and seven were partially documented. We also noted 18 transactions for utility and phone payments that were not documented. We noted the department could not provide six original checks for voided transactions or checks assigned to electronic funds transactions.

We recommend they maintain proper documentation for all expenditures, not write checks to individuals, establish an independent audit committee and reimburse their state account \$12,696.84.

VFD RESPONSE:

The department agreed with the finding. The VFD has initiated a new accounting system. It appears they now maintain proper documentation.

FINDING 2 UNALLOWABLE:

The Smithers Volunteer Fire Department made \$2,118.77 in expenditures identified from state funds which were not allowed by Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended.

We recommend all revenues allocated to the fire department only be used for expenditures reasonably required for effective and efficient fire protection service, used for the public good, made in accordance with their Corporate Charter and by laws, and authorized by Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended. We further recommend they reimburse their state account \$2,118.77.

VFD RESPONSE:

The department agreed with the finding. According to the Fire Chief, the unallowable expenditures were an error resulting from him being unaware of what is allowable under Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended.

FINDING 3 UNAUTHORIZED PAYMENTS:

The Smithers Volunteer Fire Department made \$3,458.36 in expenditures identified from state funds which were not authorized by the department.

We recommend the department engage an independent CPA to review all records for unauthorized payments or fraud and provide an audit of the department's finances. We further recommend the department present any evidence of suspected fraud to Trooper Tawes of the WV State Police. We recommend the department reimburse their state account \$3,458.36 for unauthorized payments from their state account. We further recommend the Board of Governors properly review and oversee the department's records. The Board of Governors should review and approve all expenditures on a monthly basis. The department should establish an independent audit committee to review department records for proper authorization and documentation and report any unlawful expenditure to proper authorities.

VFD RESPONSE:

The department agreed with the finding.

FINDING 4 IMPROPER RECORD KEEPING:

The Smithers Volunteer Fire Department could not provide any reconciliations or ledgers to support their financial statement balances.

We recommend Smithers VFD maintain sufficient records and reconciliations, to protect the legal and financial rights of the VFD. Additionally, we recommend the Department ensure their statement of expenditures is filed correctly and that it is reconciled to their bank statement.

VFD RESPONSE:

The department agreed with the finding. According to the Fire Chief, the department has a new treasurer and a citizens' committee. In addition, an independent CPA from Summersville will conduct periodic audits, and the new treasurer will have reconciliations as soon as possible after receiving the bank statements.

SMITHERS VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

INTRODUCTION

POST AUDIT AUTHORITY

The procedures were conducted pursuant to Chapter 12, Article 4, Section 14 of the West Virginia Code, which allows the Legislative Auditor to “assign an employee or employees to perform audits or reviews at the direction of the Legislative Auditor of the disbursement of state grant funds to volunteer fire departments.”

BACKGROUND

To provide additional revenue for the municipal firemen's pension and relief funds and for volunteer and part volunteer companies and departments, the West Virginia Legislature levied under Chapter 33, Article 3, Section 14d of the West Virginia Code, as amended in 2001, an additional premium tax equal to one percent of the taxable premiums collected for fire insurance and casualty insurance policies. Under this section of the Code, volunteer and part volunteer fire departments that are certified by the State Fire Marshal prior to each quarterly allocation are to receive 25 percent of the revenues generated by this premium tax.

In 1999, to provide additional revenue for the municipal fireman’s pension and relief funds and for volunteer and part volunteer companies and departments, the West Virginia Legislature levied under the provisions of Chapter 33, Article 12c, Section 9 of the West Virginia Code, as amended, a tax equal to four percent of the gross premiums and fees on excess line policies. These moneys are to be distributed in accordance with the provision of Chapter 33, Article 3, Section 14d, as amended.

The West Virginia Legislature again provided additional revenue for the volunteer and part volunteer fire departments by authorizing, under Chapter 33, Article 3, Section 33 of the West Virginia Code, as amended in 2001, a policy surcharge equal to one percent of the taxable premiums paid by policyholders of any fire insurance policy or casualty insurance policy. Under this section of the Code, 50 percent of the moneys collected are to be distributed to those volunteer and part volunteer fire departments and companies certified by the State Fire Marshal before each quarterly allocation.

Chapter 33, Article 3, Sections 14d and 33 provide that the volunteer fire departments receive distributions on an equal share basis and part volunteer fire departments receive a reduced amount based on the ratio of full-time paid firefighters who are members of the municipal firemen’s pension system to the total number of the members of the fire department. The moneys are to be distributed quarterly on the first day of the months of January, April, July and October of each year.

To receive these funds, the volunteer and part volunteer fire companies and departments must comply with the provisions of Chapter 8, Article 15, Section 8a of the West Virginia Code, as amended:

The Legislature placed restrictions on the use of these additional revenues by the volunteer fire departments under Chapter 8, Article 15, Section 8b of the West Virginia Code, as amended March 8, 2000, and again April 9, 2005.

Prior to the March 8, 2000 amendment, Chapter 8, Article 15, Section 8b did not allow Operating expenses as described in subsection (11) nor did the law prohibit the commingling of the funds with funds from other sources. Prior to the April 9, 2005 amendment, Chapter 8, Article 15, Section 8b did not allow Dues as described in subsection (12). On March 13, 2010, Chapter 8, Article 15, Section 8b was amended to include items (13) Workers' Compensation premiums, (14) Life insurance premiums to provide a benefit not to exceed \$20,000 for firefighter; and (15) Educational and training supplies and fire prevention promotional materials, not to exceed \$500 per year.

Chapter 12, Article 4, Section 14 of the West Virginia Code, as amended, requires an audit at the cost of the grantee, by an independent certified public accountant, of any person who receives State funds or grants in the amount of \$25,000 or more. The audit must be filed within two years of the end of the year in which the disbursement of the funds or grants occurred. The Legislature amended this section of the Code effective June 9, 1995, and again effective July 1, 2005 providing an alternative to an audit for volunteer fire departments. In lieu of an audit, volunteer fire departments may file a sworn statement of annual expenditures to the Legislative Auditor's Office on or before July 1, of each year. If the sworn statement of annual expenditures is not filed by the first day of July, the Legislative Auditor shall notify the State Treasurer who shall withhold any payment that would otherwise be distributed to the fire department.

Chapter 12, Article 4, Section 14 as amended March 8, 2000, and again April 9, 2005 provides that the Legislative Auditor may perform random audits of the volunteer fire departments. This section also requires that the volunteer fire department shall cooperate with the Legislative Auditor's Office in performing their duties under this section. If the Legislative Auditor determines a volunteer fire department is not cooperating, the Legislative Auditor shall notify the State Treasurer who shall withhold payment of any amount that would otherwise be distributed to the department until such time that the Legislative Auditor informs the Treasurer that the fire department has cooperated as required by this section.

SMITHERS VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

OFFICERS AND STAFF

Unknown.....President
Unknown.....Secretary
Unknown.....Treasurer
Tim Whittington.....Fire Chief

SMITHERS VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

SCOPE

We conducted an evaluation of the revenue and expenditure transactions, and other records of the Smithers Volunteer Fire Department's state accounts for the year ending December 31, 2010. Our scope included determining instances of noncompliance with Chapter 8, Article 15, Section 8b of the West Virginia code, 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.

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

Our reports are designed to assist the Post Audits Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving the operations of Volunteer Fire Departments. As a result, our reports generally do not address activities we reviewed that are functioning properly.

CONCLUSIONS

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. Due the lack of documentation and proper ledgers and reconciliation we were unable to determine if all expenditures were allowable or properly documented. However, based on the documentation provided, we noted the following: lacked proper supporting documentation for expenditures totaling \$12,696.84; we noted several checks written to individuals; the Department made \$2,118.77 in expenditures identified from state funds that were not allowed; the Department made \$3,458.36 in expenditures identified from state funds which were not authorized by the department; and the Department could not provide any reconciliations or ledgers to support their financial statement balances.

EXIT CONFERENCE

We discussed this report with the Chief of the Smithers Volunteer Fire Department on 12/04/2012. All findings and recommendations were reviewed and discussed. The department agreed with all findings and recommendations.

SMITHERS VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

FINDINGS

FINDING 1 LACK OF SUPPORT:

The Smithers Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$12,696.84. We noted 15 checks written to individuals, of which five were undocumented and seven were partially documented. We also noted 18 transactions for utility and phone payments that were not documented. We noted the department could not provide six original checks for voided transactions or checks assigned to electronic funds transactions.

CONDITION:

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>LACK OF SUPPORT</u>
4018	1/26/2010	APCO	\$116.93	APCO
4022	1/26/2010	James Bowles	\$8.00	Invoice for balance of check
4023	2/8/2010	City of Smithers	\$235.57	Amount, Date, Gal, Vehicle, Signature
eft 4024	4/8/2010	Mountaineer Gas	\$1,252.98	Invoice; Voided Check
4026	4/17/2010	Putnam County Fire School	\$525.00	Invoice
4027	None	No Documentation	\$0.00	cancelled or voided check
4028	5/13/2010	Huntington Hose & Hydraulics	\$60.00	Invoice
4033	6/25/2010	Patty Whittington	\$250.00	Invoice
eft 4035	7/1/2010	WV American Water	\$260.37	Invoice; Voided Check
eft	7/1/2010	APCO	\$76.51	Invoice
eft	7/1/2010	Mountaineer Gas	\$73.16	Invoice
eft	7/1/2010	Bill Matric	\$2.95	Invoice
eft	7/1/2010	Payment Fee	\$1.80	Invoice
eft	7/1/2010	Suddenlink	\$272.52	Invoice
4038	6/30/2010	Finley Fire Equipment	\$750.00	Invoice
4039	6/30/2010	City of Smithers	\$217.00	Amount, Date, Gal, Vehicle, Signature
4043	7/11/2010	Patty Whittington	\$264.12	Invoice
4044	7/22/2010	Walmart	\$171.03	Invoice
4045	8/26/2010	Tim Whittington	\$150.00	Invoice
eft	8/13/2010	Suddenlink	\$135.54	Invoice
4048	8/4/2010	Patty Whittington	\$266.87	Invoice for balance of check
eft	8/26/2010	WV American Water	\$410.79	Invoice
eft	8/26/2010	Payment Fee	\$1.80	Invoice
4049	8/30/2010	Tim Whittington	\$154.08	Invoice
4050	9/10/2010	Patty Whittington	\$150.00	Invoice

4052	None	No Documentation	\$0.00	cancelled or voided check
4054	9/13/2010	WV Uniforms	\$141.87	Invoice
4056	8/29/2010	City of Smithers	\$453.27	Amount, Date, Gal, Vehicle, Signature
eft	9/17/2010	Frontier Comm	\$510.35	Invoice
eft	9/17/2010	APCO	\$236.55	Invoice
eft	9/17/2010	Bill Matric	\$2.95	Invoice
4058	9/22/2010	Walmart	\$89.34	Invoice
eft	9/29/2010	WV American Water	\$226.84	Invoice
eft	9/29/2010	Payment Fee	\$1.80	Invoice
eft	10/7/2010	Suddenlink	\$273.99	Invoice
4062	10/1/2010	Scene of the Accident	\$250.00	Invoice
4063	9/30/2010	Color Craft	\$58.95	Invoice
4065	9/29/2010	Patty Whittington	\$44.49	Invoice for balance of check
4066	10/3/2010	Tim Whittington	\$121.99	Invoice for balance of check
eft	10/18/2010	APCO	\$412.36	Invoice
eft	10/18/2010	Bill Matric	\$2.95	Invoice
4068	10/19/2010	Brandon Evans	\$5.40	Invoice for balance of check
4069	10/21/2010	Patty Whittington	\$57.37	Invoice for balance of check
4071	10/21/2010	City of Smithers	\$393.12	Amount, Date, Gal, Vehicle, Signature
4072	11/5/2010	City of Smithers	\$280.72	Amount, Date, Gal, Vehicle, Signature
4073	10/26/2010	Sam's Club	\$1,132.00	Invoice
eft	10/28/2010	WV American Water	\$257.22	Invoice
eft	10/28/2010	Payment Fee	\$1.80	Invoice
4076	11/10/2010	Just for You Florist	\$109.18	Invoice
eft	11/16/2010	APCO	\$501.38	Invoice
eft	11/16/2010	Mountaineer Gas	\$305.47	Invoice
4077	11/13/2010	Womens Club of Smithers	\$240.00	Invoice
4079	12/13/2010	Patty Whittington	\$9.45	Invoice for balance of check
4080	None	No Documentation	\$0.00	cancelled or voided check
4081	None	No Documentation	\$0.00	cancelled or voided check
eft	12/9/2010	WV American Water	\$212.53	Invoice
eft	12/9/2010	Payment Fee	\$1.80	Invoice
4087	12/11/2010	Krogers	\$33.70	Invoice
4088	12/23/2010	City of Smithers	\$300.87	Amount, Date, Gal, Vehicle, Signature
4089	12/23/2010	City of Smithers	<u>\$220.11</u>	Invoice
		Total	\$12,696.84	

We noted 15 checks to individuals, of which five were undocumented and seven were partially documented.

We noted the following five undocumented checks to individuals:

<u>CHECK NO.</u>	<u>CHECK DATE</u>	<u>PAYEE</u>	<u>CHECK AMOUNT</u>
4033	6/25/2010	Patty Whittington	\$250.00
4043	7/11/2010	Patty Whittington	\$264.12
4045	8/26/2010	Tim Whittington	\$150.00
4049	8/30/2010	Tim Whittington	\$154.08
4050	9/10/2010	Patty Whittington	<u>\$150.00</u>
		Total	\$968.20

We noted the following seven partially documented checks:

<u>CHECK NO.</u>	<u>CHECK DATE</u>	<u>PAYEE</u>	<u>CHECK AMOUNT</u>	<u>NO RECEIPT</u>
4022	1/26/2010	James Bowles	\$52.93	\$8.00
4048	8/4/2010	Patty Whittington	\$342.80	\$266.87
4065	9/29/2010	Patty Whittington	\$118.64	\$44.49
4066	10/3/2010	Tim Whittington	\$200.00	\$121.99
4068	10/19/2010	Brandon Evans	\$100.00	\$5.40
4069	10/21/2010	Patty Whittington	\$250.00	\$57.37
4079	12/13/2010	Patty Whittington	<u>\$214.86</u>	<u>\$9.45</u>
		Total	\$1,279.23	\$513.57

We noted a total of twenty five payments in 2010 totaling \$7,165.91 to APCO, WV American Water, Mountaineer Gas, Verizon, and Frontier Communications. Of these payments Mr. Whittington Chief or the Smithers Volunteer Fire Department, stated he transposed account numbers and paid some of his personal utilities using the departments' state account. He indicated three payments totaling \$571.85 to WV American Water and one payment totaling \$92.73 to Mountaineer Gas were for his personal expenses. The department provided documentation and service addresses for seven of the above utilities. The department did not provide documentation for eighteen utility payments totaling \$5,534.07, of which four were indicated as Mr. Whittington personal expenses. We requested the department contact each vendor and obtain a payment history for all utility payments for the year ended 2010 and well as 2009, and 2011. The department did not provide a payment history to document their utility payments. Without payment documentation and complete list of unauthorized transactions we were unable to determine if all payments for utilities were for department use.

The department did not provide voided check numbers 4027, 4052, 4080, and 4081 to document voided checks. Also, the department could not provide voided checks 4024 and 4035 to document electronic funds transactions. We are not able to determine if these checks were properly voided or properly used to document electronic fund transactions.

CRITERION:

Chapter 8, Article 15, Section 8(b) of the West Virginia Code, 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 lacked effective accounting practices and internal controls necessary to meet reporting requirements. The department lacked proper control over its expenditures. The membership failed to properly review, authorize, document and approve all expenditures. The board failed to review records for proper authorization and documentation. The department lacked an independent audit committee to review department records for proper authorization and documentation.

EFFECT:

There is a higher risk of fraud when checks are made payable to individuals and expenditures lack proper supporting documentation. Due to the lack of proper supporting documentation, we were unable to determine if these expenditures were allowable or for department use.

RECOMMENDATION:

We recommend they maintain proper documentation for all expenditures, not write checks to individuals, establish an independent audit committee and reimburse their state account \$12,696.84.

VFD RESPONSE:

The department agreed with the finding. The VFD has initiated a new accounting system. It appears they now maintain proper documentation.

FINDING 2 UNALLOWABLE:

The Smithers Volunteer Fire Department made \$2,118.77 in expenditures identified from state funds which were not allowed by Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended.

CONDITION:

We noted the fire department made the following unallowable expenditures identified from State funds:

<u>CHECK NO.</u>	<u>CHECK DATE</u>	<u>INVOICE NO.</u>	<u>INVOICE DATE</u>	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
4036	6/25/2010	61676457016	6/10/2010	Sam's Club	\$39.68	Food
4040	6/30/2010	ss24135	5/17/2010	WV Correctional Ind.	\$150.00	Car wash signs
4051	9/11/2010	32038	9/11/2010	Party King	\$407.00	Jupiter Jump
4055	8/28/2010	na	8/28/2010	Jeanie Robbins	\$550.00	TV
4065	9/29/2010	na	9/24/2010	Patty Whittington	\$74.15	Holiday Decorations
4066	10/3/2010	various	various	Tim Whittington	\$78.01	Food
4067	10/6/2010	na	10/6/2010	Dianna Saunders	\$200.00	Furniture
4068	10/19/2010	various	various	Brandon Evans	\$94.60	Haunted House
4069	10/21/2010	various	various	Patty Whittington	\$134.63	Haunted House
4074	10/26/2010	na	10/23/2010	Walmart	\$19.84	Bookcase
4079	12/13/2010	various	various	Patty Whittington	\$205.41	Christmas Party
4085	11/28/2010	018031252-3240	11/28/2010	Magic Mart	\$53.96	Holiday Decorations
4086	11/30/2010	9460 6457 011	11/28/2010	Sam's Club	<u>\$111.49</u>	Candy, Food
				Total	\$2,118.77	

CRITERIA:

Chapter 8, Article 15, Section 8(b) of the West Virginia Code, 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 lack effective accounting practices and internal controls necessary to meet reporting requirements.

The Board failed to properly authorize and review all expenditures for compliance with Chapter 8-15-8b of the West Virginia Code. The department lacked sufficient knowledge of Chapter 8-15-8b of the West Virginia Code to determine allowable expenditures under the code.

EFFECT:

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

RECOMMENDATION:

We recommend all revenues allocated to the fire department only be used for expenditures reasonably required for effective and efficient fire protection service, used for the public good, made in accordance with their Corporate Charter and by laws, and authorized by Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended. We further recommend they reimburse their state account \$2,118.77.

VFD RESPONSE:

The department agreed with the finding. According to the Fire Chief, the unallowable expenditures were an error resulting from him being unaware of what is allowable under Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended.

FINDING 3 UNAUTHORIZED PAYMENTS:

The Smithers Volunteer Fire Department made \$3,458.36 in expenditures identified from state funds which were not authorized by the department.

CONDITION:

On April 13, 2011, we sent Smithers Volunteer Fire Department, via certified mail, an engagement letter detailing the purpose, scope, each party's responsibilities, and documents required to complete our examination.

Mr. Whittington Chief of the Smithers Volunteer Fire Department contacted our office in May 2011 and stated he had made a mistake and paid his some of his personal bills online using electronic funds transfers paid from the departments account. Mr. Whittington identified the following unauthorized electronic fund transactions paid from the state account in 2010 that were his bills.

<u>CHECK</u> <u>NO.</u>	<u>CHECK</u> <u>DATE</u>	<u>PAYEE</u>	<u>Amount</u>
eft	7/21/2010	Nuvell	\$467.13
eft	8/12/2010	Erie Insurance	\$388.00
eft	8/17/2010	Nuvell	\$492.13
eft	9/3/2010	WV American Water	\$168.36
eft	9/3/2010	Payment Fee	\$1.80
eft	9/20/2010	Nuvell	\$467.13
eft	9/23/2010	Nuvell	\$159.26
eft	9/29/2010	WV American Water	\$197.09
eft	9/29/2010	Payment Fee	\$1.80
eft	10/13/2010	Erie Insurance	\$388.00
eft	10/18/2010	Nuvell	\$432.13
eft	11/30/2010	Mountaineer Gas	\$92.73
eft	12/9/2010	WV American Water	\$201.00
eft	12/9/2010	Payment Fee	<u>\$1.80</u>
		Total	\$3,458.36

We received a letter dated 6/29/2011 from Mr. Whittington stating he had erroneously transposed bank account number while paying bills online. Included with the letter was a copy of a cashiers check for \$4,000.00 and a deposit receipt for \$4,000.00 into the state account. Noted on the copy of the cashiers check " Re: Tim Whittington back to state account for error in 2010. We owed \$3,949.49". We requested by letter dated 9/21/2011 for a list of the transactions that totaled the \$3,949.49 reimbursement, and copies of all bank statements for the year 2009 and all bank statements for the year 2011 through August 2011. We have not received the requested information from Mr. Whittington. On September 18, 2012 Trooper Tawes of the State Police Gauley Bridge detachment, provided copies of bank statements for August 17, 2009 through January 14, 2010 and all statements for calendar year 2011. These statements did not include copies of the checks. However we reviewed these statements and identified the following possible 2011 unauthorized electronic funds transactions:

CHECK NO.	CHECK DATE	PAYEE	Amount
eft	1/26/2011	Nuvell	\$432.13
eft	2/22/2011	Nuvell	\$417.13
eft	3/22/2011	Nuvell	\$432.13
eft	4/14/2011	Nuvell	\$417.13
eft	4/14/2011	Erie Insurance	\$397.00
eft	8/9/2011	Nuvell	<u>\$834.26</u>
		Total	\$2,929.78

We also noted two electronic fund payments to AEP in January 2011 and two electronic fund payments to Mountaineer Gas in April 2011. Due to the department's failure to provide a list of all unauthorized transactions and lack of documentation we are unable to determine which payment is possible unauthorized and which payment may be for department use.

We are unable to determine if all payments from the state account were authorized or for department expenditures due to the department's failure to provide a list of all unauthorized transactions, proper itemized invoices, loan agreements, insurance policies, and payment documentation for all utilities.

CRITERIA:

Chapter 8, Article 15, Section 8(b) of the West Virginia Code, 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 lacked effective accounting practices and internal controls necessary to meet reporting requirements. The membership failed to properly review, authorize, and approve all proposed expenditures. The board failed to review records for proper authorization and documentation. The department lacked an independent audit committee to review department records for proper authorization and documentation. The Board of Governors and Officers of the department failed to document and report all unauthorized expenditures.

EFFECT:

There is a higher risk of fraud when expenditures lack proper authorization and supporting documentation. Due to the lack of proper supporting documentation, we were unable to determine if all payments from the state account were authorized.

RECOMMENDATION:

We recommend the department engage an independent CPA to review all records for unauthorized payments or fraud and provide an audit of the department's finances. We further recommend the department present any evidence of suspected fraud to Trooper Tawes of the WV State Police. We recommend the department reimburse their state account \$3,458.36 for unauthorized payments from their state account. We further recommend the Board of Governors properly review and oversee the department's records. The Board of Governors should review and approve all expenditures on a monthly basis. The department should establish an independent audit committee to review department records for proper authorization and documentation and report any unlawful expenditure to proper authorities.

VFD RESPONSE:

The department agreed with the finding.

FINDING 4 IMPROPER RECORD KEEPING:

The Smithers Volunteer Fire Department could not provide any reconciliations or ledgers to support their financial statement balances.

CONDITION:

We noted a net difference of \$3,817.04 between the ending bank statement balance of \$23,873.16 and the ending financial statement balance of \$20,056.12. We noted the following included in this difference:

Beginning bank statement balance \$16,751.12 less beginning financial statement balance \$12,522.72. The department did not provide a reconciliation of their beginning financial statement balance. We are unable to determine this difference.	\$4,228.40
Total treasury deposits per bank statement of \$43,493.81 less deposits of \$43,857.69 per line 2 of financial statement. We were unable to determine this difference due to the department's failure to provide a list of deposits or ledger that supports their financial statement balance.	-\$363.88
September deposit of \$150.00 per deposit ticket. The deposit ticket does not state the purpose of the deposit. The department did not provide any additional information concerning this deposit.	\$150.00
Total distributions of \$36,521.77 per bank statements less total distributions of \$36,324.29 per line 4 of financial statement. We were unable to determine this difference due to the department's failure to provide a ledger that supports their financial statement balance.	<u>-\$197.48</u>
Net Difference	\$3,817.04

We also noted the department could not provide a ledger to support the line item distributions from their financial statement.

CRITERION:

The department is responsible for keeping adequate records for a reasonable period of time. The department should make and maintain records containing adequate and proper documentation designed to furnish information to protect the legal and financial rights of the department.

WV Code 12-4-14(i) states in part,

“Any person who files a fraudulent sworn statement of expenditures under subsection (b) or (g) of this section, a fraudulent sworn statement under subsection (d) of this section or a fraudulent report under this section is guilty of a felony and, upon conviction thereof, shall be fined not less than one thousand

dollars nor more than five thousand dollars or imprisoned in a state correctional facility for not less than one year nor more than five years, or both fined and imprisoned.”

CAUSE:

The department lacked effective accounting practices, proper record keeping and internal controls necessary to meet reporting requirements.

The Board of Governors did not properly oversee the records of the department to ensure that sufficient ledgers and reconciliations were maintained to support the financial statement balances.

EFFECT:

Due to improper record keeping there is a greater risk of error or fraud. Also due to improper record keeping, there may be insufficient information to protect the legal and financial rights of the department and of persons directly affected by the departments’ activities. Additionally, if the department filed a fraudulent statement of expenditures, the person filing the statement may be guilty of a felony.

RECOMMENDATION:

We recommend Smithers VFD maintain sufficient records and reconciliations, to protect the legal and financial rights of the VFD. Additionally, we recommend the Department ensure their statement of expenditures is filed correctly and that it is reconciled to their bank statement.

VFD RESPONSE:

The department agreed with the finding. According to the Fire Chief, the department has a new treasurer and a citizens’ committee. In addition, an independent CPA from Summersville will conduct periodic audits, and the new treasurer will have reconciliations as soon as possible after receiving the bank statements.

SMITHERS VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES YEAR ENDED DECEMBER 31, 2010

D <u>Authorizing W.Va Code</u>	A VFD	B AUDIT	C DIFFERENCES	
Chapter 8, Article 15, Section 8b(1)	\$8,836.30	\$8,938.20	(\$101.90)	b
Chapter 8, Article 15, Section 8b(2)	0.00	0.00	0.00	
Chapter 8, Article 15, Section 8b(3)	827.93	0.00	827.93	b
Chapter 8, Article 15, Section 8b(4)	2,591.87	1,157.26	1,434.61	b
Chapter 8, Article 15, Section 8b(5)	3,179.07	4,535.80	(1,356.73)	b
Chapter 8, Article 15, Section 8b(6)	0.00	0.00	0.00	
Chapter 8, Article 15, Section 8b(7)	5,885.84	1,628.89	4,256.95	b
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)	776.00	0.00	776.00	b
Chapter 8, Article 15, Section 8b(11)	13,796.78	1,557.15	12,239.63	b
Chapter 8, Article 15, Section 8b(12)	0.00	0.00	0.00	
Chapter 8, Article 15, Section 8b(13)	430.50	430.50	0.00	
Chapter 8, Article 15, Section 8b(14)	0.00	0.00	0.00	
Chapter 8, Article 15, Section 8b(15)	0.00	0.00	0.00	
Total Disbursements For Year				
Ended December 31, 2010	\$36,324.29	\$18,247.80	\$18,076.49	a

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

Total lack of support. See file: Smither 2010 finding 1 Lack if support.docx	(\$12,696.84)
Total unallowable. See file: Smithers 2010 finding 2 Unallowable.docx	(\$2,118.77)
Unauthorized payment. See file: Smithers finding 3 Unauthorized payments.docx	(\$3,458.36)
Total distributions from bank statements less total distributions from financial statement	<u>\$197.48</u>
Total	(\$18,076.49)

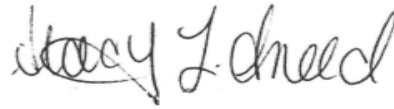
b - The department did not provide a ledger to support their line item totals from their financial statement therefore we are unable to determine the difference between the audited line items and the line items noted on the financial statement.

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 11th day of December 2012.



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

Notification of when the report was released and the location of the report on our website was sent to the Secretary of the Department of Administration to be filed as a public record. Report release notifications were also sent to the Governor; Attorney General; State Auditor; and State Fire Marshal. Copies forwarded to the Smithers Volunteer Fire Department; Prosecuting Attorney, Fayette County; County Clerk, Fayette County.