

LEGISLATIVE AUDIT REPORT

THORTON VOLUNTEER FIRE DEPARTMENT

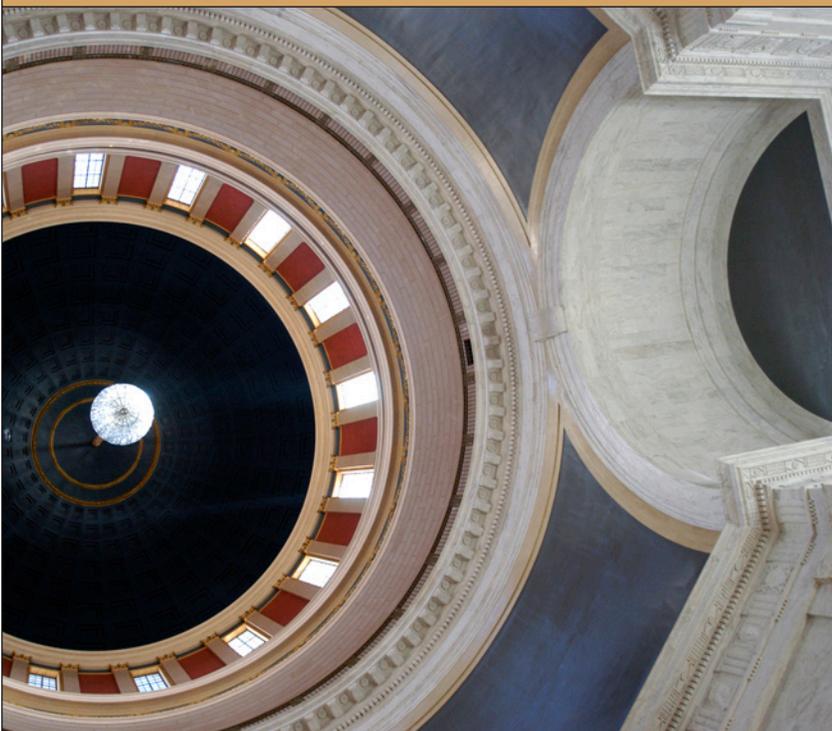
FOR THE YEARS ENDING DECEMBER 31, 2007 & 2006

AUDIT OVERVIEW

Commingled Funds

Not Allowable Items

Lack of Supporting Documentation



WEST VIRGINIA LEGISLATIVE AUDITOR
POST AUDIT DIVISION



Aaron Allred - *Legislative Auditor*
Stacy Sneed, CPA - *Director*

Room 329 W, Building I
1900 Kanawha Boulevard East
Charleston, West Virginia 25305
phone: (304) 347-4880

LEGISLATIVE POST AUDIT SUBCOMMITTEE

Senate

President Earl Ray Tomblin, Chairman
Walt Helmick
Mike Hall

House

Speaker Richard Thompson, Chairman
Harry Keith White
Tim Armstead

WEST VIRGINIA LEGISLATIVE AUDITOR LEGISLATIVE POST AUDIT DIVISION

Aaron Allred
Legislative Auditor

Stacy L. Sneed, CPA, CICA
Director

Ronald W. Ash
Auditor-in-Charge

Jamie Divers
Audit Technician I

Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., East
Charleston, WV 25305-0610
(304) 347-4880

Post audit reports are available on-line at
http://www.legis.state.wv.us/Joint/postaudit/vfd_audits.cfm

For more information about the Legislative Post Audit Division, please visit our website at
www.legis.state.wv.us/Joint/postaudit/postaudit.cfm

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, West Virginia 25305-0610



Area Code (304)
Phone: 347-4880
Fax: 347-4889

September 22, 2010

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 12, Article 4, Section 14, as amended, we conducted an attestation engagement of the Thornton Volunteer Fire Department for the years ended December 31, 2007 and December 31, 2006. We conducted our attestation in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Respectfully submitted,

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

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

SLS/rwa

THORNTON VOLUNTEER FIRE DEPARTMENT

TABLE OF CONTENTS

Executive Summary2

Introduction3

 Post Audit Authority 3

 Background..... 3

Officers and Staff5

Audit Scope6

Objectives, Methodologies, and Conclusions6

Exit Conference.....6

Findings7

 Finding 1 7

 Finding 2 8

 Finding 3 9

Supplemental Information – Statements10

**Certificate of Director,
Legislative Post Audit Division12**

THORNTON VOLUNTEER FIRE DEPARTMENT

EXECUTIVE SUMMARY

Thornton VFD Taylor County	<u>Dec. 31, 2007 and 2006</u>
Commingled Funds	\$98,662.01
Not Allowable Items	450.44
Lack of Supporting Documentation	<u>712.78</u>
Total	<u>\$ 1,163.22</u>
*See recommendations below	

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

*We recommend Thornton VFD reimburse their state account \$1,163.22 for items not allowed and/or lacked supporting documentation.

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

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

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

THORNTON VOLUNTEER FIRE DEPARTMENT

INTRODUCTION

POST AUDIT AUTHORITY

The audit is being conducted pursuant to Chapter 12, Article 4, Section 14 of the West Virginia Code, as amended, 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.

THORNTON VOLUNTEER FIRE DEPARTMENT

OFFICERS AND STAFF

Elisa Strader President of the Governing Board
James Jenkins Vice President of the Governing Board
Teresa Gable Secretary
Teresa Gable Treasurer
Henry Boyce Fire Chief

THORNTON VOLUNTEER FIRE DEPARTMENT

ATTESTATION SCOPE

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

OBJECTIVES AND METHODOLOGIES

The objective of our attestation engagement was to review expenditures from the Departments state fund to ensure all expenditures were allowable and supported, and to report any unlawful expenditures that we find. Additionally, we were to examine the spending unit's financial transactions and records, and to evaluate its compliance with applicable State laws, rules and regulations.

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

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

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

CONCLUSIONS

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

EXIT CONFERENCE

We discussed this report with the Fire Chief of the Thornton VFD on September 22, 2010. All findings and recommendations were reviewed and discussed.

THORNTON VOLUNTEER FIRE DEPARTMENT

FINDINGS

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

Condition

The Department's State allocation of funds is deposited into a checking account along with other funds. Funds are transferred to and from the checking account to an investment account.

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

Recommendation

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

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

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

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

Finding 2: Unallowable Expenditures

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

<u>Description</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Food Items	\$302.77	\$80.26
Sales Tax	<u>48.70</u>	<u>18.71</u>
Total	<u>\$351.47</u>	<u>\$98.97</u>

Recommendation:

We recommend the Thornton Volunteer Fire Department reimburse their state account \$450.44 for the items that were purchased that were not allowable and to expend their State money only for the items listed in W.Va. Code 8-15-8b.

Finding 3: Lack of Supporting Documentation

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

<u>Description</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Robert Gable	\$0.00	\$41.05
Grafton Auto Parts	0.00	11.27
Farmer's Delight	17.46	0.00
Teresa Gable	288.00	0.00
Teresa Gable	200.00	0.00
Grafton Floral	50.00	0.00
Chuck's Store	55.00	0.00
Chuck's Store	<u>50.00</u>	<u>0.00</u>
Totals	\$660.46	\$52.32

Recommendation:

We recommend the Thornton Volunteer Fire Department reimburse their state account \$712.78 for the items that were purchased that were not properly documented and to maintain documentation for all expenditures of State funds.

THORNTON VOLUNTEER FIRE DEPARTMENT

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

	<u>VFD</u>	<u>AUDIT</u>	<u>DIFFERENCES</u>
Chapter 8, Article 15, Section 8b(1)	\$ 2,863.61	\$ 1,260.45	\$ 1,603.16
Chapter 8, Article 15, Section 8b(2)	19,865.00	\$0.00	19,865.00
Chapter 8, Article 15, Section 8b(3)	709.00	445.00	264.00
Chapter 8, Article 15, Section 8b(4)	7,089.10	921.00	6,168.10
Chapter 8, Article 15, Section 8b(5)	7,857.01	3,068.98	4,788.03
Chapter 8, Article 15, Section 8b(6)	0.00	19,865.00	(19,865.00)
Chapter 8, Article 15, Section 8b(7)	6,810.02	6,919.85	(109.83)
Chapter 8, Article 15, Section 8b(8)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(9)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(10)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(11)	4,817.59	3,756.02	1,061.57
Chapter 8, Article 15, Section 8b(12)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Disbursements For Year Ended December 31, 2007	<u>\$50,011.33</u>	<u>\$36,236.30</u>	<u>\$13,775.03</u>

THORNTON VOLUNTEER FIRE DEPARTMENT

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

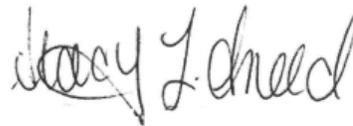
	<u>VFD</u>	<u>AUDIT</u>	<u>DIFFERENCES</u>
Chapter 8, Article 15, Section 8b(1)	\$ 0.00	\$ 0.00	\$ 0.00
Chapter 8, Article 15, Section 8b(2)	23,694.82	1,587.96	22,106.86
Chapter 8, Article 15, Section 8b(3)	900.92	279.50	621.42
Chapter 8, Article 15, Section 8b(4)	963.48	935.68	27.80
Chapter 8, Article 15, Section 8b(5)	4,132.60	4,235.62	(103.02)
Chapter 8, Article 15, Section 8b(6)	0.00	22,088.00	(22,088.00)
Chapter 8, Article 15, Section 8b(7)	7,756.57	7,356.89	399.68
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)	7,060.18	0.00	7,060.18
Chapter 8, Article 15, Section 8b(11)	4,142.11	4,062.58	79.53
Chapter 8, Article 15, Section 8b(12)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Disbursements For Year Ended December 31, 2006	<u>\$48,650.68</u>	<u>\$40,546.23</u>	<u>\$ 8,104.45</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this 12th day of October 2010.



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

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