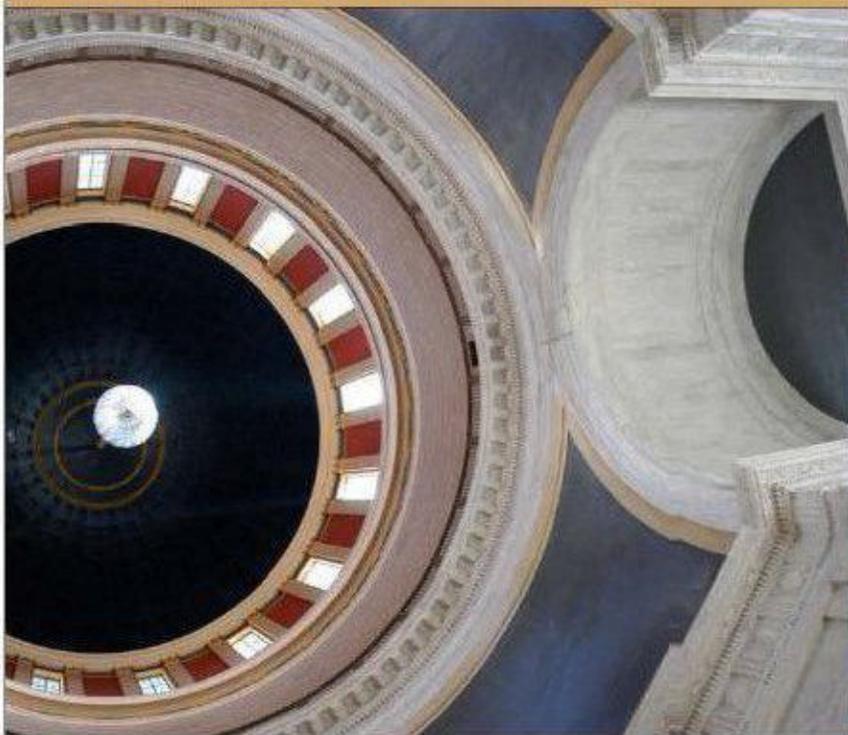


LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION
SCOTTS RUN
VOLUNTEER FIRE DEPARTMENT

FOR THE YEAR ENDING DECEMBER 31, 2010

Audit Summary

- Checks written to individuals
- Improper record keeping



WEST VIRGINIA LEGISLATIVE AUDITOR
POST AUDIT DIVISION



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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

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July 10, 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 Scotts Run 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

SCOTTS RUN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

TABLE OF CONTENTS

Executive Summary.....	2
Introduction	3
Post Audit Authority	3
Background.....	3
Officers and Staff	5
Scope	6
Objectives, Methodologies, and Conclusions	6
Exit Conference.....	7
Finding 1 Checks Written to Individuals	8
Finding 2 Improper Record Keeping.....	10
Supplemental Information – Statement of Expenditures	11
Certificate of Director, Legislative Post Audit Division	12

SCOTTS RUN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

EXECUTIVE SUMMARY

FINDING 1 - CHECKS WRITTEN TO INDIVIDUALS:

The Scotts Run Volunteer Fire Department wrote three checks totaling \$5,445.00 to individuals that lacked proper documentation.

Recommendation

We recommend the department properly document purchases and cease writing checks to individuals.

FINDING 2 - IMPROPER RECORD KEEPING:

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

Recommendation

We recommend Scotts Run VFD maintain sufficient records and reconciliations to protect the legal and financial rights of the department. 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 all findings and recommendations.

SCOTTS RUN 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.

SCOTTS RUN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

OFFICERS AND STAFF

Jimmy Tennant.....President
Dave TennantTreasurer
Michael Spooner Fire Chief

SCOTTS RUN 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 Scotts Run 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 Audits Subcommittee, the members of the WV Legislature, and the Volunteer Fire Department. However, once presented to the Post Audits 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

Based on our review, we believe there is sufficient evidence to conclude all expenditures were allowable and supported. We also noted \$5,445 in checks written to individuals. In addition, we noted the VFD could not provide any reconciliations or ledgers to support their financial statement balances. This increases the risk that a fraudulent statement of expenditures may have been submitted.

EXIT CONFERENCE

We discussed this report with the Treasurer of the Scotts Run Volunteer Fire Department on 7/10/2012. All findings and recommendations were reviewed and discussed. The department agreed with all findings and recommendations.

SCOTTS RUN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

FINDINGS

FINDING 1 - CHECKS WRITTEN TO INDIVIDUALS:

The Scotts Run Volunteer Fire Department wrote three checks totaling \$5,445.00 to individuals that lacked proper documentation.

CONDITION:

We noted the department wrote the following checks to individuals that were not properly documented:

<u>CHECK NO.</u>	<u>CHECK DATE</u>	<u>INVOICE DATE</u>	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1159	03/11/2010	03/10/2010	Dave Tennant	\$ 321.00	Two - 24 volt Dewalt batteries
1181	09/29/2010	09/17/2010	Mike Spooner	\$4,500.00	Truck repair
1184	12/13/2010	12/21/2010	Dave Tennant	\$ 624.00	Tires
			Total	\$5,445.00	

The department provided a receipt in the amount of \$320.78 from Lowes for documentation of check 1159 for reimbursement to Dave Tennant. The receipt did not match the reimbursement of \$321.00, check 1159, payable to Dave Tennant.

The department provided an invoice to document check 1181 made payable to Mike Spooner for \$4,500.00. The invoice does not have a vendor or provider of services listed. There are two line items listed as charges "Changed out a blowed up motor in Fire Truck Unit 131 Labor 500.00" and "1 Used 454 longblock engine \$4,500." The two items listed add to \$5,000.00, however, the invoice states "Total amount 4,500." Based on our interpretation of the documentation the amount of the check written to Spooner (\$4,500) less the receipts provided for cost of the engine and other parts (\$4,044.30) is the amount (\$455.70) paid to Spooner for installing the motor.

The department provided an invoice to document check 1184 in the amount of \$624.00 for the purchase of four tires. Check 1184 was made payable to Dave Tennant and the invoice was from Tennant's Service Station. According to the WV Secretary of State's web site, Tennant's Service Station is not licensed to do business in West Virginia.

CRITERION:

According to best accounting practices, checks should be made payable to a registered entity and should be properly supported by an itemized invoice from a licensed business.

CAUSE:

According to the current treasurer, they were not aware it was not good practice to write checks to individuals.

EFFECT:

There is a higher risk of fraud when checks are not properly documented and made payable to individuals. Also, due to the lack of proper documentation we may be unable to determine if the expenditure is allowable.

RECOMMENDATION:

We recommend the department properly document purchases and cease writing checks to individuals.

FINDING 2 - IMPROPER RECORD KEEPING:

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

CONDITION:

We noted a (\$4,610.65) net difference between ending bank statement balance and ending financial statement balance. Included in this difference is a beginning balance difference of \$2,826.00 between beginning bank statement balance and beginning financial statement balance. Also included in this net difference is a (\$2,770.56) difference between the total distributions from bank statement and total distribution from financial statement. We also noted a (\$4,666.09) mathematical error on their financial statement included in this net difference. The department could not provide a ledger or reconciliation to support the beginning or ending balances shown on their financial statement. Also, 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:

According to the current treasurer, he is new and became treasurer in the middle of the year. It appears there is a general lack of control over recordkeeping at the Department.

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

SCOTTS RUN VOLUNTEER FIRE DEPARTMENT
January 1, 2010 – December 31, 2010

SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES YEAR ENDED DECEMBER 31, 2010

<u>Authorizing W.Va Code</u>	<u>AUDIT</u>	<u>VFD</u>	<u>DIFFERENCES</u>	
Chapter 8, Article 15, Section 8b(1)	\$ 4,676.88	\$ 5,996.88	(\$1,320.00)	b
Chapter 8, Article 15, Section 8b(2)	0.00	0.00	0.00	
Chapter 8, Article 15, Section 8b(3)	0.00	12,199.85	(12,199.85)	b
Chapter 8, Article 15, Section 8b(4)	8,176.71	12,853.81	(4,677.10)	b
Chapter 8, Article 15, Section 8b(5)	5,124.00	0.00	5,124.00	b
Chapter 8, Article 15, Section 8b(6)	8,491.90	4,224.46	4,267.44	b
Chapter 8, Article 15, Section 8b(7)	0.00	0.00	0.00	
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)	11,124.85	0.00	11,124.85	b
Chapter 8, Article 15, Section 8b(11)	0.00	0.00	0.00	
Chapter 8, Article 15, Section 8b(12)	0.00	0.00	0.00	
Chapter 8, Article 15, Section 8b(13)	451.00	0.00	451.00	b
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	\$38,045.34	\$35,275.00	\$2,770.34	a

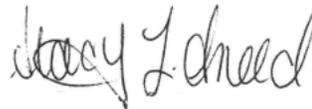
a = Difference between audited distribution and financial statement distributions due to: Lack of support, de minimis, not an exception. -\$0.22	
\$2,770.56 difference between total distributions from Bank Statement \$38,045.56 and total distributions from financial statement \$35,275.00.	<u>\$2,770.56</u>
Total	\$2,770.34
b = Because the department does not maintain proper ledgers we are unable to determine the line items differences.	

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 9th day of October 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 Scotts Run Volunteer Fire Department; Prosecuting Attorney, Monongalia County; County Clerk, Monongalia County.