

LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION

BURLINGTON VOLUNTEER FIRE DEPARTMENT

FOR THE YEAR ENDING DECEMBER 31, 2011

REPORT OVERVIEW

- Lack of Support for Grant Expenditures



WEST VIRGINIA LEGISLATIVE AUDITOR POST AUDIT DIVISION



Aaron Allred - Legislative Auditor
Stacy Sneed, CPA - Director

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Tim Armstead

WEST VIRGINIA LEGISLATIVE AUDITOR LEGISLATIVE POST AUDIT DIVISION

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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
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August 20, 2013

The Joint Committee on Government and Finance:

In compliance with the provisions of the WV Code, §12-4-14 as amended, we conducted a compliance inspection and review of the financial transactions and records of the Burlington Volunteer Fire Department's state funds for the calendar year ended December 31, 2011. We conducted our review and compliance inspection based on the criteria set forth by the Legislative Post Audit Division.

Respectfully submitted,

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

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

SLS/rwa

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

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BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

EXECUTIVE SUMMARY

FINDING 1 LACK OF SUPPORT FOR GRANT EXPENDITURES:

The Department does not maintain and review invoices to support the ledger expenses by the Burlington United Methodist Family Services for the Burlington Apple Harvest Festival.

Recommendation:

We recommend the department maintain and review original invoices to support grant expenditures provided to the Burlington United Methodist Family Services for unfunded festival expenditures.

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

INTRODUCTION

POST AUDIT AUTHORITY

The procedures were conducted pursuant to WV Code, §12-4-14, which allows the Legislative Auditor to “assign an employee or employees to perform audits or reviews at the direction of the Legislative Auditor of the disbursement of state grant funds to Volunteer Fire Departments.”

BACKGROUND

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

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

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

WV Code, §33-3-14d and 33 provide that the Volunteer Fire Departments receive distributions on an equal share basis and part Volunteer Fire Departments receive a reduced amount based on the ratio of full-time paid firefighters who are members of the municipal firemen’s pension system to the total number of the members of the Fire Department. The moneys are to be distributed quarterly on the first day of the months of January, April, July and October of each year.

To receive these funds, the volunteer and part Volunteer Fire Companies and Departments must comply with the provisions of WV Code, §8-15-8a, as amended:

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

Prior to the March 8, 2000 amendment, WV Code, §8-15-8b did not allow Operating expenses as described in subsection (11) nor did the law prohibit the commingling of the funds with funds from

other sources. Prior to the April 9, 2005 amendment, WV Code, §8-15-8b did not allow Dues as described in subsection (12). On March 13, 2010, WV Code, §8-15-8b was amended to include items (13) Workers' Compensation premiums, (14) Life insurance premiums to provide a benefit not to exceed \$20,000 for firefighter; and (15) Educational and training supplies and fire prevention promotional materials, not to exceed \$500 per year.

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

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

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

OFFICERS AND STAFF

Susan Smith.....President
Cindy Ebert.....Treasurer
Nan Simms.....Secretary
Tommy Simpson.....Fire Chief

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

SCOPE

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

OBJECTIVES AND METHODOLOGIES

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

Our sample of Departments to test was randomly selected by district, after determining a population of all Departments for which a report has not been issued.

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

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.

CONCLUSIONS

The Department was awarded grant number C000340211 in the amount of \$28,500.00 from the Division of Culture & History for the Burlington Apple Harvest Festival. The Department budgets \$4,000 of the monies received from grant for fireworks and trophies for the festival and forward the remaining \$24,500 to the Burlington United Methodist Family Services (BUMFS) for unfunded festival expenses.

The Department receives a ledger to support expenses paid by BUMFS. The Department provided invoices to support their budgeted \$4,000 for festival expense. The Department does not maintain and review invoices to support the ledger expenses by the Burlington United Methodist Family Services for the Burlington Apple Harvest Festival.

EXIT CONFERENCE

We discussed this report with the Treasurer of the Burlington Volunteer Fire Department on 10/2/2013. All findings and recommendations were reviewed and discussed. The department agreed with all findings and recommendations.

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

FINDING

FINDING 1 LACK OF SUPPORT FOR GRANT EXPENDITURES:

CONDITION:

The Department was awarded grant number C000340211 in the amount of \$28,500.00 from the Division of Culture & History for the Burlington Apple Harvest Festival. The Department budgets \$4,000 of the monies received from grant for fireworks and trophies for the festival and forward the remaining \$24,500 to the Burlington United Methodist Family Services (BUMFS) for unfunded festival expenses. The Department receives a ledger to support expenses paid by BUMFS. The Department provided invoices to support their budgeted \$4,000 for festival expense. The Department does not maintain and review invoices to support the ledger expenses by the Burlington United Methodist Family Services for the Burlington Apple Harvest Festival. We asked the VFD to obtain the invoices from the BUMFS, however, we were never provided with any support.

CRITERIA:

Section 148-18-5.3 of the Code of State Rules states in part:

“Sworn Statements of Expenditures Made Under Grants.

A sworn statement of expenditures shall include at least:

A listing of expenditures to include, at a minimum, the level of detail (categories, line items, cost centers, etc.) as contained within the related grant budget.”

CAUSE:

According to the Department, the grant is paid to the Burlington VFD because they are a corporation. The Department does not have sufficient procedures in place to insure that all grant expenditures were properly documented.

EFFECT:

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

RECOMMENDATION:

We recommend the department maintain and review original invoices to support grant expenditures provided to the Burlington United Methodist Family Services for unfunded festival expenditures.

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES YEAR ENDED DECEMBER 31, 2011

<u>Authorizing W.Va Code</u>	<u>AUDIT</u>	<u>VFD</u>	<u>DIFFERENCES</u>
Chapter 8, Article 15, Section 8b(1)	\$0.00	\$0.00	\$0.00
Chapter 8, Article 15, Section 8b(2)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(3)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(4)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(5)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(6)	40,000.00	40,000.00	0.00
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)	0.00	0.00	0.00
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)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(14)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(15)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Disbursements For Year Ended December 31, 2011	\$40,000.00	\$40,000.00	\$0.00

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 WV Code, §4-2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 3rd day of October 2013.



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 were 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 Burlington Volunteer Fire Department; Prosecuting Attorney, Mineral County; County Clerk, Mineral County.

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Joint Committee on Government and Finance

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August 20, 2013

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Respectfully submitted,

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SLS/rwa

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January 1, 2011 – December 31, 2011

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BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

EXECUTIVE SUMMARY

FINDING 1 LACK OF SUPPORT FOR GRANT EXPENDITURES:

The Department does not maintain and review invoices to support the ledger expenses by the Burlington United Methodist Family Services for the Burlington Apple Harvest Festival.

Recommendation:

We recommend the department maintain and review original invoices to support grant expenditures provided to the Burlington United Methodist Family Services for unfunded festival expenditures.

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

INTRODUCTION

POST AUDIT AUTHORITY

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BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

OFFICERS AND STAFF

Susan Smith.....President
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Tommy Simpson.....Fire Chief

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

SCOPE

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CONCLUSIONS

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The Department receives a ledger to support expenses paid by BUMFS. The Department provided invoices to support their budgeted \$4,000 for festival expense. The Department does not maintain and review invoices to support the ledger expenses by the Burlington United Methodist Family Services for the Burlington Apple Harvest Festival.

EXIT CONFERENCE

We discussed this report with the Treasurer of the Burlington Volunteer Fire Department on 10/2/2013. All findings and recommendations were reviewed and discussed. The department agreed with all findings and recommendations.

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

FINDING

FINDING 1 LACK OF SUPPORT FOR GRANT EXPENDITURES:

CONDITION:

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CRITERIA:

Section 148-18-5.3 of the Code of State Rules states in part:

“Sworn Statements of Expenditures Made Under Grants.

A sworn statement of expenditures shall include at least:

A listing of expenditures to include, at a minimum, the level of detail (categories, line items, cost centers, etc.) as contained within the related grant budget.”

CAUSE:

According to the Department, the grant is paid to the Burlington VFD because they are a corporation. The Department does not have sufficient procedures in place to insure that all grant expenditures were properly documented.

EFFECT:

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

RECOMMENDATION:

We recommend the department maintain and review original invoices to support grant expenditures provided to the Burlington United Methodist Family Services for unfunded festival expenditures.

BURLINGTON VOLUNTEER FIRE DEPARTMENT
January 1, 2011 – December 31, 2011

SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES YEAR ENDED DECEMBER 31, 2011

<u>Authorizing W.Va Code</u>	<u>AUDIT</u>	<u>VFD</u>	<u>DIFFERENCES</u>
Chapter 8, Article 15, Section 8b(1)	\$0.00	\$0.00	\$0.00
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Chapter 8, Article 15, Section 8b(4)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(5)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(6)	40,000.00	40,000.00	0.00
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)	0.00	0.00	0.00
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)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(14)	0.00	0.00	0.00
Chapter 8, Article 15, Section 8b(15)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Disbursements For Year Ended December 31, 2011	\$40,000.00	\$40,000.00	\$0.00

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 WV Code, §4-2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 3rd day of October 2013.



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 were 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 Burlington Volunteer Fire Department; Prosecuting Attorney, Mineral County; County Clerk, Mineral County.