

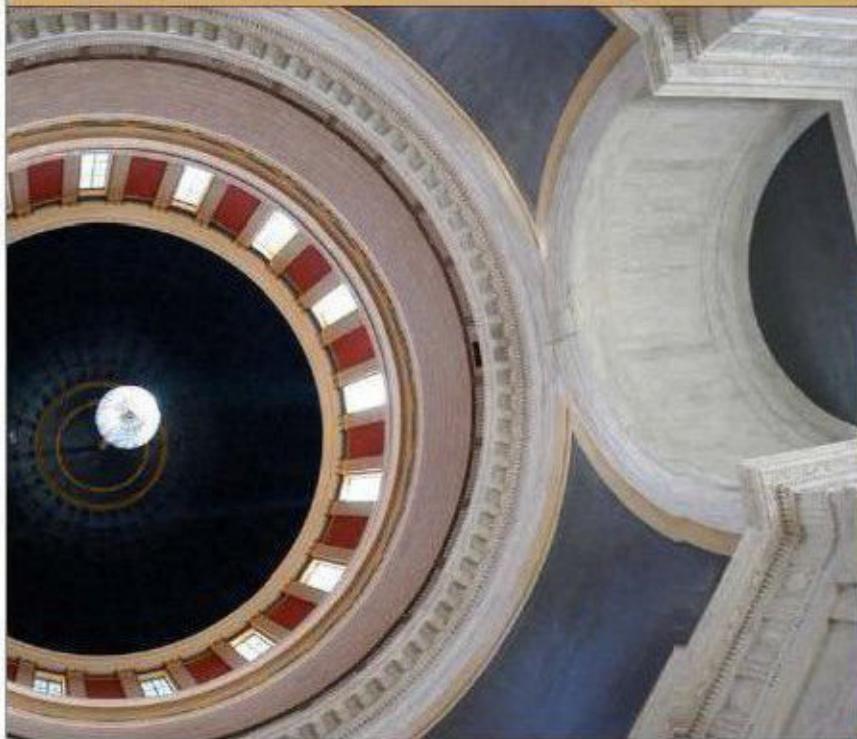
LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION

Shavers Fork Volunteer Fire Department

FOR THE YEAR ENDING JUNE 30, 2010

Audit Summary

- Improper Record Keeping
- Commingled Accounts



WEST VIRGINIA LEGISLATIVE AUDITOR
POST AUDIT DIVISION



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

*Room 329 W, Building 1
1900 Kanawha Boulevard East
Charleston, West Virginia 25305
phone: (304) 347 - 4880*

LEGISLATIVE POST AUDITS SUBCOMMITTEE

Senate

President Jeff Kessler, Chairman
Roman Prezioso
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

Nathan Hamilton
Auditor II

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 21, 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 Shavers Fork Volunteer Fire Department's state funds for the fiscal year ended June 30, 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 black ink that reads "Stacy L. Sneed".

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

SLS/nmh

SHAVERS FORK VOLUNTEER FIRE DEPARTMENT
July 1, 2009 – June 30, 2010

TABLE OF CONTENTS

Executive Summary.....	1
Introduction	2
Post Audit Authority	2
Background.....	2
Officers and Staff	4
Scope	5
Objectives, Methodologies, and Conclusions	5
Exit Conference.....	5
Finding 1 Improper Record Keeping	6
Finding 2 Commingled Funds.....	7
Supplemental Information – Statement of Expenditures.....	8
Certificate of Director, Legislative Post Audit Division	9

SHAVERS FORK VOLUNTEER FIRE DEPARTMENT
July 1, 2009 – June 30, 2010

EXECUTIVE SUMMARY

Shavers Fork VFD
June 30, 2010
Pocahontas County

FINDING 1 – IMPROPER RECORD KEEPING:

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

RECOMMENDATION:

We recommend Shavers Fork VFD maintain sufficient records and reconciliations, to protect the legal and financial rights of the VFD.

FINDING 2 – COMMINGLED FUNDS:

The Shavers Fork Volunteer Fire Department commingled \$270.05 from non State sources with State funds.

RECOMMENDATION:

We recommend the Shavers Fork VFD cease commingling State funds with non State funds and maintain State funds in a separate account.

RESPONSE:

The department agreed with all findings and recommendations.

SHAVERS FORK VOLUNTEER FIRE DEPARTMENT
July 1, 2009 – June 30, 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.

SHAVERS FORK VOLUNTEER FIRE DEPARTMENT
July 1, 2009 – June 30, 2010

OFFICERS AND STAFF

Dan Philippi Chairman of the Executive Board

George Bell..... Treasurer

Shannon Boehmer Fire Chief

SHAVERS FORK VOLUNTEER FIRE DEPARTMENT
July 1, 2009 – June 30, 2010

SCOPE

We conducted a review of the revenue and expenditure transactions, and other records of the Shavers Fork Volunteer Fire Department's state accounts for the year ending June 30, 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 review was conducted in accordance with criteria set forth by the Legislative Post Audit Division.

OBJECTIVES AND METHODOLOGIES

The objective of our examination 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, and 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 un-audited Departments.

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

The Shavers Fork Volunteer Fire Department could not provide any reconciliations or ledgers to support their financial statement balances. Also, the state account is commingled with \$270.05 in funds from sources other than state funding.

EXIT CONFERENCE

We discussed this report with the Chief of the Shavers Fork Volunteer Fire Department on September 21, 2012. All findings and recommendations were reviewed and discussed.

SHAVERS FORK VOLUNTEER FIRE DEPARTMENT
July 1, 2009 – June 30, 2010

FINDINGS

FINDING 1 IMPROPER RECORD KEEPING:

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

CONDITION:

We noted a \$716.12 difference between the ending bank statement balance and the ending financial statement balance. This difference includes a net \$23,531.72 difference between total treasury deposits of \$22,817.79 from bank statements and reported deposits of \$46,619.56 on line 2 of the financial statement, less \$270.05 for non treasury deposits listed on the bank statement. Also, included is a net \$22,815.60 difference between total disbursements of \$15,369.89 from VFD check ledger and \$38,365.54 in disbursements reported on financial statement line 4, less \$180.05 for items on the bank statement and not on the check register. 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.

CAUSE:

The Board of Governors did not properly oversee the records of the department and did not assure proper reconciliations were made.

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 department's activities.

RECOMMENDATION:

We recommend Shavers Fork VFD maintain sufficient records and reconciliations to protect the legal and financial rights of the VFD.

FINDING 2 COMMINGLED FUNDS:

The Shavers Fork Volunteer Fire Department commingled \$270.05 from non State sources with State funds.

CONDITION:

We noted the fire department made a deposit of \$100.00 into their State account on 1/28/2010. In addition, the fire department deposited \$170.05 into their State account on 2/19/2010. We are unable to determine the source of these deposits.

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.”** (Emphasis Added)

CAUSE:

The Board of Governors did not assure that the department maintained State funds in an account separate from its non State funds.

EFFECT:

When State and non State funds are commingled, we may be unable to determine if all expenditures made from State funds were allowable and/or properly documented.

RECOMMENDATION:

We recommend the Shavers Fork VFD cease commingling State funds with non State funds and maintain State funds in a separate account.

SHAVERS FORK VOLUNTEER FIRE DEPARTMENT
July 1, 2009 – June 30, 2010

SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES YEAR ENDED JUNE 30, 2010

<u>Authorizing WV 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	69.98	(69.98)	b
Chapter 8, Article 15, Section 8b(3)	5,000.00	8,003.70	(3,003.70)	b
Chapter 8, Article 15, Section 8b(4)	0.00	13,973.54	(13,973.54)	b
Chapter 8, Article 15, Section 8b(5)	0.00	1,240.43	(1,240.43)	b
Chapter 8, Article 15, Section 8b(6)	2,899.75	2,899.75	0.00	
Chapter 8, Article 15, Section 8b(7)	3,000.00	3,000.00	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)	4,650.19	9,178.14	(4,527.95)	b
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)	0.00	0.00	0.00	
Total Disbursements For Year Ended June 30, 2010	\$15,549.94	\$38,365.54	(\$22,815.60)	a

a = Difference between total of \$15,369.89 distributions from check ledger and
\$38,365.54 distributions reported on financial statement line 4. (\$22,995.65)

Items on bank statements that are not on check ledger:

EFT	2/4/2010	Deluxe Bus Sys. Bus Prod	\$170.05
EFT	2/26/2010	Service Charge	5.00
EFT	3/31/2010	Service Charge	5.00
		Total	(\$22,815.60)

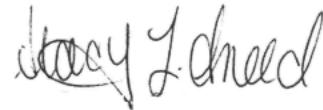
b = We are unable to determine the line item differences because the department did not provide a ledger or reconciliations to support their financial statement balances.

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 4th 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 Shavers Fork Volunteer Fire Department; Prosecuting Attorney, Pocahontas County; and County Clerk, Pocahontas County.