

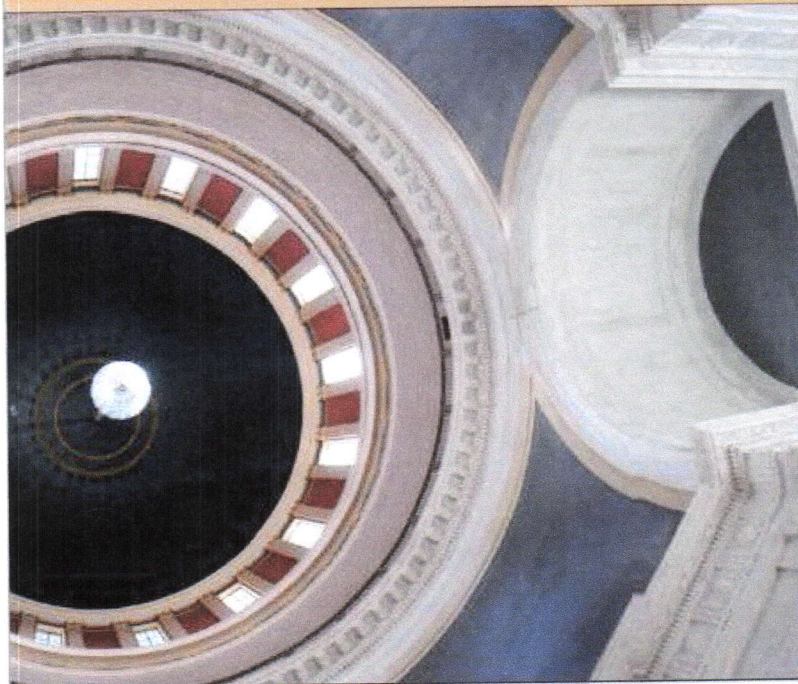
LEGISLATIVE FINANCIAL COMPLIANCE INSPECTION

ROMNEY VOLUNTEER FIRE DEPARTMENT

FOR THE YEAR ENDING DECEMBER 31, 2010

REPORT OVERVIEW

- Commingled
- Lack of Support
- Lack of Support for Grant Expenditures



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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
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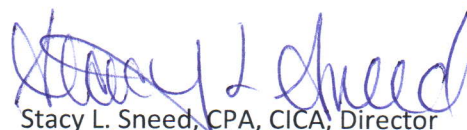
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March 14, 2013

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 Romney 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,


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

SLS/nmh

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

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

EXECUTIVE SUMMARY

We were assigned to perform an examination of the revenues and expenditures of the Romney Volunteer Fire Department for the calendar year ending December 31, 2010. This examination is mandated by *West Virginia Code*, Chapter 12, Article 4, Section 14, as amended.

We noted the department submitted an annual financial statement and bank statements for the year ended December 31, 2010, in compliance with §12-4-14 of the West Virginia Code as amended.

After a review of the annual financial statement and bank statements for the year ending December 31, 2010 we found:

FINDING 1 COMMINGLED:

The department commingled state funds with funds from other sources totaling \$453.00. Due to the commingling of funds and lack of proper documentation we were unable to determine if all expenditures were allowable.

Recommendation:

We recommend the Romney VFD cease commingling state funds with non-state funds and maintain state funds in a separate account.

FINDING 2 LACK OF SUPPORT:

Based on the documentation provided, the Romney Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$60,613.49.

Recommendation:

We recommend the department maintain proper documentation for all expenditures made from state funds and reimburse their state account \$60,613.43 for expenditures that lacked support. The department should engage an independent CPA to provide an audit of the department's finances. We further recommend the department establish an audit committee to review department records for proper endorsement, documentation and accuracy.

FINDING 3 LACK OF SUPPORT FOR GRANT EXPENDITURES:

The department lacked supporting documentation for grants totaling \$29,000.00.

Recommendation:

We recommend the department maintain proper documentation for all grant expenditures as well as proper ledgers for balances of grant funds.

Response:

The department agreed with all findings and recommendations.

ROMNEY 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.

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

OFFICERS AND STAFF

William MasseyPresident
Norman V. Simpkins Sr..... Treasurer
Garrett T. Parsons Jr.....Fire Chief

ROMNEY 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 Romney 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. Our sample also included specific departments selected for audit at the request of the Fire Marshal or by Legislative Post Audit.

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 determined the department commingled state funds with funds from other sources totaling \$453.00. Due to the commingling of funds and lack of proper documentation, we are unable to determine if all expenditures made from state funds were allowable and/or properly documented. However, based on the documentation provided, we determined the department lacked proper supporting documentation for expenditures totaling \$60,613.43. We further noted the department lacked supporting documentation for grants totaling \$29,000.00. We recommend the department maintain proper documentation for all expenditures made from state funds and reimburse their state account \$60,613.43 for expenditures that lacked support. We further recommend the department maintain proper documentation for all grant expenditures as well as proper ledgers for balances of grant funds.

EXIT CONFERENCE

We discussed this report with the President of the Board of Directors of the Romney Volunteer Fire Department on 3/28/2013. All findings and recommendations were reviewed and discussed.

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

FINDINGS

FINDING 1 COMMINGLED:

The department commingled state funds with funds from other sources totaling \$453.00.

CONDITION:

The following deposits were not noted on the department's financial statement and came from a source other than the West Virginia State Treasurer's Office:

<u>DEPOSIT DATE</u>	<u>DEPOSIT AMOUNT</u>	<u>DESCRIPTION</u>
5/13/2010	\$453.00	DEPOSIT
TOTAL	\$453.00	

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 department did not follow Chapter 8, Article 15, Section 8(b) of the West Virginia Code, as amended, and commingled deposits from other sources with funds received pursuant to sections fourteen-d and thirty-three, article three, and section seven, article twelve-c, all of chapter thirty-three of this code.

EFFECT:

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

RECOMMENDATION:

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

FINDING 2 LACK OF SUPPORT:

Based on the documentation provided to us, the Romney Volunteer Fire Department lacked proper supporting documentation for expenditures totaling \$60,613.43.

CONDITION:

Based on the documentation provided to us, we noted the Fire Department could not provide proper documentation for the following expenditures:

<u>CHECK</u> <u>NO.</u>	<u>CHECK</u> <u>DATE</u>	<u>PAYEE</u>	<u>AMOUNT</u>	<u>LACK OF</u> <u>SUPPORT</u>
312	2/19/2010	FNB	\$11,678.32	INVOICE
313	5/13/2010	FNB Bank	\$12,000.00	INVOICE
314	6/24/2010	Bill Bailey Insurance	\$702.00	INVOICE
315	8/25/2010	FNB Bank	\$10,643.25	INVOICE
316	10/29/2010	FNB	\$14,628.25	INVOICE
317	11/11/2010	Brickstreet	\$2,848.00	INVOICE
318	11/15/2010	Bill Bailey Insurance	\$1,490.64	INVOICE
319	11/15/2010	Mt. Top Auto Parts	\$1,934.40	INVOICE
320	11/15/2010	Mayhew Chevrolet, Inc.	\$394.23	INVOICE
321	11/15/2010	Finley Fire Equipment	\$450.00	INVOICE
322	11/15/2010	Fire Protection Products	\$401.34	INVOICE
323	11/15/2010	Fire Programs	\$595.00	INVOICE
324	12/16/2010	Brickstreet Insurance	<u>\$2,848.00</u>	INVOICE
		Total	\$60,613.43	

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 Board of Governors did not properly oversee the department's records to provide and maintain proper documentation for expenditures made from state funds.

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 proper documentation for all expenditures made from state funds and reimburse their state account \$60,613.43 for expenditures that lacked support. The department should engage an independent CPA to provide an audit of the department's finances. We further recommend the department establish an audit committee to review department records for proper endorsement, documentation and accuracy.

FINDING 3 LACK OF SUPPORT FOR GRANT EXPENDITURES:

The department lacked supporting documentation for grants totaling \$29,000.00.

CONDITION:

The Romney Volunteer Fire Department did not provide us with bank statements, canceled checks, ledgers or invoices/receipts to support expenditures from the following grants:

<u>Grant ID</u>	<u>Amount</u>	<u>Grantor</u>	<u>Purpose of Grant</u>
FY2010	\$4,000.00	Division of Culture & History	Hampshire Heritage Days
G100905	<u>\$25,000.00</u>	DHHR	Emergency Service Activities
Total	\$29,000.00		

In addition, the department did not provide a proper sworn statement of expenditures that included 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 for the \$4,000 grant from the Division of Culture & History.

CRITERIA:

Department of Administration, Legislative Rule 148, Series 18, Section 5 states in part:

“Sworn Statements of Expenditures Made Under Grants.

5.3 A sworn statement of expenditures shall include at least:

5.3.6 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:

The Board of Governors did not properly review and oversee the department’s records to provide and maintain proper documentation of grant expenditures or proper ledgers for balance of grant funds.

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 under the grant.

RECOMMENDATION:

We recommend the department maintain proper documentation for all grant expenditures as well as proper ledgers for balances of grant funds.

ROMNEY 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>	AUDIT	VFD	DIFFERENCES	
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)	0.00	43,821.69	-43,821.69	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)	0.00	0.00	0.00	
Chapter 8, Article 15, Section 8b(11)	50.00	0.00	50.00	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)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
Total Disbursements For Year Ended December 31, 2010	\$50.00	\$43,821.69	-\$43,771.69	a

a - Lack of support (\$60,613.43) plus \$16,841.74 difference between Bank and financial statement distributions.

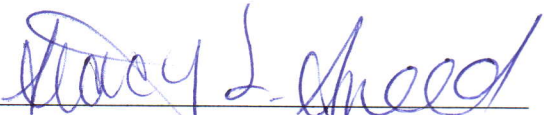
b - We were unable to determine the line item differences because the department could not provide line item totals for scheduled expenditure or a ledger to support their scheduled line items.

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 3rd day of April 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 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; State Fire Marshal and the Commissioner of Division of Culture and History. Copies forwarded to the Romney Volunteer Fire Department; Prosecuting Attorney, Hampshire County; County Clerk, Hampshire County.