

SOUTH CAROLINA STATE FIREFIGHTERS' ASSOCIATION

AGREED UPON PROCEDURES

SUMMARY OF FINDINGS

Findings on Follow Up Visits:

1. We recommend that someone independent of the check signer reconcile the bank statement to the check register on a monthly basis and that someone independent of the preparer review the bank reconciliation on a monthly basis in order to ensure proper segregation of duties. The preparer and reviewer should sign and date the reconciliation as evidence of the timely completion and independent review. **(13)**
2. The Department was unable to provide a copy of the Forms 202, 205, 206, or 207 which were submitted to the Association or the submitted forms were not properly prepared or submitted within the Association's required deadlines. It is important that the Department retain copies of all completed forms that are required to be submitted to the Association and ensure that all forms are submitted to the Association on a timely basis. **(10)**
3. We strongly recommend that two signatures be required on all 1% fund checks. **(7)**
4. The Department made very few or no disbursements during the year. We recommend the Department review the Association's expenditure guidelines to determine how best to use the funds to provide the greatest benefit for the members of the Department. **(5)**
5. For departments located in an unincorporated community, state law (article 3, section 23-9-330) requires the County Treasurer to serve on the Board of Trustees of the 1% funds. Additionally, the state law requires the department's local board of trustees consist of the County Treasurer and of such residents of the community as may be appointed by the Treasurer on a recommendation by a majority of the legislative delegation or delegations of the county in which the community is located. **(4)**
6. The Department's process for purchasing items using 1% funds often involves the Department making the purchase using monies from the operating fund and then reimbursing the operating fund from the 1% funds account. We recommend that all allowable and properly approved expenses be paid directly to the third-party vendor out of the 1% funds account. **(4)**
7. The Department did not obtain required approvals for disbursements made during the year. While the disbursements were properly supported by invoices and represented allowable expenditures in accordance with the Association's guidelines, we recommend the Department obtain proper approvals through the completion of an Annual Budget (Form 202) or Expenditure Approval Form (Form 201) prior to disbursing funds. **(4)**
8. Supporting documentation (such as invoices or receipts) was not available for all disbursements tested. It is important to ensure that original documentation be maintained for all cash disbursements. If original documentation is lost, it should be noted as such and signed by the person(s) involved; it should include a description of the purpose of the disbursement, and attempts should be made to obtain copies of supporting documentation. Checks should not be prepared,

signed and disbursed until supporting documentation is received and approved, or until the lost supporting documentation is noted as such. **(3)**

9. The Department's actual expenditures exceeded the approved budgeted expenditures during the year, and no additional One Percent Expenditure Form (Form 201) was submitted or approved by the Association. We recommend the Department carefully review the approved amounts included in the approved Annual Budget prior to incurring expenditures and complete an Expenditure Approval Form (201) for amounts greater than \$100 in excess of the approved budget (by line item) in order to ensure all disbursements are properly approved by a majority of the firemen, the Local Board of Trustees, and the Association prior to disbursement. **(3)**
10. The cost per attendee for a holiday dinner or drill night dinner exceeded the respective \$30 and \$10 limits established by the Association. We recommend the Department monitor the cost of meals when approving disbursements in order to ensure the Department adheres to the Association's guidelines. Additionally, the Department should maintain a detailed list of attendees for all such dinners to support the expenditures incurred. **(2)**
11. The Department adopted new formalized policies and procedures related to its 1% funds during the current year to address recommendations identified in prior year reports. Because the Department did not receive or disburse any 1% funds during the current year, we were unable to verify that the new procedures were operating as designed. We recommend the Department adhere to its new policies and procedures in order to comply with the Association's guidelines. **(2)**
12. Currently, the 1% funds are being maintained in a pooled cash account by the County Treasurer with accounting in a separate reporting fund in the County's accounting software. We recommend that 1% funds be maintained in a separate bank account from other funds, in accordance with the Association's guidelines, in order to properly track all activity related to the 1% funds and mitigate the risk that funds will be disbursed for unallowable or unapproved expenses. **(2)**
13. During the testwork performed, we noted certain disbursements that represented cash advances to members of the Department for travel expenses. While the disbursements were properly approved and supported by original documentation (such as receipts, etc.) related to allowable expenses, the Association strongly discourages the practice of making cash advances of 1% funds. We recommend the Department limit the use of cash advances by making payments directly to third party vendors whenever possible and making payments for other allowable travel expenses such as meals, mileage, etc. on a reimbursement basis. **(1)**
14. The Department has a drink fund for its vending machines that is separate from the 1% fund. However, the Department uses 1% funds to supplement the funds available in the drink fund. We recommend the Department use only one funding source to purchase inventory for the vending machines in order to mitigate the risk of comingling 1% funds with other revenue sources. If the Department chooses to continue to use 1% funds to purchase inventory for the vending machines, all profits generated by the machines must be deposited into the 1% account and all related disbursements must be made in accordance with the Association's guidelines. **(1)**
15. The Department identified disbursements that did not represent allowable expenditures of 1% funds during the completion of the Self Audit Form (Form 207). The Department subsequently issued reimbursements to the 1% fund from the operating fund. However, we recommend the Department

carefully review all transactions related to 1% funds to ensure only approved allowable expenditures are paid for with 1% funds. (1)

16. The Department is currently maintaining the general ledger in a handwritten notebook. Due to the large amount of funds received by the Department, we recommend that the Department consider using a more formal general ledger, such as the check register or an out of the box bookkeeping package, to more accurately track transactions. (1)
17. The Department made periodic disbursements to a member of the Department for various services provided that were not job-related. These disbursements are not considered by the Association to be an allowable use of 1% funds; therefore, we recommend that the Department reimburse the 1% account for the total amount paid. We recommend the Department only pay approved and allowable expenditures for 1% funds and contact the Association regarding any questions related to expenditures being allowed. (1)
18. We noted that the authorized check signers approved for the 1% account by the firefighters and the Local Board of Trustees did not match the check signers shown on the signature card at the bank. Per inquiry, this was resolved after our visit. We recommend the Department keep the bank signature card up to date to properly reflect the individuals who are authorized to sign checks for the 1% funds. (1)

Findings from Initial Visits:

1. The Department was unable to provide a copy of the Forms 202, 205, 206, or 207 which were submitted to the Association or the submitted forms were not properly prepared or submitted within the Association's required deadlines. It is important that the Department retain copies of all completed forms that are required to be submitted to the Association and ensure that all forms are submitted to the Association on a timely basis. (26)
2. We recommend that someone independent of the check signer reconcile the bank statement to the check register on a monthly basis and that someone independent of the preparer review the bank reconciliation on a monthly basis in order to ensure proper segregation of duties. The preparer and reviewer should sign and date the reconciliation as evidence of the timely preparation and independent review. (21)
3. Supporting documentation (such as invoices or receipts) was not available for all disbursements tested. It is important to ensure that original documentation be maintained for all cash disbursements. If original documentation is lost, it should be noted as such and signed by the person(s) involved; it should include a description of the purpose of the disbursement, and attempts should be made to obtain copies of supporting documentation. Checks should not be prepared, signed and disbursed until supporting documentation is received and approved, or until the lost supporting documentation is noted as such. (20)
4. The Department did not obtain required approvals for disbursements made during the year. While the disbursements were properly supported by invoices and represented allowable expenditures in accordance with the Association's guidelines, we recommend the Department obtain proper approvals through the completion of an Annual Budget (Form 202) or Expenditure Approval Form (Form 201) prior to disbursing funds. (17)

5. The Treasurer or Local Board of Trustees for the 1% funds was not selected in accordance with the Association's guidelines or state law. (15)
6. We strongly recommend that two signatures be required on all 1% fund checks. (11)
7. The Department's process for purchasing items using 1% funds often involves a Department member making the purchase using his or her own funds and then being reimbursed by the Department. All reimbursements tested appeared to be for eligible and approved expenses; however, we recommend that all expenses be paid directly to the third-party vendor out of the 1% funds. (11)
8. The Department's process for purchasing items using 1% funds often involves the Department making the purchase using monies from the operating account and then reimbursing the operating account from the 1% funds account. We recommend that all allowable and properly approved expenses be paid directly to the third-party vendor out of the 1% funds account. (9)
9. The cost per attendee for a holiday dinner or drill night dinner exceeded the respective \$30 and \$10 limits established by the Association. We recommend the Department closely monitor the cost of meals when approving disbursements in order to ensure the Department adheres to the Association's guidelines. Additionally, the Department should maintain a detailed list of attendees for all such dinners to support the expenditures incurred. (7)
10. We noted certain disbursements that represented expenditures that are not allowable in accordance with Association guidelines, including the purchase of gift cards, scholarships paid as reimbursement to Department members rather than directly to educational institutions, mandated equipment for Department members, and gifts for members' spouses. We recommend the Department review the Association's expenditure guidelines to ensure that only allowable expenditures are approved and paid for using the 1% funds. (7)
11. The Department's actual expenditures exceeded the approved budgeted expenditures during the year, and no additional One Percent Expenditure Form (Form 201) was submitted or approved by the Association. We recommend the Department carefully review the approved amounts included in the approved Annual Budget prior to incurring expenditures and complete an Expenditure Approval Form (201) for amounts greater than \$100 in excess of the approved budget (by line item) in order to ensure all disbursements are properly approved by a majority of the firemen, the Local Board of Trustees, and the Association prior to disbursement. (6)
12. We noted the Department has accumulated a significant balance of 1% funds as a result of making very few disbursements over the prior years. We recommend the Department review the Association's expenditure guidelines to determine how best to use the funds to provide the greatest benefit for the members of the Department. (6)
13. Monthly reports of the 1% activity are not currently being posted for review by the members of the Department. We recommend the Department begin preparing monthly reports detailing all transactions related to the 1% funds and posting them in the Department or on the Department's website. (5)
14. The Department is not maintaining a check register for the 1% funds bank account or is not recording transactions in the check register in a timely manner. We recommend that all transactions

related to the 1% funds are recorded in a check register and that the check register is reconciled to the bank statement on a monthly basis. **(3)**

15. The Department could not provide copies of the checks or deposit slips for the amounts received from the Association. We recommend supporting documentation be retained for all transactions related to the 1% funds. **(3)**
16. The Department's current policy and practice is to require two authorized signatures on all checks. However, the bank requires only one signature to process checks. We recommend the Department work with the bank to file a formal bank signature card requiring two signatures on all disbursements of 1% funds. **(3)**
17. On the day of testwork, the Department was unable to provide bank statements for the period under review. It is important that documentation be retained for all activity related to the 1% funds. **(2)**
18. The 1% account was used to pay for expenditures unrelated to 1% funds. The funds were subsequently reimbursed back to the 1% account; however, the 1% funds account should only be used for valid 1% disbursements and should not be comingled with operating funds. We recommend that 1% funds be maintained in a separate bank account from other funds, in accordance with the Association's guidelines, and only be used for valid 1% fund disbursements in order to properly track all activity related to the 1% funds and mitigate the risk that funds will be disbursed for unallowable or unapproved expenses. **(2)**
19. The County Treasurer's office currently processes disbursements from the 1% funds account, receives the bank statements, and prepares the monthly bank reconciliations. The Department is only being notified annually of the account balance when they begin preparing the annual budget. We recommend that the Department request the bank statements and reconciliations monthly, as well as a monthly report detailing all expenses paid out of the 1% funds in order to ensure only properly approved disbursements are charged to the 1% funds account. These monthly reports should also be posted in the Department for the firemen to review. **(2)**
20. Currently, the 1% funds are being maintained in a pooled cash account with accounting in a separate reporting fund in the accounting software. We recommend that 1% funds be maintained in a separate bank account from other funds, in accordance with the Association's guidelines, in order to properly track all activity related to the 1% funds and mitigate the risk that funds will be disbursed for unallowable or unapproved expenses. **(2)**
21. During the testwork performed, we noted certain disbursements that represented cash advances to members of the Department for travel expenses. While the disbursements were properly approved and supported by original documentation (such as receipts, etc.) related to allowable expenses, the Association strongly discourages the practice of making cash advances of 1% funds. We recommend the Department limit the use of cash advances by making payments directly to third party vendors whenever possible and making payments for other allowable travel expenses such as meals, mileage, etc. on a reimbursement basis. **(1)**
22. We noted certain deposits that did not represent 1% funds and should have been deposited into the operating account. It is important that the Department maintain only 1% funds in the 1% bank account. **(1)**

23. The Department's process for purchasing items using 1% funds often involves the Department making the purchase using a credit card then paying the monthly credit card balance from the 1% account. The Association generally recommends the use of a debit card rather than a credit card for 1% disbursements. **(1)**
24. Deposits were not made in a timely manner. We recommend all cash receipts be deposited in the 1% bank account within one day of receipt in order to mitigate the risk of misappropriation of assets. **(1)**
25. We noted that the amounts approved by the Department in the Annual Budget Forms (Form 202) for 2015 and 2016 were nearly double the amounts actually disbursed each year. We recommend the Department adhere to the approved budget as closely as possible to ensure funds are being used for the greatest benefit of the members of the Department. We also recommend the Department prepare the budget at a more detailed level to more specifically describe anticipated expenditures in order to ensure the actual expenditures are in compliance with the approved budget. **(1)**
26. We noted that there were 63 of 147 disbursements tested related to the purchase of equipment or clothing. Based on our inquiries, many of these disbursements were made for volunteer Department members; however, we were unable to determine that these items were for volunteers based on the supporting documentation. The Department has agreed to send the Association detailed information regarding equipment purchased for volunteers and paid Department employees. **(1)**