

SOUTH CAROLINA STATE FIREFIGHTERS' ASSOCIATION

AGREED UPON PROCEDURES

SUMMARY OF FINDINGS FOR PERIODS ENDED DECEMBER 2014

Findings on Follow Up Visits: (the number of departments with findings are in parentheses)

1. 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. **(3)**
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. **(15)**
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. **(5)**
4. The Department was unable to provide a copy of the Forms 202, 205, 206, or 207 which were submitted to the Association. 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. **(5)**
5. We noted the Department made very few disbursements during 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. **(1)**
6. We strongly recommend that two signatures be required on all 1% fund checks. The current policy requires only the chief's signature on checks. **(7)**
7. On the day of testwork, the Department was unable to provide some of the bank statements for the period under review. It is important that documentation be retained for all activity related to the 1% funds. **(2)**
8. We recommend 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)**

9. The Treasurer or Local Board of Trustees for the 1% funds was not selected in accordance with the Association's guidelines. (5)
10. The Department is not maintaining a check register for the 1% funds bank account. 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. (1)
11. We noted the cost per attendee for a holiday dinner exceeded the \$30 limit established by the Association as a result of gratuity added to the final bill. We recommend the Department monitor the cost of meals more closely and factor in tax and gratuity when approving disbursements in order to ensure the Department adheres to the Association's guidelines. (1)
12. 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)
13. During our review of the Department's Beach House account, we noted 22 deposits for which rental information was not available and two instances where individuals were charged rates that were not consistent with the approved rate schedule. We recommend the Department maintain a detailed rental register to support all rental revenues generated from the beach house, along with the date and name of renter, in order to provide a detailed description of revenue generated from renting the beach house. This could also be accomplished with a financial software package. We also recommend the Department adhere to the approved rate schedule for all beach house rentals. (1)

Findings from Initial Visits: (the number of departments with findings are in parentheses)

1. We recommend that someone independent of the check signer reconcile the bank statement to the check register on a monthly basis or that someone independent of the preparer review the bank reconciliation on a monthly basis in order to ensure proper segregation of duties. (19)
2. 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. (13)
3. We strongly recommend that two signatures be required on all 1% fund checks. (12)
4. 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 and accurately completed.

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)**

5. 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. **(5)**
6. The Department is not maintaining a check register for the 1% funds bank account, nor were all bank statements retained. Based on discussions with Department personnel, there were no disbursements made from the 1% funds account during the three years being tested. However, we were unable to verify this information based on the lack of supporting documentation. 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. **(7)**
7. We noted the Department has accrued 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. **(2)**
8. During the period under review, we noted certain disbursements that represented expenditures that were not properly approved and/or were not allowable expenditures in accordance with the Association's guidelines. 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. **(5)**
9. The Department's process for purchasing items using 1% funds often involves the Department making the purchase using monies from the General Fund and then reimbursing the General 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. **(3)**
10. We recommend the Department open a separate 1% bank account, in accordance with the Association's guidelines, in order to properly track all activity related to the 1% funds and to mitigate the risk that funds will be disbursed for unallowable or unapproved expenses. **(2)**
11. 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. **(12)**
12. We noted certain deposits were not made timely. 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)**

13. 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. **(1)**
14. During our review of the bank statements, we noted several checks written to cash or cash withdrawals made from an ATM or bank. No supporting documentation was retained for these disbursements. The Association strongly discourages the practice of making cash withdrawals of 1% funds. Therefore, we recommend all checks be written directly to the individual vendors. When cash withdrawals are made for the purpose of providing advances to employees for travel expenses, the disbursements should be supported by valid receipts and any advances in excess of actual expenses should be reimbursed to the 1% account. **(4)**
15. We noted one disbursement for the purchase of gift cards. The Association guidelines do not allow the purchase of gift cards using 1% funds. **(1)**