

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. **(14)**
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. **(22)**
3. We noted some disbursements tested were reimbursements for eligible travel and training expenses, and other eligible expenditures. We recommend that disbursements be made directly to the third-party vendors from the 1% account instead of employee reimbursements when possible. **(8)**
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. **(6)**
5. 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. **(6)**
6. 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. **(6)**
7. 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. **(6)**

8. The individual depositing the 1% funds is also the individual responsible for recording the transaction in the Department's financial system. We recommend that the individual recording the transaction be independent from the individual responsible for depositing the 1% funds in order to ensure proper segregation of duties. **(6)**
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 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. **(5)**
10. 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)**
11. We strongly recommend that two signatures be required on all 1% fund checks. **(3)**
12. 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)**
13. The Department's process for purchasing items using 1% funds often involves the Department making the purchase using a credit card and then paying the credit card on a monthly basis from the 1% funds account. We recommend that the Department pay all allowable and properly approved expenses directly to the third-party vendors through the use of a check or a debit card linked directly to the 1% account. **(2)**
14. 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. Also, we recommend that the department maintain their own separate 1% bank account from their operating account. As a result of the County maintaining the Department's 1% funds, the Department is reimbursed by the County for disbursements of 1% funds made from the Department's operating account. This is a unique circumstance; however, we generally recommend that disbursements of 1% funds be made directly to third-party vendors when possible. **(1)**
15. During the testwork performed, we noted certain disbursements that represented cash advances to members of the Department for travel expenses and meals. 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)**

16. One disbursement tested during the period was a cash payment which is not allowed under Association guidelines. We recommend the amount be reimbursed to the 1% fund. **(1)**
17. 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)**
18. 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)**
19. The Department was unable to provide copies of the checks or deposit slips for the 1% funds received in 2017. We recommend supporting documentation be retained for all transactions related to the 1% funds. **(1)**
20. 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)**
21. The Department has several substations that are reimbursed from the main station for allowable 1% expenditures. We recommend that the Department make disbursements of 1% funds directly to third-party vendors when possible. **(1)**
22. The Department's current policy is to have two signatures on all checks; however, we noted this policy was not consistently applied for all disbursements. We strongly recommend that two signatures be obtained for all 1% fund checks. We did note that the Department has a bank card filled out in the CY and obtained checks with two signature lines; the Department's bank now requires two signatures on all checks before they can be processed. **(1)**
23. We noted that one of the Treasurers will make transfers to/from the Department's 1% savings account to the 1% checking account and that the monthly cable television bill is auto-drafted from the checking account. We recommend that the Treasurer print out these transfers and auto-drafts and have them approved by the Co-Treasurer and/or Chief to document approval. **(1)**
24. We noted a disbursement that represented a donation to a charitable organization. Per the Association guidelines, no donations are allowed to be given to individuals or organizations from 1% funds. This donation will need to be reimbursed to the 1% fund. We recommend the Department review the Association's expenditure guidelines to ensure that only allowable and approved expenditures are paid with 1% funds. **(1)**
25. The Department did not retain a copy of the One Percent Expenditure Form (Form 201) approved by the Association for the disbursement tested during the period under review. It is important to note that the Department obtained verbal approval for the expenditure, which was confirmed by the Association; however, we recommend that the Department retain copies of all completed forms that are required to be submitted to the Association to support compliance with 1% guidelines. **(1)**

26. During 2017, the Department's process for purchasing items using 1% funds involved purchasing the items through the General Fund account and then reimbursing the General Fund with lump sum transfers from the 1% funds account. Per discussion with the Treasurer's Office, this amount related to expenditures made over the last 5 years; however, a detail of the expenditures was not able to be provided. As a result, we were unable to test if these expenditures were properly approved or allowable. We recommend that all allowable and properly approved expenses be paid directly to the third-party vendor out of the 1% funds account and that supporting documentation be retained for all disbursements of 1% funds. **(1)**
27. We noted that the amounts approved by the Department in the Annual Budget Form (Form 202) for 2017 was much higher than the amount actually disbursed. 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)**
28. We noted certain disbursements tested were mistakenly paid with 1% funds instead of other Town funds primarily due to miscommunication regarding the funding source when paying the monthly credit card statement. Based on our inquiries, the Department plans to reimburse the 1% account in 2018. We recommend that the Department pay all allowable and properly approved expenses directly to the third-party vendors through the use of a check or a debit card linked directly to the 1% account. **(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. **(15)**
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. **(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. **(10)**
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. **(10)**

5. 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. **(9)**
6. The individual depositing the 1% funds is also the individual responsible for recording the transaction in the Department's financial system. We recommend that the individual recording the transaction be independent from the individual responsible for depositing the 1% funds in order to ensure proper segregation of duties. **(9)**
7. We strongly recommend that two signatures be required on all 1% fund checks. **(6)**
8. 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. **(5)**
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. **(5)**
10. The Treasurer or Local Board of Trustees for the 1% funds was not selected in accordance with the Association's guidelines or state law. **(4)**
11. 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. **(3)**
12. 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)**
13. We noted that certain deposits were made into the City's operating account instead of the separate 1% account. In addition, we noted that there were some 1% expenses paid from the operating account and not reimbursed from the 1% account. We recommend that the Department perform a reconciliation of the amounts recorded in the general ledger for the 1% fund and deposit the appropriate amount owed to the 1% bank account. We also 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)**

14. The Department does not have the Chief or a member with fiduciary power, such as a board member, on the Local Board of Trustees. We recommend that the Department work with the Association in order to determine the appropriate board members, add the appropriate members to the Local Board of Trustees, and submit the appropriate Local Board of Trustees Form (Form 205) to the Association. **(2)**
15. The Department did not provide a check register or general ledger or it was incomplete; thus, we were unable to verify if deposits or checks had been properly recorded. We recommend that the Department maintain a check register listing all transactions, dates, and other pertinent information at a minimum. **(2)**
16. 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. **(1)**
17. 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. **(1)**
18. 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. **(1)**
19. Cash advances are made to members for purchases of Christmas Party supplies. Purchases are supported by invoices/ receipts and unspent amounts are deposited back in the 1% funds account. We recommend that all allowable and properly approved expenditures be paid directly to the third-party vendor out of the 1% funds account. **(1)**
20. During the testwork performed, we noted certain disbursements that represented cash advances to members of the Department for making purchases. Some disbursements were not fully supported by receipts, or the receipts fell short of the amount of the check written to the member. Per discussion with the Department, unspent amounts are deposited into a petty cash box. 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. Furthermore, we recommend the petty cash box be reconciled by the Department, amounts unspent be deposited back into the 1% account, and the use of a petty cash box containing 1% funds be discontinued. **(1)**
21. The Department made disbursements from the 1% account related to building maintenance (air conditioner capacitor and hood inspection) where the purchase orders were issued for the General Fund; however, funds were disbursed from the 1% account. The disbursements did not appear to be approved by the appropriate parties in the Annual Budget Form (Form 202) or Individual Expenditure Form (Form 201). Per the Department, this disbursement was made on the building owned by the

Department. We recommend that only approved and allowable expenditures be disbursed from the 1% account and that the 1% account be reimbursed for amounts determined not to be allowed under 1% guidelines. **(1)**

22. We noted disbursements related to Christmas gifts given to Department members. Association guidelines prohibit the disbursement of 1% funds to firemen in cash or gifts. We recommend that only allowable and approved expenditures be disbursed from the 1% account and that the 1% account be reimbursed for the amount determined not to be allowed under 1% guidelines. **(1)**
23. A second checking account is used by the Department for funds related to the recreation building used by the Department. We noted that 1% funds are disbursed annually to this account under the line item “other dues” or “facility construction/renovation.” The account has accumulated a balance which represents previously budgeted but unspent 1% funds and thus understates the true amount of 1% funds reported on the Annual Accounting Form (Form 206). We recommend that the Department discontinue the disbursement of 1% funds to this checking account and reimburse the 1% account for previous amounts unspent. We recommend that all allowable and properly approved expenses be paid directly to the third-party vendor out of the primary 1% funds account. **(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 a deposit was made into the 1% account and then a single check was made to cash in the same amount for reimbursement of per diem to multiple members for training. These transactions netted to \$0; thus, they had no net effect on the 1% funds. We recommend that the 1% account only be used for 1% deposits and disbursements. **(1)**
26. We noted that some of the cleared checks tested did not have two signatures and that some of the checks with two signatures were signed by an individual who was not an authorized check signer. We strongly recommend that two signatures be required on all 1% fund checks. We also recommend that the Department ensure that the bank is aware of the Department’s authorized check signers so that only checks signed by authorized individuals are processed by the bank. **(1)**
27. The Department completes Individual Expenditure Forms (Form 201) for 1% disbursements; however, certain disbursements tested during the year did not have a corresponding Individual Expenditure Form (Form 201) completed or approved by the appropriate parties. We recommend that the Department obtain proper approvals through the completion of an Annual Budget Form (Form 202) or Individual Expenditure Form (Form 201) prior to disbursing funds. **(1)**
28. We noted a miscellaneous deposit made to the 1% account during the period of testwork; however, the Department was unaware of the source of the funds. We recommend that only deposits of 1% funds be made to the 1% account. **(1)**
29. We noted an expenditure that is not considered allowable under the 1% guidelines and should be reimbursed to the 1% account. We recommend that the Department review the Association’s expenditure guidelines and request approval from the Association for all expenditures to ensure that only allowable expenditures are paid with 1% funds. **(1)**