

SOUTH CAROLINA STATE FIREFIGHTERS' ASSOCIATION

AGREED UPON PROCEDURES

FIRE DEPARTMENT 1% FUNDS

SUMMARY OF FINDINGS

FOR THE PERIODS ENDED DECEMBER, 2018

Findings on Follow Up Visits:

1. The Department did not prepare bank reconciliations monthly during the period under review. 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. **(4)**
2. We recommend 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. **(5)**
3. 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. **(3)**
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. **(4)**
5. The Department has elected to use Individual Expenditure Forms (form 201) for their 1% purchases. We noted that 1 of 7 disbursements exceeded the approved amount by greater than \$100. We recommend that the Department carefully review the approved and budgeted expenditure versus the actual expenditure incurred to date in order to determine any potential amounts in excess of what has been approved and budgeted. If expenditures are expected to exceed the amount approved and budgeted, we recommend that the Department submit an Individual Expenditure Form (Form 201) to the Association for additional amount. **(1)**
6. We noted miscellaneous deposits made to the 1% account during the period of test work. These deposits represented reimbursements made to the 1% fund from the operating account for expenditures that did not represent allowable use of 1% funds. We recommend the Department carefully review all expenditures to verify they are both allowable and properly approved prior to disbursing 1% funds. **(1)**

7. We noted the Department did not maintain a listing of attendees for drill night or holiday dinners. As a result, we were unable to verify compliance with the Association's per meal limits. 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. **(8)**
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. **(4)**
9. We noted some disbursements tested were reimbursements to a Department member for allowable and budgeted 1% expenditures. We recommend that disbursements be made directly to the third-party vendors from the 1% account instead of employee reimbursements when possible. **(2)**
10. The Department deposited building fees for elections in the 1% account. We recommend 1% funds be maintained in an account separate from all other funds. **(1)**
11. We noted the funds allocated to the Department were improperly deposited into the operating account. The Department identified the error and transferred the funds to the 1% funds account. We recommend the Department retain all deposit slips and review them as part of the bank reconciliation process in order to ensure funds are properly reported. **(2)**
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. **(3)**
13. The Department had a change in the members of its Local Board of Trustees but no new Form 205 had been submitted as of the date of testwork. We recommend the Department complete and submit the Local Board of Trustees Form (Form 205) in a timely manner following a change in Board members. **(1)**
14. We noted that the Department did not maintain a check register or general ledger for its transactions. We recommend that the Department record all transactions involving 1% funds in the check register or general ledger. All pertinent information related to the transactions, such as dates and vendors, should also be included. **(1)**
15. We noted disbursements that appeared to be for Christmas gifts for Department members. Association guidelines prohibit the disbursement of 1% funds for 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)**
16. 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)**
17. 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. **(1)**

18. 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)**
19. 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. We do commend the Department for using attendance sheets for dinners. **(1)**
20. We strongly recommend that two signatures be required on all 1% fund checks. **(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. **(13)**
2. While reviewing we noted changes in the members of the Local Board of Trustees; however, the Department did not submit a revised Form 205 to the Association. We recommend the Department submit a revised Form 205 in a timely manner following any changes to the Board members. **(1)**
3. The Department did not prepare bank reconciliations monthly during the period under review. 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. **(10)**
4. We recommend 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. **(2)**
5. We noted the Department did not maintain a listing of attendees for drill night dinners. As a result, we were unable to verify compliance with the Association's per meal limits. 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. **(8)**
6. 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)**

7. For Departments located within incorporated communities, state law (article 3, section 23-9-320) requires the Local Board of Trustees to consist of either three or five members. If composed of three, the Board should consist of the mayor, the councilman in charge of the fire department or the chairman of the fire committee, and the chief of the fire department. If composed of five, the Board should consist of the fire department, the city or town treasurer, and two citizens, one to be appointed by the mayor and one to be appointed by the chief of the fire department, both to be confirmed by the governing body of the city or town. **(2)**
8. For Departments located in unincorporated communities, State law (article 3, section 23-9-330) requires the County Treasurer to serve on the Local Board of Trustees of the 1% funds and to serve as the Department's Treasurer. Additionally, State law requires the Board to 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. **(3)**
9. 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)**
10. The Department used 1% funds for expenditures related to a Fire Hut. We recommend the Department discuss these expenditures with the Association to verify they represent an allowable use of 1% funds. **(1)**
11. The Department purchased services to move a pool table in the amount of \$600 during the period under review. This expenditure is considered allowable expenditure under the 1% guidelines; however, we recommend that the Department request approval from the Association to ensure that only allowable expenditures are paid with 1% funds. **(1)**
12. The Department's current process for receipting and disbursing 1% funds involves depositing the 1% funds into the operating account then transferring the funds to the 1% account. When disbursements are made, the Department transfers funds back to the operating account and then process the disbursements out of that account. We recommend all transactions related to 1% funds be made directly from the 1% account. **(1)**
13. 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. **(5)**
14. The check for the 1% funds issued by the County is currently being hand delivered to any member of the Department. We recommend that the District require the check be mailed to them and that the appropriate individual deposit the funds into the 1% account. We recommend that deposits of 1% funds be made by someone independent of the individual responsible for recording the transaction if possible. **(1)**

15. We strongly recommend that two signatures be required on all 1% fund checks. (3)
16. We noted that the Department's policy requires two signatures on all checks. However, we strongly recommend that two signatures be required by the bank on all 1% fund checks. Setting up the account to require two signatures will give the Department checks with two signature lines and therefore will not allow only one check signor for disbursements. (1)
17. The 1% funds are held in an account that also holds fundraising money. The 1% funds should be held in an account that is separate from all other funds. (1)
18. 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)
19. 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)
20. 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)
21. 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. (3)
22. The Department was missing bank statements. We recommend that the Department retain copies of all bank statements as evidence of compliance with the 1% guidelines. (1)
23. We noted the Department does not always retain deposit slips, bank receipts, and/or copies of 1% fund checks received or their check stubs on file. In addition, we noted that the 1% fund check for 2018 was mistakenly deposited into the Department's operating fund, and the check from the Town to put the funds back into the 1% account had not yet been deposited as of the date of testwork. We recommend supporting documentation be retained for all transactions related to the 1% funds, and the documentation should be reviewed as part of the bank reconciliation to ensure that all 1% activity is properly reported in the 1% funds account. (2)
24. We noted miscellaneous deposits made to the 1% account during the period of testwork that represented reimbursements made to the 1% fund from the operating account for expenditures that did not represent allowable use of 1% funds. We recommend the Department carefully review all expenditures to verify they are both allowable and properly approved prior to disbursing 1% funds. (1)
25. We noted the 1% fund distributions were initially deposited into the operation account. The Department subsequently identified the error and transferred the funds to the 1% funds account; however, the error was not identified for several months. We recommend the Department retain deposit slips for all deposits of 1% funds and review the deposit slips as part of a formal bank

reconciliation process in order to ensure 1% funds are properly reported in the appropriate account. **(1)**

26. 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)**
27. 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)**