

# **SOUTH CAROLINA STATE FIREFIGHTERS' ASSOCIATION**

## **AGREED UPON PROCEDURES**

### **FIRE DEPARTMENT 1% FUNDS**

#### **SUMMARY OF FINDINGS**

##### **FOR THE PERIODS ENDED DECEMBER, 2019**

---

###### **Findings from Follow Up Visits:**

1. 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. (8)
2. We noted the Department did not maintain a listing of attendees for drill night or holiday dinners (banquets). 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. (3)
3. The Department did not prepare formal bank reconciliations 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. (2)
4. Supporting documentation (such as invoices or receipts) was not available for all of the disbursements selected for testwork. 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. (2)
5. We strongly recommend that two signatures be required on all 1% fund checks. The current policy requires only the County Treasurer's signature on checks. (2)
6. We noted the distribution allocated to the Department for 2019 was improperly deposited into the operating account. The Department identified the error and transferred the funds to the 1% funds account; however, the correction did not occur for several months after the check was received. 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. (1)
7. Forms 202, 206 and 207 were not properly prepared or submitted within the Association's required deadlines. It is important that all forms are submitted to the Association on a timely basis. (1)
8. The Department did not obtain required approvals for disbursements made during the year. While some of 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. Even if the department does not receive 1% funds, they must still submit forms for approval to the Association for any disbursements over \$100. (1)

9. The Department prepared an Annual Budget (Form 202) for 2019 and obtained the required approvals from the majority of Department members as well as the Local Board of Trustees. However, the Department failed to properly submit the Annual Budget to the Association. As a result, none of the 10 disbursements tested for 2019 were approved by the Association. We recommend the Department obtain proper approvals in accordance with the Association's guidelines prior to disbursing 1% funds. (1)
10. Deposits were not made in a timely manner as a result of the Department opening a new bank account during the current year. 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)
11. For a department 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)
12. We noted the Department maintained two listings of attendees for the Christmas Dinner. The first list was comprised of department members attending the dinner excluding guests, and the second list was comprised of all attendees, including both members and guests. We recommend that the Department maintain an official listing of members and the number of guests at the Christmas dinner for the purposes of clarity when calculating their per-person meal costs. (1)
13. The Department did not obtain the appropriate approvals required by the Association for the Annual Budget Form (Form 202). As a result, while the 4 disbursements tested were considered allowable and properly approved by a majority of the firemen, there was no documentation of approval by the local board of trustees or the Association. We recommend that the Department obtain appropriate approvals at the Department level for Form 202 or Individual Expenditure Form (Form 201) and submit the approved form to the Association for final approval prior to making any disbursement of 1% funds. (1)
14. While the preparer and reviewer of the monthly bank reconciliations properly signed off on the reconciliations, we recommend they also both date the reconciliation as evidence of the timely completion and independent review. (1)
15. The cost per attendee for one drill night dinner exceeded the \$15 limit established by the Association. While we commend the Department for properly using attendance sheets for dinners, we recommend the Department monitor the cost of meals when approving disbursements in order to ensure the Department adheres to the Association's guidelines. (1)
16. Per inquiry, the monthly bank reconciliation review is prepared by someone independent of the preparer. However, there was no evidence that the review was completed. We recommend the preparer and reviewer sign and date the monthly bank reconciliation as evidence of the timely completion and independent review. (1)

### **Findings from Initial Visits:**

1. The Department did not retain a listing of attendees for the drill night or holiday meals. Therefore, we were unable to test compliance with the per person 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. (16)
2. The Department did not prepare bank reconciliations monthly during the period under review or the bank reconciliations were not reviewed by someone independent of the preparer. 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. (14)
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. (14)
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. (12)
5. The Department has accumulated a significant balance of 1% funds. 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. (11)
6. Supporting documentation (such as invoices or receipts) was not available for certain 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. (11)
7. All 1% fund checks must require two signatures. The current policy requires only one signature. (10)
8. The individual depositing the 1% funds is also the individual responsible for recording the transaction in the general ledger. 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. (8)
9. 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. (7)

10. 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)
11. 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)
12. 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. (3)
13. 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. (3)
14. 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. (3)
15. The Department did not maintain a bank account for the 1% funds. The Department held the 1% funds at the County and as a result the Department did not: perform bank reconciliations, monitor the account activity, verify the amount deposited agreed to the check from the Association for any period, verify that deposits were made timely, and ensure 1% funds were used only for allowable expenditures. (1)
16. We noted some expenditures that were charged from 1% fund 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 under 1% guidelines. This included cash withdrawals that did not have supporting documentation for the use of the funds. (1)
17. 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. (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'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 to and from the 1% account. (2)
20. We noted that the Department was unable to provide an explanation as to why no funds were deposited into the 1% bank account for 2017. (1)
21. We noted a disbursement that represented a charitable donation to two Department members who had cancer. Association guidelines prohibit the disbursement of 1% funds to members in the form of 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)
22. Prior to March 2018, the Department used one checking account for both operating and 1% funds. Beginning March 2018, the Department opened a separate checking account for 1% funds and no longer comingles the funds with operating funds. We recommend the Department continue holding 1% funds in an account separate from all other funds. (1)
23. We noted that certain disbursements exceeded the approved budget amount by greater than \$100. We recommend that the Department carefully review the approved expenditure versus the actual expenditure incurred to date in order to determine any potential amounts in excess of what has been approved. If expenditures are expected to exceed the amount approved, we recommend that the Department submit an Individual Expenditure Form (Form 201) to the Association for the additional amount. (2)
24. We noted the Department did not retain supporting documentation for one of the three deposits made during the period under review. We further noted the deposit was not recorded in the general ledger. 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. (1)
25. The Department uses the Town's credit card for all expenditures. When disbursements are made, the Department transfers funds to the operating account as reimbursement for the expenditures. We recommend all transactions related to 1% funds be made directly from the 1% 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. All apparel and incentive items purchased with 1% funds should include the Department's logo. (1)