

# **SOUTH CAROLINA STATE FIREFIGHTERS' ASSOCIATION**

## **AGREED UPON PROCEDURES**

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

#### **SUMMARY OF FINDINGS**

#### **FOR THE PERIODS ENDED DECEMBER, 2022**

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##### **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. (16)
2. The Department did not prepare formal bank reconciliations during the period under review or the 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. (8)
3. 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. (8)
4. Forms 202, 205, 206 or 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. (7)
5. 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. (5)
6. 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. (5)
7. All 1% fund checks must require two signatures. The current policy requires only one signature or the policy was not applied consistently. (2)
8. 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. (2)
9. 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. (1)

10. The cost per attendee for holiday dinners exceeded the \$40 limit 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. (1)
11. We noted certain expenditures that were charged from 1% funds 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 prior to disbursement. (1)
12. For purchases that require a card, the Department uses the operating account credit card and reimburses it from the 1% account. We recommend acquiring a separate debit or credit card that is restricted to the 1% account. (1)
13. The Department received a grade of D in the prior year 1% report and thus was required to attend a 1% regional training class to receive a distribution of 1% funds in 2022. The Department failed to attend a 1% regional training class and thus did not receive any funds for 2022. (1)
14. 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. (1)

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

1. 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. (19)
2. 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. (17)
3. 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. (15)
4. Forms 206 or 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. (11)
5. 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)

6. 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. (9)
7. All 1% fund checks must require two signatures. The current policy requires only one signature. (9)
8. 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. (8)
9. 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. (5)
10. Deposits were not made in a timely manner. We recommend all receipts be deposited in the bank within one day of collection in order to mitigate the risk of misappropriation of funds. (5)
11. 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. (5)
12. The Department's 1% funds were comingled with other funds during the period tested. 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. (3)
13. We noted certain expenditures that were charged from 1% funds 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 prior to disbursement. (1)
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. (1)
15. We noted the Department's process often involves using the Town's credit card to make purchases and then reimburses the Town from the 1% account. We recommend acquiring a separate debit or credit card that is restricted to the 1% account. (1)
16. 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. (1)

17. 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. (1)
18. The cost per attendee for holiday dinners exceeded the \$40 limit 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. (1)
19. The cost per attendee for one drill night dinner exceeded the \$15 limit established by the Association and no listing of attendees was provided for an awards banquet. 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)
20. The Department's process for purchasing kitchen items often involves the Department using 1% funds to purchase gift cards so that members can purchase the approved items. While the purchases were supported by valid receipts, we recommend the Department acquire a debit card that is restricted to 1% funds that may be used for these purchases. The purchase of gift cards using 1% funds is strictly prohibited. (1)
21. The Department's process for purchasing items using 1% funds often involves a Department member withdrawing cash from the 1% bank account. Cash withdrawals of 1% funds are strictly prohibited. All purchases should be made via check, ACH, or an Association-approved debit or credit card. The Department will need to reimburse the 1% fund account using the Department's General Fund bank account for purchases that were not supported by valid receipts. (1)
22. The Department received several donations during the period under review. These donations were deposited into the Department's 1% Funds account. We recommend that these funds be transferred to the Department's general operating account. We further 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)
23. We noted an unpaid invoice from 2021. We recommend ensuring that all invoices are paid timely. (1)