

Prince George's County, Maryland
Office of Audits and Investigations

Landover Hills Volunteer Fire Department

**Volunteer Station Management Program
and
Senator William H. Amoss Fire, Rescue and Ambulance Fund
Financial Audit**

October 2011



**David H. Van Dyke
County Auditor**

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THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

October 2011

The County Council and County Executive
of Prince George's County, Maryland

We have conducted a financial audit of the

LANDOVER HILLS VOLUNTEER FIRE DEPARTMENT

VOLUNTEER STATION MANAGEMENT PROGRAM

and

SENATOR WILLIAM H. AMOSS FIRE, RESCUE AND AMBULANCE FUND

in accordance with the requirements of Article III, Section 313, of the Charter for Prince George's County, Maryland. Our report is submitted herewith. The scope of the audit and our findings, comments, and recommendations are summarized on the following page.

Successful implementation of some of the recommendations that appear in this report will require action by the Fire Chief and the Fire Commission.

We have discussed the contents of this report with appropriate personnel of the Fire/EMS Department and the Fire Commission, and wish to express our sincere gratitude to them for the cooperation and assistance extended to us during the course of this engagement.

A handwritten signature in black ink, appearing to read "D. H. Van Dyke".

David H. Van Dyke, CPA
County Auditor

A handwritten signature in black ink, appearing to read "Lawrence Cain".

Lawrence Cain
Auditor-in-Charge

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LANDOVER HILLS VOLUNTEER FIRE DEPARTMENT

SUMMARY OF FINANCIAL AUDIT

AUGUST 2011

The Office of Audits and Investigations performed an audit of the Landover Hills Volunteer Fire Department (Company) in accordance with the County Charter. In the performance of our audit, we evaluated the Landover Hills Volunteer Fire Department's compliance with the Volunteer Station Management Program's (Program) Agreement and General Conditions, and the Senator William H. Amoss Fire, Rescue and Ambulance Fund requirements. The major areas of concern addressed in our report are:

- Non-compliance with Program Agreement provisions and General Conditions.
- Detailed reviews of Program expenditures needed and overall program monitoring needs to be strengthened.
- Questionable or unknown costs totaling \$7,233, most were for credit card charges, payments made but no list of specific expenditures.
- Interest and late fees totaling \$928 charged on credit cards due to carrying costs month to month, credit card charges should not be carried forward.
- Costs for financial filings with IRS and non-profit status paid out of Program funds, these are more of an administrative station cost rather than a Program cost.
- Lack of required dual signatures on checks occurred 23 times, two signatures per the Program Agreement are required.
- President, Chief and Treasurer are all related, presents the appearance of a possible conflict of interest and/or non-arms length relationships.
- On two occasions, payments were made on the same day for the same vendor that totaled over \$2,000; these payments should have been approved by the Fire Commission per the Program Agreement due to the total payments being over \$2,000.

We wish to thank the Fire/EMS Department, the Fire Commission, and the staff of the Landover Hills Volunteer Fire Department for their assistance and cooperation. We are available to provide assistance in implementing the recommendations contained in this report, or in any other area where the Department or Fire Commission may have concerns or questions.

INTRODUCTION AND SCOPE

Volunteer Station Management Program

Prince George's County, on behalf of the Fire/EMS Department, agrees to partially fund certain operational costs of each of the Volunteer Fire Companies (Companies) on an annual basis through the Volunteer Station Management Program (Program). The Agreement and General Conditions specify the purpose of the Program and the requirements for managing and documenting Program fund expenditures. Program funds are to be used for fire department related operations and for volunteer incentive activities. The funds are distributed semi-annually, totaling approximately \$20,000 per Company per year.

The Companies are required to maintain complete, accurate, and auditable financial records for the receipt, application, and expenditure of Program funds. The Fire Commission (Commission) reviews the financial records semi-annually. Program funds must be maintained in a separate bank account and not comingled with other funds. Payments must be made by check signed by two duly elected authorized Company officers. A Company is permitted to hold a Program reserve balance, not to exceed \$3,000, at the end of a fiscal year.

We reviewed calendar years 2009 and 2010 Program records and expenditures for the Landover Hills Volunteer Fire Department. The Company received Program funds totaling \$50,000 and made 103 payments totaling \$43,647.08 during this time period.

Senator William H. Amoss Fire, Rescue and Ambulance Fund

The Senator William H. Amoss Fire, Rescue and Ambulance Fund (Amoss 508 Grant) was established to provide grants-in-aid for effective and quality fire protection services to the citizens of Maryland. The purpose of the Grant is to provide local governments with increased financial support for fire, rescue and ambulance companies; and continue financial viability due to increasing costs of fire apparatus and equipment. Grant funds may be used for (i) acquisition or rehabilitation of fire or rescue apparatus, including ambulances; (ii) acquisition or rehabilitation of capital equipment used in

connection with fire or rescue apparatus; and (iii) rehabilitation of facilities used primarily to house fire-fighting apparatus, equipment, ambulances and rescue vehicles.

Grant funds are received by the Prince George's County Office of Finance from the State of Maryland. The Fire Commission disburses the Grant funds to the Volunteer Fire Companies based on demonstrated need and the understanding that Grant funds will be used as stipulated under the State Grant requirements. The Grant funds distributed to the Companies must be maintained in a separate bank account.

Pursuant to the Annotated Code of Maryland, funds not expended or encumbered by the County after the second fiscal year shall be repaid to State. According to the Office of the Attorney General, funds that have been distributed to the Volunteer Fire Departments (Companies) are considered expended or encumbered as long as supporting documentation is provided as evidence. No time period has been established for Companies to expend the funds they have received from the County; however, the money must be spent for its intended purpose. The Attorney General's advice is that some time frame could be adopted by the State for the Companies to expend the funds being held by the Companies.

During our audit, we reviewed the fiscal years 2009 and 2010 Grant records and expenditures for the Landover Hills Volunteer Fire Department for compliance with State Grant requirements. The Company received Grant funds totaling \$58,809 and expended \$41,713 for two payments towards a 2002 pumper during this time period. We found the records and expenditures to be accurate, complete, and used according to Grant requirements, and therefore have no findings or recommendations related to the Senator William H. Amoss Fire, Rescue and Ambulance Fund.

FINDINGS, COMMENTS, AND RECOMMENDATIONS

Volunteer Station Management Program

Grant funds may only be used for minor apparatus/vehicle maintenance and repairs; the acquisition of durable goods and appliances; for minor station maintenance and repairs; and (with dollar limitations) for cellular phone service, land-line telephone service, food and beverage, attendance to the annual Fireman's convention, additional insurance and fuel/gasoline. The Companies shall maintain complete, accurate financial

records, including validated original receipts/vendor invoices, bank statements, cancelled checks, complete with documentation, for the receipt, application, and expenditure of Program funds. All withdrawals of Program funds from an account shall be made by two duly elected and authorized Company officers. Program funds may not be disbursed into another account of the Company except in the event when Program funds are delayed from the County and the Company is reimbursed for authorized expenditures. Expense reimbursements may be made to Company members so long as expenditures are authorized under the Program and are documented. Expenditures exceeding \$2,000 must receive advanced authorization of the Commission.

Based on our detailed review of the Company's Program expenditures and records, we found issues of non-compliance and questionable transactions. The following is a general list of non-compliant and questionable transactions.

Non-compliant Transactions

- Costs unallowable - four times totaling \$804.06 (three uniforms).
- Interest and late fees charged on credit cards due to carrying costs month to month - 22 times totaling \$927.74. Credit card charges should not be carried forward.

Questionable Transactions

- Receipts missing - fully for 12 payments totaling \$4,627.85 or partially for 8 payments totaling \$2,317.17.
- Receipts/invoices older than 3 months - 23 times totaling \$11,300.09, some invoices/receipts were over nine months old, should be current charges.
- Checks unavailable for audit review - three checks – one voided check and two cashed checks. Actual voided check and bank copies of cashed checks unavailable for verification and review. Bank statement showed payments made for the two cashed checks totaling \$421.05.
- Costs questionable or unknown - 19 times totaling \$7,233.34, most were for credit card charges, payments made but no list of what payments specifically covered. Costs were being carried forward month to month in many cases and a payment would be made on the account (see finding below regarding interest and late fee charges). Other costs were high for food (\$307, \$392, and \$623), and an \$80 charge to deliver four chairs, cable outlet, webhost/website, and gavel.

- Costs for financial filings with IRS and non-profit status paid out of Program. This is more of an administrative station cost than a Program cost.

Administrative Type Findings

- One signature on check - 23 times, requires two signatures per the Program Agreement.
- Chief and Treasurer signing checks - should be President and Treasurer per Station By-Laws. Additionally, the President, Chief and Treasurer are related, which presents the possible appearance of a conflict of interest and/or non-arm's length relationships for these and all other transactions.
- One person was holding two elected positions (Treasurer and Secretary positions) in CY 2009, which is not authorized under Station By-Laws.
- Third party involved with purchase – station volunteer reimbursed was not the name on the invoice. Purchase was for authorized items purchased by Captain in the Fire/EMS Department.
- Check made out to Landover Hills Volunteer Fire Station, should have been to individuals. The \$1,000 allowable cost was for four volunteers to attend Fireman's convention in June 2009.
- On two occasions four payments were made on the same day for the same vendor. One for insurance for four quarters - \$750 each, four payments totaling \$3,000, and one for IRS tax and non-profit filings - four payments totaling \$3,260. These payments should have been approved by Fire Commission per Program Agreement due to the total of payments being over \$2,000.

The above non-compliant and questionable transactions should not occur and actions need to be taken to prevent the misuse of County funds. Similar types of transactions were noted in our prior audit report on this Program. Additional emphasis, more detailed reviews and controls need to be implemented to minimize these types of transactions. We therefore recommend that:

- 1. The Fire Commission conduct more detailed reviews of the Volunteer Station Management Program records and expenditures to scrutinize and ensure the above findings no longer occur. The officers of the Company be advised of the findings and emphasis be placed on compliance with the Volunteer Station Management Program Agreements and general conditions.**
- 2. The Fire Chief and Fire Commission take the necessary steps as soon as possible to correct the findings under the Administrative Type Findings.**

3. The Fire Commission require that the Company obtain written authorization for all Volunteer Station Management Program payments or cumulative payments to one business entity over \$2,000.
4. The Fire Chief and the Fire Commission request reimbursement from the Company for any purchases that do not comply with the Volunteer Station Management Program Agreement and General Conditions.
5. The Fire Chief review and strengthen the Volunteer Station Management Program procedures and controls for credit card payments including a policy regarding late payments, interest, late fees and recording what payments cover.
6. The Fire Chief take the necessary steps to ensure that the Fire Commission enhances and conducts more detailed reviews of the Fire Companies Volunteer Station Management Program records and expenditures. This should curtail the findings discussed in this report and prior reports on the Volunteer Station Management Program.
7. The Fire Chief require the Fire Commission to submit, after each bi-annual review of Volunteer Station Management Program records and expenditures, a report to the Fire Chief listing all payments or expenditures, by Company, that are questionable or unauthorized and all other non-compliance issues.



OFFICE OF THE CHAIRMAN

Prince George's County Fire Commission

CRANFORD-GRAVES FIRE SERVICES BUILDING
6820 WEBSTER STREET, LANDOVER HILLS, MD 20784

September 19, 2011

TO: David H. Van Dyke
County Auditor

FROM: John Alter, Chairman
Prince George's County Fire Commission

RE: Landover Hills Audit Report Response

Please find enclosed the Fire Commissions response to the audit report that was submitted by the Office of Audits and Investigations in reference to The Landover Hills Volunteer Fire Department.

If you have any questions, or need any additional information, please feel free to contact me on 240-619-9274.

Audit Response in reference to Landover Hills Volunteer Fire Department

In response to costs questionable or unknown, most were for credit card charges, payments made no list of specific expenditures.

Because the charges were carried from month to month, it was difficult to track, however they were attached to the initial invoice. Corrective measures have been implemented to alleviate any further issues.

In response to interest and late fees associated with credit card purchases.

The Fire Commission has taken corrective measures to ensure all corporations/new Treasurers have been informed that credit card purchases are not carried forward. The Fire Commission will request guidance from Audits and Investigations on how to proceed if Program funds are held up.

In response to lack of required dual signatures on check

The Commission has taken corrective action to ensure that corporations have been informed that there needs to be more than two “approved” signatures , i.e. bank signature cards, (holders of record) are required on all expenditures requiring payment from their station management (checking) account to fulfill parameters of contract when there is an unforeseen emergency, i.e., death, hospitalization, military deployment etc.

In response to on two occasions payments were made on the same day for the same vendor that totaled over \$2000 These payments should have been approved by the Fire Commission per the Program Agreement due to the total payments being over \$2000.

The corporation had multiple issues with the charges from this vendor (repair charges on the engine) Once corrected invoices were received a check was written for each invoice to ensure proper payment. Corrective measures have been implemented to comply with recommendations of Audits and Investigations.

Findings, Comments and Recommendations:

Questionable Transactions:

In response to receipts missing, fully or partially for payments-twenty times totaling \$6,945.02

Landover Hills Volunteer Fire Department has had these records audited by numerous entities, to include, but not limited to Prince Georges County Fire Commission, Prince Georges County Investigators, Prince Georges County Fire Department (Fiscal Affairs), Attorney and Prince George's County Circuit Court Judge Albert Northrop. Due to the vast number of people that have reviewed these records it is not alarming that there are receipts missing from the original audit package.

Note: All receipts were accounted for in the initial semi-annual audit conducted by the Fire Commission.

In response to receipts/invoices older than 3 months

The Fire Commission has implemented corrective measures

In response to cancelled/voided checks unavailable for audit review- three checks, one voided check and two cancelled checks. Bank statement showed payments cashed for the two cancelled checks totaling \$421.05.

VOIDED CHECK # 3041 attached...CHECK # 3101 (10/1/10) to PGCVFRA for Annual Dues for \$400.00 and Check # 3103 (10/07/10) to Ruby Keeling for (reimbursement for lunch expense/EEO meeting) for \$21.05. (Checks and receipts were included in audit package, there were no notations these were cancelled checks).

In response to costs questionable or unknown with most being credit card purchases, payments made but no list what specifically payments covered. Other costs were high for food (\$307, \$392, and \$623) and \$80 charge to deliver four chairs, cable outlet, webhost/website and gavel.

Costs for food were associated with mandatory Volunteer Staffing Utilization (VSU) weekends.

The charge for \$623, was for the Landover Hills Volunteer Fire Department's annual dinner, in which the department provides its members as a retention tool in lieu of a banquet.

The fee associated with furniture delivery included, four office chairs, four desks, two office Armoires, as well as two rolls of carpeting.

Associated costs in reference to the purchase of a gavel in the amount of \$ 47.70, was ordered by President Keeling for meetings. This is an allowable expenditure.

In response to costs for financial filings with IRS and non-profit status paid out of Program.

This is an allowable expenditure, as corporations are required to file in order to maintain their 501C3 status (non-profit status).

In response to unallowable transactions:

Three uniforms purchased-four times totaling \$804.06

There were two dress uniforms purchased, one for President Keeling and the other for Auxiliary President Evelyn Young in the amount of \$804.06. (This is an allowable expenditure, and historically the purchase of these uniforms with budget cuts has been reallocated to Station Management for funding source).

In response to interest and late fees charged on credit cards due to carrying costs month to month, totaling \$927.74.

The Fire Commission strives for complete compliance of all auditable processes; however the Fire Commission requires proper and current communication to reference rules and procedures for use of program funds.

Administrative Findings:

In response to one signature on check (requirement is two)

As stated previously, The Commission has taken corrective action to ensure that corporations have been informed that their needs to be more than two “approved” signatures, i.e. bank signature cards, (holders of record) are required on all expenditures requiring payment from their station management (checking) account to fulfill parameters of contract when there is an unforeseen emergency i., death, hospitalization, military deployment etc.

President, Chief and Treasurer related, again presents the appearance of a conflict of interest/and or non-arms length relationship.

Family is found throughout the career and volunteer service, and as long as they meet the required guidelines set forth by the Station Management Contract and the respective By-Laws of their Corporation, the Commission will monitor the situation.

In response to one person holding two elected positions (Treasurer and Secretary Positions) in CY 2009 not authorized under Station By-Laws.

Landover Hills Volunteer Fire Department held a special meeting in 2009 to amend their by-laws to adopt one person being allowed to hold the position of Secretary and Treasurer.

In response to third party involved with purchase-person reimbursed was not the name on the invoice. Purchase was for authorized item purchased by Captain in the Fire/EMS Department.

Per discussions in our Landover Hills Exit Interview, the career captain purchased items for the station and needed immediate reimbursement, so the Volunteer Chief reimbursed the Captain from his personal funds. Reimbursement was then made to the Volunteer Chief. As for the purchase being made in Delaware, purchase was made where the Captain resides.

Check was made out to Landover Hills Volunteer Station, should have been to individual. The allowable cost was for four volunteers to attend Firemen's convention in June 2009.

Corrective measures have been implemented to alleviate this problem happening in the future.

Twice four payments made on same day for same vendor. These payments should have been approved by Fire Commission per Program Agreement.

Corrective measures have been implemented to comply with recommendations of Audits and Investigations.

In reference to recommendations 1 thru 7 (detailed reviews and controls) implementation:

The Fire Commission has taken corrective actions in reference to items outlined in the Landover Hills Audit Report to ensure strict compliance with the Station Management Contract.

The Fire Commission will facilitate any questions or policy matters with Audits and Investigations. To ensure that we have up to date audit practices the Fire Commission will meet or concur with Audits and Investigations.

The Fire Commissions does however requests parameters on how audits should be handled to negate these same issues due to lack of communication.