

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SPECIAL COMPLIANCE REPORT

OF

NEW MARKET COMMUNITY VOLUNTEER FIRE DEPARTMENT

MONTGOMERY COUNTY, INDIANA

January 1, 2014 to December 31, 2018



FILED
07/30/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Results and Comments:	
Background.....	3
Bank Account Reconciliations	3
Penalties and Interest.....	3-4
Timely Deposits	4-5
Cash Disbursements	5
Supporting Documentation	5-6
Recordkeeping.....	6
Internal Controls	7
Official Response	8



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE NEW MARKET COMMUNITY VOLUNTEER
FIRE DEPARTMENT, MONTGOMERY COUNTY, INDIANA

This is a special compliance report for the New Market Community Volunteer Fire Department (Volunteer Fire Department), for the period January 1, 2014 to December 31, 2018, and is in addition to any other report for the Volunteer Fire Department as required under Indiana Code 5-11-1. All reports pertaining to the Volunteer Fire Department may be found at www.in.gov/sboa.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 13, 2019

NEW MARKET COMMUNITY VOLUNTEER FIRE DEPARTMENT
RESULTS AND COMMENTS

BACKGROUND

The Volunteer Fire Department is a not-for-profit corporation that received public funding from the Town of New Market, Union Township, Brown Township, and Scott Township in the form of a fire protection contract. Union Township dropped their fire coverage with the Volunteer Fire Department in 2015. Steve Wright was the Treasurer of the Volunteer Fire Department for the period examined. He was responsible for the records of the Volunteer Fire Department, as well as receipting the monies received and accounting for the expenditures of the Volunteer Fire Department funds.

The Indiana State Board of Accounts examined the records and reviewed the accounting of receipts and expenditures of the Volunteer Fire Department. The following describes noncompliance with statutes or the *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*.

BANK ACCOUNT RECONCILIATIONS

Bank account reconciliations were not presented for review.

The *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current and complete disclosure of the financial results of each government sponsored project or program.
- b. Records that adequately identify the source and application of funds for government sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays and income.
- c. Effective control over and accountability for all funds, property and other assets.
- d. Procedures for determining the reasonableness, allowability and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

PENALTIES AND INTEREST

Penalties and interest in the amount of \$95.87 was paid to vendors due to late payment of bills. Invoices were paid up to 120 days late.

NEW MARKET COMMUNITY VOLUNTEER FIRE DEPARTMENT
RESULTS AND COMMENTS
(Continued)

The *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current and complete disclosure of the financial results of each government sponsored project or program.
- b. Records that adequately identify the source and application of funds for government sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays and income.
- c. Effective control over and accountability for all funds, property and other assets.
- d. Procedures for determining the reasonableness, allowability and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

TIMELY DEPOSITS

Deposits were not made timely. Checks for deposit were held up to six months before being deposited. It was also noted that two checks from government entities had to be reissued due to being misplaced. A replacement check was also issued for a nongovernmental receipt due to the original check being misplaced before deposit.

The *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current and complete disclosure of the financial results of each government sponsored project or program.
- b. Records that adequately identify the source and application of funds for government sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays and income.

NEW MARKET COMMUNITY VOLUNTEER FIRE DEPARTMENT
RESULTS AND COMMENTS
(Continued)

- c. Effective control over and accountability for all funds, property and other assets.
- d. Procedures for determining the reasonableness, allowability and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

CASH DISBURSEMENTS

A clothing allowance was paid to volunteer firemen in cash.

The *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current and complete disclosure of the financial results of each government sponsored project or program.
- b. Records that adequately identify the source and application of funds for government sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays and income.
- c. Effective control over and accountability for all funds, property and other assets.
- d. Procedures for determining the reasonableness, allowability and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

SUPPORTING DOCUMENTATION

Documentation was not provided for 96 out of 274 expenditures paid by check. Checks were also written out of numerical order. In addition to payments made by check, there were 23 out of 149 electronic payments made without supporting documentation.

The *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

NEW MARKET COMMUNITY VOLUNTEER FIRE DEPARTMENT
RESULTS AND COMMENTS
(Continued)

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current and complete disclosure of the financial results of each government sponsored project or program.
- b. Records that adequately identify the source and application of funds for government sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays and income.
- c. Effective control over and accountability for all funds, property and other assets.
- d. Procedures for determining the reasonableness, allowability and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

RECORDKEEPING

There were five checks either not recorded in the ledger or recorded improperly. Vendors as recorded in the ledger were not always the same as the payee on the check that cleared the bank. Also, the dates on the checks were not the same as the dates in the ledger.

The *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Retention of financial records, supporting documents, statistical records and all other records pertinent to the agreements for a period of at least three years.

Maintaining a financial management system that provides:

- a. Accurate, current and complete disclosure of the financial results of each government sponsored project or program.
- b. Records that adequately identify the source and application of funds for government sponsored activities. Records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays and income.
- c. Effective control over and accountability for all funds, property and other assets.
- d. Procedures for determining the reasonableness, allowability and allocability of costs in accordance with the provisions of the applicable cost principles and the terms of the grant or other agreement.
- e. Accounting records that are supported by source documentation. . . ."

NEW MARKET COMMUNITY VOLUNTEER FIRE DEPARTMENT
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

The Treasurer is responsible for all aspects of the Volunteer Fire Department financial activity. This includes preparing checks, depositing receipts, recording financial transactions, reconciling bank accounts, and preparing monthly reports to the Board.

The Board did not provide the required oversight and monitoring of financial activity on an ongoing basis. The lack of monitoring allowed for checks to be issued without supporting documentation.

The Indiana State Board of Accounts *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, Section H, states in part:

"Entities receiving financial assistance from state or local governments are subject to the following general requirements: . . .

Maintaining a financial management system that provides: . . .

- c. Effective controls over and accountability for all funds, property and other assets. . . ."

NEW MARKET COMMUNITY VOLUNTEER FIRE DEPARTMENT
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2019, with Tracy Budd, Fire Chief; Catherine Crosby, Treasurer; Steve Wright, former Treasurer; and Eric Brewer, President of the Board.