



PRINCE WILLIAM COUNTY, VIRGINIA

## **Prince William County, Virginia**

### **Internal Audit of Three Volunteer Fire & Rescue Companies:**

- **Dumfries-Triangle Rescue Squad**
- **Dumfries-Triangle Volunteer Fire Department**
- **Stonewall Jackson Volunteer Fire Department & Rescue Squad**

**Prepared By:  
Internal Auditors  
June 30, 2013**



# Table of Contents

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Transmittal Letter .....	1
Executive Summary .....	2 - 11
Background .....	12 - 18
Objectives and Approach .....	19 - 20
Individual Volunteer Fire & Rescue Company Overview and Results, & Management Response	
Dumfries-Triangle Rescue Squad .....	21 - 53
Dumfries-Triangle Volunteer Fire Department .....	54 - 66
Stonewall Jackson Volunteer Fire Department and Rescue Squad .....	67 - 84

June 30, 2013

The Audit Committee of  
 Prince William County, Virginia  
 1 County Complex Court  
 Prince William, Virginia 22192

Pursuant to the Prince William County, Virginia (“County” “PWC”) internal audit plan, we hereby present the internal audit of three (3) Volunteer Fire & Rescue Companies. This report was presented during the July 23, 2013 Audit Committee meeting and will be presented again at the next scheduled Audit Committee meeting on October 8, 2013. The Volunteer Fire & Rescue Companies (“Companies”, “Company”) selected for review are as follows:

- Dumfries-Triangle Rescue Squad (“DTRS”) – Stations 3R, 17 and 23
- Dumfries-Triangle Volunteer Fire Department (“DTVFD”) – Stations 3F, 17, and 23
- Stonewall Jackson Volunteer Fire Department & Rescue Squad (“SJVFD&RS”) – Station 11

We presented this report to the DTRS Task Force, as formed by the Fire & Rescue Association, on July 29, 2013 and to the Fire & Rescue Association Executive Committee on September 4, 2013. Our report is organized in the following sections:

<b>Executive Summary</b>	This provides a summary of the issues related to our internal audit of the selected Volunteer Fire & Rescue Companies. This section also provides a description of the overall Fire & Rescue Association level observations.
<b>Background</b>	This provides an overview of all Companies’ organizational structure with the County.
<b>Objectives and Approach</b>	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
<b>Issues Matrix</b>	This section contains an overview of each Company reviewed, any issues identified during our testing, recommended action and management response. Other matters noted during our procedures are also outlined within this section.

We would like to thank the various Companies, the Prince William County Department of Fire & Rescue and all those involved in assisting our firm in connection with our review of the selected Volunteer Fire & Rescue Companies.

Respectfully Submitted,



**INTERNAL AUDITORS**

## Executive Summary

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At the September 19, 2012, meeting of the Prince William County Fire & Rescue Association (“FRA”), there was a motion made and carried to recommend that the Board of County Supervisors (“BOCS”) Audit Committee to conduct an audit of DTRS. On September 25, 2012, a directive to perform an internal audit on certain financial process of DTRS, was recommended by the BOCS Audit Committee, and approved by the BOCS. Pursuant to the 2013 Fiscal Year internal audit plan recommended on January 29, 2013 by the BOCS Audit Committee to the BOCS, which was approved by the BOCS that same day, and this internal audit was expanded to include 2 additional Companies and operational compliance components for all 3 Companies. The Companies were settled upon in consultation with the Chairman of the FRA. All of the work is encompassed in this report.

We have worked closely with the 3 Companies, and it is our understanding they have started implementing procedures to reduce the internal control risks noted within this report. We will conduct follow-up procedures in the spring, and review 3 additional companies as included in the Audit Plan approved by the Audit Committee for 2014.

The objective of our internal audit focused on reviewing the internal control environment of certain financial and operational processes of the 3 selected Volunteer Fire & Rescue Companies. This internal audit covered the following areas:

1. Board Governance – monitoring and oversight, including meeting minutes
2. Financial Operations (fire levy and non fire levy)
  - Cash Receipts and Disbursements
  - Revenues
  - Expenditures
  - Liabilities
  - Property Plant and Equipment
3. Compliance with County Contract, PWC Code Chapter 9.1, Fire & Rescue Association Policies and Procedures and Virginia Emergency Medical Services (“EMS”) Regulations
  - Incident Response and Reporting
  - Member Staffing
  - Member Screening
  - Member Training and Certification

We have provided current comparative financial and other data for each selected Company in their section of the report, which includes the following categories:

- Station Location(s)
- Membership
- Selected Financial Data
- Response Time
- Governing Board
- Company Administration
- Apparatus
- Comments - identification of any other significant data

Our approach consisted of gathering the data for the categories noted above from the County and the respective Companies. We collected data for periods ranging from fiscal years ended 2011-2014 to provide the opportunity for trend analysis for selected financial data and response times. The timing of testing for each of the 3 selected Companies was at their preference. During the course of our internal audit of the selected Companies, we obtained an understanding and reviewed the County’s current practices of monitoring, communication, etc. Our approach focused on determining whether proper controls exist and whether existing controls are appropriate for mitigating certain financial and operational inherent risks.

## Executive Summary - continued

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### Organizational Structure and Relationship with the County

The Prince William County FRA is an organization that encompasses all of the volunteer fire and rescue companies operating in the County and the Prince William County Department of Fire & Rescue (“DFR”), and is charged with the overall governance and supervision of all fire and rescue services lawfully provided in the County. There are eleven (11) Volunteer Fire and Rescue Companies located within the County, each of which operate independently (but cooperatively) through an agreement with the BOCS.

Per County Ordinance Number 09-51 dated August 4, 2009, the County repealed the existing Chapter 9 and adopted PWC Code Chapter 9.1. PWC Code Chapter 9.1 reestablished the Prince William County Fire & Rescue Association to provide for the coordination and provision of reliable and high quality fire, rescue and emergency medical services by the combined personnel of the DFR, and the County’s volunteer companies. The FRA consists of the DFR and each volunteer fire, rescue or fire and rescue company, and is governed by a Board of Directors and an executive committee of the Board of Directors. Pursuant to PWC Code Chapter 9.1, the chairman of the FRA is the Chief DFR and the vice chairman is a chief of a Company that is elected by the FRA Board of Directors.

The Companies are each governed by an individual Board of Directors, and are managed and staffed primarily by volunteer firefighters, with career firefighters assigned by the DFR as needed. Each Company has a volunteer Chief that is elected by the membership of the respective Company. This volunteer Chief and his/her line officers handle the daily operational tasks of the Company. Additionally, almost all Companies elect their administrative officers, including President, Vice President, Secretary, Treasurer and a Board of Directors. The President is responsible for handling administrative tasks of the Company as well as managing the not-for-profit activities of the department, such as fundraising. In 2009, each Company entered into an agreement with the BOCS in which the County agreed to allocate fire levy funds as outlined in Chapter 9.1 and the respective the Company agreed to remain in good standing with the FRA and implement, comply with, and be subject to all FRA policies and procedures, provisions with PWC Code Chapter 9.1 and other applicable County, State and Federal regulations. The County allocation of funds to the Company is contingent on compliance.

### Prince William County Fire & Rescue Association



## Executive Summary - continued

### Funding Sources

#### County-wide Fire Levy

The County-wide fire levy was established in April 2001. Prior to this time, there were individual levies based on volunteer company first due boundaries. In December 2000, after the BOCS directed the FRA and DFR to conduct an analysis of the levy system and explore alternatives to individual rates, a Financial Analysis Task Group formed and conducted comprehensive review of alternatives and the BOCS adopted the recommended county-wide fire levy rate on April 17, 2001. The benefits of the County-wide fire levy are that it is a planned, stable funding source to finance and build new Fire and Rescue Stations identified in a station location plan, and it can fund system-wide initiatives, as well as provide stability for annual company operating budgets. The following table represents expenditures of the Companies and Programs as presented in the County's budget documents from FYs 2012 - 2014:

Expenditure by Company/Program	FY 2012 Actual	FY 2013 Adopted	FY 2014 Adopted
PWC Antioch*- Station 24	\$ 359,499	\$ 608,993	\$ 614,609
Bacon Race	-	-	1,200,000
Buckhall- Station 16	758,304	787,333	806,440
Coles- Station 6	703,141	878,667	895,740
<b>Dumfries-Fire- Stations 3F, 17</b>	<b>1,464,184</b>	<b>1,656,944</b>	<b>1,671,144</b>
<b>Dumfries-Rescue- Stations 3R, 17</b>	<b>731,933</b>	<b>786,782</b>	<b>805,207</b>
Evergreen- Station 15	1,020,473	690,072	708,091
PWC Gainesville*- Station 4	491,229	683,717	693,710
Lake Jackson- Station 7	780,740	837,121	851,595
Neabsco (Dale City)- Station 10, 13, 18	2,969,613	3,705,026	3,756,026
Nokesville- Station 5, 25	1,382,044	1,753,199	1,777,727
Occoquan- Station 2, 12, 14	2,110,080	3,190,241	3,229,766
<b>River Oaks- Station 23**</b>	<b>356,975</b>	<b>503,575</b>	<b>508,360</b>
<b>Stonewall Jackson- Station 11</b>	<b>660,383</b>	<b>868,460</b>	<b>886,872</b>
Yorkshire- Station 8	566,079	685,303	701,504
Various Programs***	32,976,301	22,711,167	13,692,841
<b>TOTAL - All Companies/Programs</b>	<b>\$ 47,330,978</b>	<b>\$ 40,346,600</b>	<b>\$ 32,799,632</b>

\* PWC Antioch – Station 24 – was combined with PWC Gainesville – Station 4 in FY 2011

\*\* River Oaks- Station 23 – DTRS maintains the building and multiple apparatus, but the Station is manned 24/7 by the DFR career fighters.

\*\*\*Various Programs – 800 MHz/MDT Technology Fund, county-wide Capital Fund, Levy Support to DFF, Line of Duty Death Act, FRA Board of Directors Set Aside and Apparatus Funds, FRA Membership Initiative and NFPA Medical.

The following represents current and previously adopted fire levy rates:

Fiscal Year	Levy Rate in Cents
FY 2012	7.41
FY 2013	7.44
FY 2014	7.27

#### Other Revenue Sources

The Companies can also derive funding from various fundraising activities such as bingo sessions, moneys from donations, state aide, and other activities.

## Executive Summary - continued

### Observation Highlight

DTRS and DTVFD are unique among all other volunteer companies in the County in their structure in that they operate as separate entities, while all other Companies provide both fire and rescue services out of 1 Company. Administratively, this structure is duplicative as compared to the other Companies, as such we recommend that the FRA consider consolidating the administrative structure of DTRS and DTVFD into 1 Volunteer Fire & Rescue Company. Benefits of consolidation could include the following:

- Establishment of 1 Chief and Governing Board;
- Elimination of duplicative administrative (accounting/booking) and operational (scheduling, training, certification) functions;
- Increased utilization of facility and maintenance of apparatuses;
- Ability to cross train members and ability to respond to calls, which can further enhance the public's confidence in public safety;
- Increased purchasing power with vendors; and
- Increase fundraising due to coordination of efforts.

This observation does not extend to consolidation of the locations and services provided, as that is a service and response time decision. The following map depicts DTRS and DTVFD respective locations.



The following section provides a summary of each issue identified during our procedures as well as the relative risk rating assigned to the Issue. Each has been discussed with management of the respective Volunteer Fire & Rescue Companies selected for review. We have assigned relative risk factors to each observation identified. This is the evaluation of the severity of the concern and the potential impact on the operations. There are many areas of risk to consider including financial, operational, and/or compliance as well as public perception or 'brand' risk when determining the relative risk rating. Items are rated as High, Moderate, or Low.

- *High Risk Items* are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner.
- *Moderate Risk Items* may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible.
- *Low Risk Items* could escalate into operational issues, but can be addressed through the normal course of conducting business.

The details of these observations are included within the individual Volunteer Fire & Rescue Company Issue section of this report.

Issues	Risk Rating
<b>Board Governance</b>	
<b>1. Board Governance:</b>	<b>High</b>
<p>We noted areas of improvement regarding board governance and monitoring by the Governing Board of DTRS, such as:</p> <ul style="list-style-type: none"> <li>• Board meeting minutes were not provided, although requested, for the April and November 2012 meetings. As such, we were unable to review the specifics of the meetings and determine if the prior month's meeting minutes were approved.</li> <li>• We are uncertain as to the extent of the financial data provided to the Board members at the monthly meetings. Such data is not detailed in the meeting minutes nor were we provided with monthly budget to actual financial data that had been provided to the DTRS Board, as requested.</li> </ul>	
<b>Financial Operations</b>	
<b>2. Segregation of Duties:</b>	<b>High</b>
<p>During our testing of cash receipts and cash disbursements, we noted the following segregation of duties conflicts:</p> <ul style="list-style-type: none"> <li>• The Chief, Assistant Chief, Bookkeeper and Treasurer have access to Quickbooks.</li> <li>• The Bookkeeper receives the bank statements, enters transactions into Quickbooks, has access to the safe, has access to blank pre-signed checks, and makes deposits to the bank.</li> <li>• The Chief, Assistant Chief and Executive Officer are the approved check signatories. The Executive Officer receives cash for deposit, prepares deposits, makes deposits to the bank, has access to the safe, and is an approved signatory for all bank accounts.</li> <li>• The Board does not review complete monthly financial statements for all accounts. See Issue #1.</li> </ul>	

Issues	Risk Rating
<b>Financial Operations - continued</b>	
<b>3. Financial Records:</b>	<b>High</b>
<p>We noted the following examples of incomplete and inaccurate financial records in Quickbooks:</p> <ul style="list-style-type: none"> <li>• Existence of old and inaccurate financial transactions in the general ledger.</li> <li>• Debit card purchases that have not been entered into the general ledger since July 1, 2010, totaling \$37,344.</li> <li>• Forty checks amounting to \$19,354 cleared the bank from January 1, 2012 to October 31, 2012, but had not been entered into the general ledger.</li> <li>• Incorrect posting of cash receipts.</li> <li>• Although DTRS obtains an audit of their financial statements on an annual basis, the last audit was issued December 2012 as of year-end June 30, 2010.</li> </ul>	
<b>4. Bank Reconciliations:</b>	<b>High</b>
<p>During our inquiry of DTRS management and the bookkeeper, we noted that monthly bank statements are sent to the Company's external auditor for the performance of the monthly bank reconciliation. No bank reconciliations have been performed and presented to DTRS since fiscal year ended June 30, 2010.</p>	
<b>5. Cash Disbursements:</b>	<b>High</b>
<p>We noted the following during our testing of cash disbursements:</p> <ul style="list-style-type: none"> <li>• Lack of authorization of purchase/disbursement;</li> <li>• Signed blank checks maintained;</li> <li>• Checks made out to "cash";</li> <li>• Lack of spending limits on debit card;</li> <li>• Lack of supporting documentation; and</li> <li>• Inconsistent maintenance of files and records.</li> </ul>	
<b>6. Cash Receipts – Bingo Activity:</b>	<b>Moderate</b>
<p>During fieldwork, we reviewed an audit report issued to the DTRS Governing Board on September 16, 2010 by an independent accounting firm. The report noted that \$4,640 in bingo revenues were not deposited, and there was additional \$1,961 in shortages in the weekly deposits compared to the bingo reconciliation statements. The independent auditor's report and procedures were specifically to address findings related to a report issued by the State of Virginia's Division of Charitable Gaming regarding DTRS gaming (bingo) activity for the year ending December 31, 2008. We also noted during our testing of cash receipts from the Bingo account, 10 out of 10 receipt reconciliations tested had overages or shortages in the cash on hand at the end of the gaming sessions, ranging from a shortage of \$59 to an overage of \$48.50.</p>	
<b>7. Journal Entries:</b>	<b>Low</b>
<p>Journal entries do not require review and approval prior to and after posting to the general ledger. Such a review should be performed by someone independent of the preparation and posting process.</p>	
<b>8. Assets and Property Control:</b>	<b>Moderate</b>
<p>During inquiry of DTRS management, we noted that there is no system in place for booking and tracking inventory, supplies, and equipment and therefore assets are not appropriately safeguarded and accounted for. The net value of fixed assets per the 2010 audited financial statements was approximately \$1 million, and the total supplies expense was approximately \$112,000.</p>	
<b>9. Employment Contracts:</b>	<b>Moderate</b>
<p>DTRS employs 2 non-volunteer paid employees. Employment contracts were requested and it was noted that they do not exist. We were unable to perform attribute testing on payroll disbursements.</p>	

Issues	Risk Rating
<b>Financial Operations - continued</b>	
<b>10. Cash Management:</b>	<b>Moderate</b>
<p>During our review of bank statements we noted the following instances where a bank account was overdrawn for a period of 3 to 7 days before being corrected, in which overdraft fees of \$175 were charged to the account. We also noted an untimely transfer of \$959 from a bank account that was closed to the new account.</p>	
<b>11. Policies and Procedures:</b>	<b>High</b>
<p>We noted that no formal financial policies and procedures exist, only a standard operating procedure (SOP) for accounts payable. This SOP does not include guidelines for an authority matrix, process to obtain documented prior approval of a purchase or to obtain documented approval of an invoice of a purchase. Lack of well documented policies and procedures increases the risk of miscommunication, error, and lack of effective and efficient internal controls.</p>	
<b>Operational – Compliance with County Contract, PWC Code Chapter 9.1, Fire and Rescue Association Policy and EMS Regulations</b>	
<b>12. Incident Reports:</b>	<b>Moderate</b>
<p>During our testing of incident reports, we noted that out of a sample of 20 Company responded incidents, 1 incident (#13007505 on 3/3/2013 dispatched unit A523B from Station 23R) did not have an incident report completed as required. The Company and the DFR could not determine a reason for no incident report to be filed.</p>	
<b>13. Background Screenings:</b>	<b>High</b>
<p>We noted the following during our testing of background checks:</p> <ul style="list-style-type: none"> <li>• The Company does not consistently maintain documentation of department of motor vehicle background checks, as such for 16 of 20 volunteer members sampled, we were unable to verify that the sampled volunteered members had been screened and cleared within the required timeframe. For 13 of those 16 volunteer members lacking documentation of screening, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>• The Company does not consistently maintain documentation of criminal history background checks, and this information is maintained in the state's system for only 30 days. For 6 of those 9 volunteer members without documented criminal history background checks, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul>	
<b>14. Certifications:</b>	<b>Moderate</b>
<p>During our testing, we noted that 1 of 20 volunteer members sampled was listed on the Company's membership roster as a Driver, but the Company had no records of an Emergency Vehicle Operator's Course or equivalent. We noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</p>	
<b>15. Medical Clearances:</b>	<b>High</b>
<p>During our testing of volunteer members' medical clearances, we noted the following:</p> <ul style="list-style-type: none"> <li>• Three of 20 volunteer members sampled did not have medical evaluations within the required timeframe. For 2 of those 3 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>• Four of 20 volunteer members sampled did not have a completed OSHA Medical Evaluation Questionnaire within the required timeframe. For 3 of those 4 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under audit.</li> <li>• Six of 20 volunteer members sampled did not have fit tests within the required timeframe. For 4 of those 6 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul>	

Issues	Risk Rating
<b>Board Governance</b>	
<b>1. Board Governance:</b>	<b>Moderate</b>
We noted when reviewing governance and monitoring by the Governing Board of DTVFD that Board meeting minutes from July 2012 to February 2013 do not indicate if the Board approved the prior meeting's minutes.	
<b>Financial Records</b>	
<b>2. Financial Records:</b>	<b>Moderate</b>
We noted that the Company does not utilize an accounting software system that maintains a general ledger. The Company records bank account activity in Quicken, but Quicken is a "checkbook-style" software used to track bank account activity. It can only produce cash in/cash out reports, and does not produce complete Company financial reports. Therefore, the Company does not have a general ledger and cannot produce any financial statements.	
<b>3. Bank Reconciliations:</b>	<b>High</b>
We noted that bank reconciliations are not performed. The bank statements are spot-checked against Quicken.	
<b>4. Cash Disbursements:</b>	<b>Moderate</b>
During our testing of cash disbursements, we noted that for 3 out of 25 disbursements, we were not provided supporting documentation. We were therefore unable to verify that the disbursement was properly approved and for valid expense of the Company. The 3 disbursements totaled \$580. We also noted that the Company does not track reimbursements of the levy-funds submitted to the County for payment back to the Company.	
<b>5. Cash Receipts – Bingo Activity:</b>	<b>Moderate</b>
During our testing of cash receipts from the Bingo account, we noted that 12 out of 14 receipt reconciliations tested had overages or shortages in the cash on hand at the end of the gaming sessions, ranging from a shortage of \$98 to an overage of \$8.	
<b>6. Employment Contracts:</b>	<b>Moderate</b>
DTRS employs 4 non-volunteer paid employees. Employment contracts were requested and it was noted that they do not exist. We were unable to perform attribute testing on payroll disbursements.	
<b>7. Standardized Policies and Procedures:</b>	<b>High</b>
We noted that standardized policies and procedures exist at the Company. During our testing we observed several key processes and controls; however, they are not formalized or written.	
<b>Operational – Compliance with County Contract, PWC Code Chapter 9.1, Fire and Rescue Association Policy and EMS Regulations</b>	
<b>8. Background Screenings:</b>	<b>High</b>
We noted the following during our testing of background checks: <ul style="list-style-type: none"> <li>• The Company documents performance of motor vehicle background checks via a form, but we were not provided with the form or any other supporting documentation that evidenced the Company's performance of the procedure. For 13 of the 20 volunteer members lacking documentation of screening, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>• The Company documents performance of criminal history background checks via a form, but we were not provided with the form or any other supporting documentation for 14 of the 20 volunteers sampled. For 8 of the 14 volunteer members without documented criminal history background checks, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul>	
<b>9. Medical Clearances:</b>	<b>High</b>
During our testing of volunteer members' medical clearances, we noted the following: <ul style="list-style-type: none"> <li>• Eight of 20 volunteer members sampled were not current on their annual medical evaluations. For 7 of those 11 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>• Eight of 20 volunteer members sampled were not current on their annual OSHA Medical Evaluation Questionnaires. For 7 of those 11 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul>	

Issues	Risk Rating
<b>Board Governance</b>	
<b>1. Board Governance:</b>	<b>Moderate</b>
<p>Although the Governing Board receives bank balances per the bank statements on a monthly basis for both fire levy and non fire levy accounts, we noted financial statements and/or detail to review individual revenues/expenditures of non fire levy accounts are not provided to the Governing Board on a periodic basis.</p>	
<b>Financial Operations</b>	
<b>2. Segregation of Duties:</b>	<b>Moderate</b>
<p>During our testing of cash receipts and cash disbursements, we noted the following segregation of duties conflicts:</p> <ul style="list-style-type: none"> <li>• The President and Vice President have custodial access to the Quickbooks password to ensure capturing of financial transactions can continue during times of Bookkeeper and Treasurer transition.</li> <li>• The President approves payment of invoices, is a check signer, has edit access to Quickbooks, and access to the safe.</li> <li>• The Vice President is a check signer, has access to Quickbooks and access to the safe.</li> </ul>	
<b>3. Cash Disbursements:</b>	<b>High</b>
<p>During our review of credit card purchases, we noted that in the February 2013 credit card statement, 11 out of 25 transactions did not have accompanying receipts or other supporting documentation. Total unsupported charges were \$701.93.</p>	
<b>4. Cash Receipts – Vending Machine:</b>	<b>Moderate</b>
<p>During our inquiries, it was noted that the Company has a vending machine on its location, with estimated monthly revenues of \$200. We noted the following:</p> <ul style="list-style-type: none"> <li>• Cash from the machine is withdrawn every couple of weeks and used to replenish refreshments;</li> <li>• The monies are not counted when removed, nor reconciled to the purchases made to replenish the inventory; and</li> <li>• The funds are not recorded in the Company's general ledger.</li> </ul>	
<b>5. Policies and Procedures:</b>	<b>Low</b>
<p>Although we did not note any exceptions during our testing of bank reconciliations, we noted that the Company does not have a documented policy or procedure for bank reconciliations.</p>	
<b>Operational – Compliance with County Contract, PWC Code Chapter 9.1, Fire and Rescue Association Policy and EMS Regulations</b>	
<b>6. Incident Reports:</b>	<b>Moderate</b>
<p>During our testing of incident reports, we noted that out of a sample of 20 Company responded incidents, 1 incident (#12038039 on 11/1/2012 dispatched unit E511 from Station 11) did not have an incident report completed as required. The Company and the DFR could not determine a reason for no incident report to be filed.</p>	
<b>7. Background Screenings:</b>	<b>High</b>
<p>During our testing of background checks, we noted that the Company documents on the member's application form whether or not a criminal history background check has been obtained. Four of the 20 active operational members sampled did not have documentation of performance of a criminal history background check.</p>	
<b>8. Medical Clearances:</b>	<b>High</b>
<p>During our testing of volunteer members' medical clearances, we noted the following:</p> <ul style="list-style-type: none"> <li>• Nine of 20 volunteer members sampled did not have medical evaluations within the required timeframe. For 4 of those 9 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>• Fourteen of 20 volunteer members sampled did not have a completed OSHA Medical Evaluation Questionnaire within the required timeframe. For 7 of those 14 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under audit.</li> <li>• Fourteen of 20 volunteer members sampled did not have fit tests within the required timeframe. For 7 of those 14 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul>	

**FRA-Level Observations:**

**Company Membership Definition/Requirements** - Virginia Code § 27-8. Who may form a fire/EMS company; limit on number of persons in combined companies states that

*“Any number of persons, not less than twenty, may form themselves into a company for extinguishing fires or for performing emergency medical services, or both. In any county in which two or more companies for extinguishing fires or for performing emergency medical services shall join together and singly use one fire/EMS station, the number of persons in the combined companies shall be not less than twenty. The minimum number of persons required by this section shall only apply to the formation of a fire company.”*

The DFR interprets this Code to mean operational members, defined as members who can run calls. We noted during our audit there is inconsistency across the Companies in how active operational members are defined.

Companies could have an insufficient number of operational members, as defined by the DFR, hindering their ability to provide proper public safety response.

We recommend that the FRA issue a formal policy to identify and define key terms to be utilized by the Companies.

**Centralized Insurance Coverage** - We understand that each individual Company is responsible for obtaining and monitoring insurance coverage for all volunteers, buildings, equipment and other functions. There is no centralized review or monitoring of insurance coverage held by the individual Companies. During the Length of Service Award Program (“LOSAP”) audit, we noted the County’s Risk Management department did not consistently maintain information on insurance coverages of the various Companies.

The lack of monitoring of insurance coverages for each of the Companies could lead to losses due to inadequate coverage. There is also a risk that unnecessary funds will be expended for an inappropriate insurance type or coverage amount.

We recommend that the FRA work with the County’s Risk Management to centralize and standardize the monitoring of the insurance coverage held by the various Companies, including consideration whether required parameters for insurance coverage can be established for the departments and to allow for monitoring by the County’s Risk Management. Where appropriate, recommended or required insurance coverage should be established and communicated to the Companies.

**Company Audited Financial Statements** - Per PWC Code Chapter 9.1 Article 1 Section 9.1.12 *Fire and Protection – Audit Policies (a)*

*“The executive committee and board of directors shall adopt policies and procedures regarding the conduct of financial, recordkeeping, and management audits by independent auditors, consistent with the provisions of this chapter, and the direction of the director of finance. Such policies and procedures shall, among other things, provide for audits of each FRA member not less often than once every three years.”*

Although, an accounting firm is in the process of being selected as the vendor to perform individual financial statement audits of the Companies’ records, the FRA has not created a procedure requiring the Companies to do so. Two of the 3 Companies included in this internal audit had audited financial statements within the past 3 years. The audits obtained were completed 6 months and 18 months past the respective Company’s year end.

Audited financial statements are intended to provide reasonable assurance, but not absolute assurance, that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework.

We recommend that the FRA issue a formal procedure as indicated in PWC Code Chapter 9.1.12 whereby the Companies obtain and remit their audited financial statements to the FRA for monitoring, within 3 months of the Company’s year end.

## **Background**

# Background

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## Organizational Structure and Relationship with the County

The Prince William County FRA is an organization that encompasses all of the volunteer fire and rescue companies operating in Prince William County and the Prince William County DFR, and is charged with the overall governance and supervision of all fire and rescue services lawfully provided in the County. There are eleven (11) Volunteer Fire & Rescue Companies located within Prince William County, each of which operates independently (but cooperatively) through an agreement with the BOCS.

Per County Ordinance Number 09-51 dated August 4, 2009, the County repealed the existing Chapter 9 and adopted PWC Code Chapter 9.1. PWC Code Chapter 9.1 reestablished the Prince William County Fire & Rescue Association to provide for the coordination and provision of reliable and high quality fire, rescue and emergency medical services by the combined personnel of the DFR, and the County's volunteer companies. The FRA consists of the DFR and each volunteer fire, rescue or fire and rescue company, and is governed by a Board of Directors and an executive committee of the Board of Directors. Pursuant to PWC Code Chapter 9.1, the chairman of the FRA is the Chief DFR and the vice chairman is a chief of a Company that is elected by the FRA Board of Directors.

The Companies are each governed by an individual Board of Directors, and are managed and staffed primarily by volunteer firefighters, with career firefighters assigned by the DFR as needed. Each Company has a volunteer Chief that is elected by the membership of the respective Company. This volunteer Chief and his/her line officers handle the daily operational tasks of the Company. Additionally, almost all Companies elect their administrative officers, including President, Vice President, Secretary, Treasurer and a Board of Directors. The President is responsible for handling administrative tasks of the Company as well as managing the not-for-profit activities of the department, such as fundraising. In 2009, each Company entered into an agreement with the BOCS in which the County agreed to allocate fire levy funds as outlined in Chapter 9.1 and the respective the Company agreed to remain in good standing with the FRA and implement, comply with, and be subject to all FRA policies and procedures, provisions with PWC Code Chapter 9.1 and other applicable County, State and Federal regulations. The County allocation of funds to the Company is contingent on compliance.

### Prince William County Fire & Rescue Association



## Background - continued

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### Funding Sources

The DFR is an agency of the Prince William county government that participates in the annual county-wide budget process which is coordinated through the Office of Executive Management (“OEM”) and Office of Management and Budget (“OMB”). As an agency, it participates in all exercises, initiatives and processes defined by OEM and OMB including Budget Congress. The DFR identifies critical unmet needs as part of the annual process. These critical unmet needs are communicated to other county agencies, the County Executive and BOCS members. The FRA is not involved in the mechanics of DFR participation as a county agency in the annual budget process. With regard to career staffing to address critical unmet system-wide needs, the Chief DFR communicates his and the DFR’s highest priorities, including staffing initiatives, to the FRA and asks the FRA to support the DFR’s annual staffing initiatives within the County’s established process.

The County-wide fire levy was established in April 2001. Prior to this time, there were individual levies based on volunteer company first due boundaries. In December 2000, after the BOCS directed the FRA and DFR to conduct an analysis of the levy system and explore alternatives to individual rates, a Financial Analysis Task Group formed and conducted comprehensive review of alternatives and the BOCS adopted the recommended county-wide fire levy rate on April 17, 2001. The benefits of the County-Wide fire levy are that it is a planned, stable funding source to finance and build new Fire and Rescue Stations identified in a station location plan, and it can fund system-wide initiatives, as well as provide stability for annual company operating budgets.

Prince William County Code Chapter 9.1 Sec 9.1-15 states that

*“all member companies of the FRA shall comply with government services planning, budgeting and accountability and the principles of sound financial management as promulgated by the Director of Finance.”*

In Section 9.1-9, the FRA Executive Committee is given authority to develop guidelines for the consistent preparation of budgets. DFR staff is tasked with ensuring adherence to financial regulations and County guidelines. The FRA Budget Task Group, which was established by the FRA Executive Committee, is tasked with recommended policy guidance to the FRA Executive Committee and developing any needed mechanics in developing budgets. Additionally, the FRA Budget Task Group reviews budget and carry over requests and makes recommendations on the funding of system-wide initiatives. Policy guidance rests with the FRA Executive Committee.

Each Company’s operating budget was “grand-fathered” at the time the county-wide fire levy was established, meaning that each Company’s expenditure budget stayed the same as it was. The annual budget process mirrors that of county government and can be summarized as follows:

- The various Companies’ base operating budgets for the next fiscal year are established at the same level as the current fiscal year adopted budgets.
- If the County deems it necessary to increase fuel and utility budgets based on industry and economic data, those line items are increased accordingly in Companies’ operating budgets (for example, if the fleet fuel budget gets a 3% increase, each Company’s operating budget fuel line item receives a 3% increase).
  - These budget increases, in accordance with county government increases, have been the only operating increases in several years since there has not been a process to allow for operating requests by companies due to system-wide needs (\*explained below).

## Background - continued

### Fire Levy Funds and Budgeting – continued

- The fire levy funds system-wide expenses and initiatives listed below; these are funded at the appropriate annual level before anything new is funded.
  - Debt on prior capital projects
  - 800 MHz radio project, infrastructure and equipment, for all providers (career and volunteer)
  - Mobile Data Computers and EMS/Safety Pad project, infrastructure and equipment, for all providers (career and volunteer)
  - SCBA air pack replacement for all providers (career and volunteer)
  - System-wide annual medical physicals in accordance with PWC Code Chapter 9.1
  - System-wide Line of Duty Death Act funding requirement
  - System-wide equipment – annual maintenance/operating and future replacement, including: video-conferencing, hazmat monitors, Station Alerting, signal prioritization
  - Information Technology – funding for system-wide purchased computers and volunteer network log-ins, etc in accordance with PWC seat management practice and funding model
  - Fire levy support to previously funded DFR positions (as recommended by FRA and County Executive and adopted by BOCS in prior annual budgets)
  - Specialty piece apparatus

\*After all existing financial commitments are funded, there is an indication if there is revenue capacity to fund any new initiatives. If this is the case, the Chair of the FRA and Chair of the FRA Budget Task Group engage in discussions and a process to identify fire and rescue system critical needs – which may be equipment, capital projects, and/or career staffing. The FRA and FRA Budget Task Group chairs make a recommendation on the entire fire levy budget, including consideration for new initiatives (if applicable) to the FRA Executive Committee and FRA Board of Directors for endorsement to send to the County Executive. The County Executive is the final decision-maker relative to priorities, career staffing and use of funding sources for fire and rescue critical unmet needs.

The following table represents expenditures of the Companies and Programs as presented in the County's budget documents from FYs 2012 - 2014:

Expenditure by Company/Program	FY 2012 Actual	FY 2013 Adopted	FY 2014 Adopted
PWC Antioch*- Station 24	\$ 359,499	\$ 608,993	\$ 614,609
Bacon Race	-	-	1,200,000
Buckhall- Station 16	758,304	787,333	806,440
Coles- Station 6	703,141	878,667	895,740
<b>Dumfries-Fire- Stations 3F, 17</b>	<b>1,464,184</b>	<b>1,656,944</b>	<b>1,671,144</b>
<b>Dumfries-Rescue- Stations 3R, 17</b>	<b>731,933</b>	<b>786,782</b>	<b>805,207</b>
Evergreen- Station 15	1,020,473	690,072	708,091
PWC Gainesville*- Station 4	491,229	683,717	693,710
Lake Jackson- Station 7	780,740	837,121	851,595
Neabsco (Dale City)- Station 10, 13, 18	2,969,613	3,705,026	3,756,026
Nokesville- Station 5, 25	1,382,044	1,753,199	1,777,727
Occoquan- Station 2, 12, 14	2,110,080	3,190,241	3,229,766
<b>River Oaks- Station 23**</b>	<b>356,975</b>	<b>503,575</b>	<b>508,360</b>
<b>Stonewall Jackson- Station 11</b>	<b>660,383</b>	<b>868,460</b>	<b>886,872</b>
Yorkshire- Station 8	566,079	685,303	701,504
Various Programs***	32,976,301	22,711,167	13,692,841
<b>TOTAL - All Companies/Programs</b>	<b>\$ 47,330,978</b>	<b>\$ 40,346,600</b>	<b>\$ 32,799,632</b>

\* PWC Antioch – Station 24 – was combined with PWC Gainesville – Station 4 in FY 2011

\*\* River Oaks- Station 23 – DTRS maintains the building and multiple apparatus, but the Station is staffed 24/7 by the DFR career fighters and medics. DTRS provides staffing for a basic medic.

\*\*\*Various Programs – 800 MHz/MDT Technology Fund, county-wide Capital Fund, Levy Support to DFF, Line of Duty Death Act, FRA Board of Directors Set Aside and Apparatus Funds, FRA Membership Initiative and NFPA Medical.

## Background - continued

### Governance

The following represents excerpts from the various Virginia Code and County policies and procedures utilized during this internal audit.

<b>Prince William County Code Chapter 9.1</b>
<b>Article 1 Section 9.1-4 - Duties and responsibilities of volunteer companies.</b>
Volunteer companies shall operate in accordance with their own bylaws, FRA policies and procedures, county ordinances, directives of the board of county supervisors and contractual obligations.
<b>Article I Section 9.1-12. - Audit policies.</b>
(a) The executive committee and board of directors shall adopt policies and procedures regarding the conduct of financial, recordkeeping, and management audits by independent auditors, consistent with the provisions of this chapter, and the direction of the director of finance. Such policies and procedures shall, among other things, provide for audits of each FRA member not less often than once every three years.
(b) Without limitation as to the purposes thereof, audits shall be made of financial operations, staffing, station conditions, company compliance with internal bylaws, compliance with county fiscal policies and procedures, FRA policies and procedures, operational capabilities and any other matter that may be deemed necessary to the effectuation of the board of county supervisors' policy with respect to the provision of fire, rescue, and emergency medical services pursuant to this chapter.
(c) In order to assure that public monies are expended consistently with applicable county and FRA policies and procedures, the members of the FRA shall make their financial records open for review by authorized officials of the county upon reasonable notice thereof.
(d) Notwithstanding any other provision hereof, whenever the county executive determines that examination and inspection of all or any portion of the records of a member of the FRA related to the expenditure of general or fire levy funds is prudent or necessary, or that financial reviews or audits are necessary to protect the interest of the public, each shall permit the county executive to inspect their business records relating to fire levy funds at such reasonable times and under such reasonable circumstances as the county executive may direct. Volunteer companies shall make available all records related to fire levy funds and shall cooperate fully in all financial reviews or audits of the company's business or operational affairs ordered by the county executive pursuant to this subsection.
(e) Audits shall be conducted by independent auditors selected by the executive committee and shall include volunteer members of the FRA.
<b>Article I Section 9.1-13. - Financial affairs and audit advisory committee</b>
There shall be a financial affairs and audit advisory committee responsible to the board of directors, comprised of the presidents of each volunteer company, which shall advise the board as to the development of budgets, financial operations, and all audits authorized in accordance with this chapter. The board or the executive committee may request the said committee to provide it advice and recommendations on any other matter that it shall deem advisable.
<b>Article I Section 9.1-16. - Physical examinations, criminal background checks, and department of motor vehicle checks</b>
(b) Notwithstanding the provisions of subsection (a), above, every person providing fire and/or rescue response, whether paid or volunteer, who is in the service or entering the service of the county, or the service of a political subdivision or volunteer fire and/or rescue company with which the county has contracted for fire and/or rescue service shall receive a baseline medical examination in accordance with NFPA 1582, and, thereafter, an annual medical examination in accordance with NFPA 1582.
(d) All career and volunteer personnel in or entering fire and rescue services, or the service of a political subdivision with which it has contracted for fire protection, shall agree to consent to undergo a criminal background check and a department of motor vehicle check. The results thereof shall be submitted to the county or the member company for consideration upon application, or as soon as practicable upon request for current and active members.

## Background - continued

### Governance – continued

<b><i>FRA Policies and Procedures</i></b>
<b><i>FRA Procedure 1.4.1 – Reporting Requirements for Fire-EMS Incidents</i></b>
<p>4.1 Each unit that is dispatched and responds or arrives at an incident is required to complete an incident report.</p> <p>4.1.1 An incident report (either RMS or PPCR) is required for all units on all incident types using approved Fire and Rescue Association reporting systems (RMS or SafetyPAD).</p> <p>4.1.2 An RMS incident report is required whenever a PPCR is inappropriate. This would include “fire” type incidents or where incident and unit actions are not patient-care related.</p> <p>4.2.2.1 SafetyPAD reports will be closed and sent to the server at the end of each incident.</p> <p>5.1 Units will complete their report(s) immediately following each fire or EMS incident, unless dispatched to another incident and in no case later than the end of the shift.</p>
<b><i>FRA Procedure 2.0.3 - Standards of Performance Response Time</i></b>
<p>The purpose of this policy is to establish response time standards for fire and rescue units operating within Prince William County. Standards of performance are based on the historical performance of emergency response within Prince William County.</p>
<b><i>FRA Procedure 3.3.3 – Use of Fire Levy for Volunteer Company Employees</i></b>
<p>4.1 The County deems it appropriate to use fire levy taxpayer funding for reasonable and customary administrative and technical support services provided by employees in performance of volunteer fire and rescue company operations. The support services provided should be administrative or technical in nature specific to emergency response and company operations and it is not viable to utilize an existing county contract or develop a contract for the provision of this type of service. Services not covered by this policy upon the development of fire and rescue system-wide contracts include: facility, equipment, or vehicle maintenance; landscaping or grounds maintenance; information technology support; training.</p> <p>4.6 Expenditures utilizing the volunteer employee subsidy must be for payments to employees providing support services to the company exclusively. This includes reasonable hourly pay and any reasonable benefits the company provides. This can also include administrative expenses associated with payroll processing or benefit administration utilizing a contractual vendor. These individuals must be employees of the fire and rescue company as defined by IRS regulations, with W-2 statements provided to each employee.</p>
<b><i>FRA Procedure 4.5.1 – Uniform Rank Structure</i></b>
<p>This policy establishes the minimum certification levels for fire and rescue personnel in Prince William County. Policy was implemented in November 2010 with a three-year time table for compliance by all members.</p>
<b><i>FRA Procedure 4.5.9 – Training Records and Internship Packets</i></b>
<p>This procedure establishes the process for forwarding, receiving, and storing various training records and internship packets.</p>
<b><i>FRA Procedure 4.8.3 – Medical Evaluation Program</i></b>
<p>1.1 The purpose of this procedure is to outline parameters of a medical evaluation program for active fire and rescue providers within Prince William County.</p> <p>4.2.1.1 Annual OSHA Medical Evaluation Questionnaire for members shall be completed in conjunction with the Annual Medical Evaluation during each Fiscal Year not to exceed the end of the Fiscal Year.</p> <p>4.2.3.1 Any member not receiving an annual OSHA Medical Evaluation Questionnaire, shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p> <p>4.4.2 A medical evaluation of a candidate shall be conducted prior to the candidate’s being placed in training programs or fire department operational activities.</p> <p>4.4.3.2 Each member shall have an annual medical evaluation every 12 months (plus or minus 3 months), not to exceed the end of the Fiscal Year.</p> <p>4.4.3.2.1 Any member not receiving an annual medical evaluation, shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p>
<b><i>FRA Procedure 9.1.2 – Respiratory Protection Program</i></b>
<p>1.1 The purpose of this procedure is to outline parameters of respiratory protection for the fire and rescue services within Prince William County.</p> <p>4.2.1 All new members shall pass a face piece fit test during initial training and annually thereafter, in accordance with the QNFT or QLFT fit test protocol contained in OSHA 29 CFR 1910.134.</p> <p>4.2.1.4 Annual Fit Testing for members shall be completed during each Fiscal Year not to exceed the end of the Fiscal Year.</p> <p>4.2.1.5 Any member not receiving an annual Fit Test shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p>

## Background - continued

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### Governance – continued

<b>Virginia Emergency Medical Services (EMS) Regulations</b>
<b>12VAC5-31-540 – Personnel records</b>
<p>A. An EMS agency shall have a current personnel record for each individual affiliated with the EMS agency. Each file shall contain documentation of certification, training and qualifications for the positions held.</p> <p>B. An EMS agency shall have a record for each individual affiliated with the EMS agency documenting the results of a criminal history background check conducted through the Central Criminal Records Exchange and the National Crime Information Center via the Virginia State Police, a driving record transcript from the individual's state Department of Motor Vehicles office, and any documents required by the Code of Virginia, no more than 60 days prior to the individual's affiliation with the EMS agency.</p>
<b>12VAC5-31-560 - Patient care records</b>
<p>A. An original PPCR shall specifically identify by name the personnel who meet the staffing requirements of the EMS vehicle.</p> <p>B. The PPCR shall include the name and identification number of all EMS Personnel on the EMS vehicle and the signature of the attendant-in-charge.</p> <p>C. The required minimum data set shall be submitted on a schedule established by the Office of EMS as authorized in § 32.1-116.1 of the Code of Virginia. This requirement for data collection and submission shall not apply to patient care rendered during local emergencies declared by the locality's government and states of emergency declared by the Governor. During such an incident, an approved triage tag shall be used to document patient care provided unless a standard patient care report is completed.</p>
<b>12VAC5-31-1230 - Ground ambulance staffing requirements</b>
<p>A ground ambulance transport requires a minimum of two persons:</p> <ol style="list-style-type: none"><li>1. An operator shall at a minimum possess a valid motor vehicle operator's permit issued by Virginia or another state and have successfully completed an approved Emergency Vehicle Operator's Course (EVOC) training course or an equivalent.</li><li>2. An attendant-in-charge who must meet the requirements listed for the type of transport to be performed.</li></ol>

## Background - continued

### Governance – continued

The following listing represents some benefits available to volunteer firefighters in the State of Virginia:

<b>Virginia Code § 27-41 Relief provided for</b>
Financial relief shall be extended by the counties, cities and towns of Virginia to volunteer fire fighters who are killed or injured while engaged in fighting fire or while responding to an alarm or returning from the scene of a fire, such relief to be paid in amounts and manner as hereinafter set forth.
<b>Virginia Code § 27-43 Payment on death</b>
Should any volunteer fire fighter be killed while actually engaged in fighting fire, or while going to a fire in answer to an alarm or returning there from, the governing body of the county, city or town in which his company is located shall pay to his personal representative, for the benefit of his estate, the sum of \$1,000.
<b>Virginia Code § 27-44 Payments for total and permanent disability</b>
Should any volunteer fire fighter be injured under circumstances set forth in § 27-43, so as to be totally and permanently disabled from making a livelihood, he shall be paid in like manner the sum of twenty-five dollars per week for forty weeks.
<b>Virginia Code § 27-45 Payments for partial disability</b>
Should a volunteer fire fighter be injured under circumstances set forth in § 27-43, so as to be prevented from attending to his usual occupation for a period greater than two weeks, but not permanently and totally disabled, he shall be paid in like manner the sum of twenty-five dollars per week until able to return to his usual occupation, provided, that the payments shall not continue in any event for a period greater than ten weeks.
<b>Virginia Code § 27-46 Payment for hospital and medical services</b>
In addition to the relief set forth in §§ 27-43 through 27-45, all necessary hospital charges and all necessary and proper medical, surgical, laboratory and operating room charges for any volunteer fire fighter arising out of any injury set forth in such sections shall be paid by such county, city or town.
<b>Virginia Code § 58.1-3506 Other classifications of tangible personal property for taxation;</b>
A. The items of property set forth below are each declared to be a separate class of property and shall constitute a classification for local taxation separate from other classifications of tangible personal property provided in this chapter: 15. Motor vehicles (i) owned by members of a volunteer rescue squad or volunteer fire department or (ii) leased by members of a volunteer rescue squad or volunteer fire department if the member is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle. One motor vehicle that is owned by each volunteer rescue squad member or volunteer fire department member, or leased by each volunteer rescue squad member or volunteer fire department member if the member is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle, may be specially classified under this section, provided the volunteer rescue squad member or volunteer fire department member regularly responds to emergency calls. 16. Motor vehicles (i) owned by auxiliary members of a volunteer rescue squad or volunteer fire department or (ii) leased by auxiliary members of a volunteer rescue squad or volunteer fire department if the member is obligated by the terms of the lease to pay tangible personal property tax on the motor vehicle.
<b>Prince William County Board of County Supervisors Resolution 97-569</b>
BOCS endorsed the volunteer fire and rescue Length of Service Award Program (LOSAP) program that provides benefit payments upon retirement of a volunteer firefighter at age 60. Benefits provided are \$10 each month for each year of service, subject to vesting provisions. Death and disability benefits are also provided, and survivors of the volunteers are also entitled to benefits.

## **Objectives and Approach**

## Objectives and Approach

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### **Objectives and Scope**

The objective of our internal audit focused on reviewing the control environment of certain financial and operational processes of the 3 selected Volunteer Fire & Rescue Companies. This internal audit covered the following areas:

- Board Governance, including meeting minutes
- Financial Operations (fire levy and non fire levy)
  - Cash Receipts and Disbursements
  - Revenues
  - Expenditures
  - Liabilities
  - Property Plant and Equipment
- Compliance with County Contract, PWC Code Chapter 9.1, Fire and Rescue Association Policies and Procedures and Virginia Emergency Medical Services Regulations
  - Incident Response and Reporting
  - Member Staffing
  - Member Screening
  - Member Training and Certification

### **Approach**

Our audit approach consisted of three phases:

#### *Understanding and Documentation of the Process*

During this phase, we conducted interviews with the County's DFR Chief/Chair of FRA, DFR Senior Administrative Manager, various DFR Battalion Chiefs and the Deputy County Executive. We discussed the scope and objectives of the audit work, obtained preliminary data, and established working arrangements. Preliminarily, we obtained copies of PWC Code Chapter 9.1, related policies and procedures, and other documents deemed necessary. We reviewed the applicable Virginia Code and County policies and procedures related to this internal audit.

#### *Detailed Testing*

The purpose of this phase was to test compliance and internal controls, based on our understanding of the applicable Virginia and County code, policies and procedures. Our fieldwork testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Specific procedures performed included:

- Assessing oversight authority and objectives of the selected Company's governing Board and administrative and operational management.
- Reviewing board meeting minutes, board attendance and send each Board member a confirmation regarding protocol, financial monitoring, related party transactions, and the like.
- Reviewing that the governing board is performing the administrative and operational oversight functions as intended by County Code and Company By-Laws.
- Reviewing the selected Company's overall participation in FRA meetings and committees.
  - Obtaining and reviewing most recent annual audited financial statements, where available.
  - Obtaining and reviewing most recent unaudited financial statements.
  - Performing analysis of fire levy taxpayer funding usage.
- Discussing the current accounting practices and methods used with management.
- Performing cash receipt and cash disbursement testing to assess whether proper internal controls are in place.
- Reviewing a sample of expenditures to assess whether they are in accordance with the County's expenditure code manual and fire levy funding rules and regulations.
- Reviewing a sample of expenditures to Company employees for compliance with *Fire and Rescue Association Procedure 3.3.3 Use of Fire Levy for Volunteer Company Employees*.

## Objectives and Approach - continued

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### Detailed Testing - continued

- Reviewing cash reconciliations for unreconciling items and test to ensure that the reconciliations are accurate and prepared timely.
- Reviewing bank signature cards and assess for proper segregation of duties.
- Other financial matters such as safe guarding of assets and payroll.
- Determining number of active volunteer members.
- Determining number of career firefighters placed by the County at the station.
- Determining that baseline medical examination and thereafter annual medical examinations have been obtained. *Sec. 9.1-16. - Physical examinations, criminal background checks, and department of motor vehicle checks. (b)*
- Determining that criminal background check and a department of motor vehicle check has been performed on the volunteer member and results have been reported to the FRA. *Sec. 9.1-16. - Physical examinations, criminal background checks, and department of motor vehicle checks. (d) and Virginia Emergency Medical Services (EMS) Regulations*
- Determining that members have obtained required training and that the member training and/or certification supporting documentation exists. *Fire and Rescue Association Procedure 4.5.9 Training Records and Internship Packets and 5.4.3 Acceptance of EMS Providers and Virginia EMS Regulations*
- Reviewing that Fire and Emergency Medical Service incidents are in accordance with *Fire and Rescue Association Procedure 1.4.1 Fire and EMS Reporting Requirements and Virginia EMS Regulations*

### Reporting

At the conclusion of our audit, we summarized our observations related to the selected Companies and conducted separate exit conferences with Company management and the DFR Chief/Chairman of the FRA. Findings identified are included in the issue section of this report.

**Individual Fire & Rescue Company  
Overview and Results, & Management Response**

**Dumfries-Triangle Rescue Squad (“DTRS”) –  
Stations 3R, 17 and 23**

## Dumfries-Triangle Rescue Squad, Inc.

Fieldwork: Weeks of November 26, 2012, December 3, 2012 and April 15, 2013

### Chief:

C Derek Ester – since 2011

### Station Address and Year Opened:

Station 3R* – 1969	Station 17** - 1993	Station 23*** - 2010
3800 Graham Park Rd Dumfries, VA 22026	15219 Holleyside Dr Montclair, VA 22025	16530 River Ridge Blvd Woodbridge, VA 22191

\*Station 3 – Staffed by Volunteers from 6:00 PM to 6:00 AM Monday through Friday and weekends and holidays. Staffed by DFR career 6:00 AM to 6:00 PM.

\*\*Station 17 – No apparatus at this Station, and the Station is staffed 24/7 by the DFR career .

\*\*\*Station 23 – DTRS maintains the building and multiple apparatus at Station 23, but the Station is staffed 24/7 by the DFR career.

### Membership:

Active Operational Volunteer Members	38
Total Volunteer Members	124
DFR Approved Career Positions:	
Station 3R	12
Station 17	27 (12-Medic Unit & 15-Engine)
Station 23	29 (12-Medic Unit & 17-Engine)

### Financial Data:

	Actual FY 2002	Adopted FY 2012	Adopted FY 2013	Proposed FY 2014
Fire Levy Expenditure Budget (Stations 3R and 17)	\$817,652	\$783,782	\$786,782	\$805,207
Fire Levy Expenditure Budget (Station 23)	N/A	\$500,000	\$503,575	\$508,360

### Fire Emergency and EMS Response:

	Actual FY 2011	Actual FY 2012	Adopted FY 2013	Base FY 2014
Fire incidents responded to by department	134	173	145	150
Fire incidents within first due area	608	602	525	575
Turn out time in 1 minute or less	42%	44%	43%	45%
EMS incidents responded to by department	2,960	3,679	2,650	3,300
EMS incidents responded to within first due area	3,007	3,244	2,630	3,200

### Governing Board:

	<u>Through 12/1/2012</u>	<u>As of 12/02/2012</u>
Chairman:	Ray Wilson	John McHough
Secretary:	Peggy Hall	Ebonny McDonald
Board Members:	Chief Ester Amy Kaye Karen Monk	Jason Gray Randy Porter William Nichols
		Chief Ester Amy Kaye William Nichols Jeannette Blacker
		Jason Gray Karen Monk Ed Witkowski

Per the Company's By-Laws, the Company's Treasurer, who may or may not be a member of the Board, is appointed by the Company Chief. The Treasurer as of 12/1/2012 was Krupa Vyas and as of 12/2/2012 is Karen Monk.

## Dumfries-Triangle Rescue Squad, Inc. - continued

### Apparatus:

	Station 3R	Station 17	Station 23
Vehicles	6		3
Ambulances/ Medical Unit	2		3
Boats			1
Off-road Vehicle/ ATV	1		

### Comments:

### Bank Accounts:

Account Name	Account Description
<b>Operations Account</b>	This checking account was created with the intention to separately account for all of DTRS's levy fund purchases and reimbursements. Purchases that qualify for reimbursement by County levy funds are made using the account's debit card or are made by physical check. DTRS then submits qualified purchases to the County for processing, and the reimbursement is made by direct deposit from the County's levy funds to the Operations Account. This account also contains a balance of non-levy funds, and we noted a significant amount of purchases that were not submitted for levy reimbursement.
<b>Bingo Account</b>	This checking account was created in order to separately account for all proceeds and expenditures related to DTRS's bingo charitable gaming activities in accordance with the Code of Virginia SS 18.2-340.19. Funding of the account is comprised of gaming proceeds, and expenses consist of gaming expenses, expenses related to activities which benefit the community, and donations to DTRS.
<b>Special Bingo Account</b>	This checking account was created as a result of a State investigation of the bingo charitable gaming activities. Per the State's report dated January 22, 2008, approximately \$41,000 had been spent from the Bingo Account that was out of compliance with the Code of Virginia SS 18.2-340.19. DTRS was required to refund the money into a separate bank account, and expenditures from this account must be State-approved and compliant with the charitable gaming code.
<b>Non-levy Account</b>	This checking account is used for any income and expenses that are related to general management and administration of DTRS, but that do not qualify for reimbursement by County levy funds. Funding is generally comprised of donations and professional fundraising proceeds, and expenses include travel, crew meals, and items for DTRS.
<b>Payroll Account</b>	This checking account is used solely for the purpose of paying DTRS's two employees' salaries. The County administers an employee subsidy to DTRS on July 1 of each year, which is deposited into this payroll account. Payroll is processed by ADP, a third party, and paid biweekly by direct deposit from this account to the employees. Any remaining funds at the end of the year are resubmitted back to the County.
<b>Associates Account</b>	This checking account is used to purchase supplies and other items for the volunteer firefighters. Funding of the account consists of donations and professional fundraising proceeds, and expenses include crew meals, equipment and entertainment for use of the firefighters.

**Debt:** None

**Leases:** Hampton's Landing Marina (\$5,000/year) for a boat slip; Triangle Self Storage (\$120/month) for a storage unit. The boat has been non functional and in need of repairs for ~8 months.

**Subleases:** None

**Related Parties:** None

**Other:** N/A

Rating	Issues	Recommendation	Management Response
<b>Board Governance</b>			
<b>High</b>	<b>1. Board Governance</b>		
	<p>We noted the following when reviewing governance and monitoring by the Governing Board of DTRS:</p> <ul style="list-style-type: none"> <li>• Board meeting minutes were not provided, although requested, for the April and November 2012 meetings. As such, we were unable to review the specifics of the meetings and determine if the prior month's meeting minutes were approved.</li> <li>• We are uncertain as to the extent of the financial data provided to the Board members at the monthly meetings. Such data is not detailed in the meeting minutes nor were we provided with monthly budget to actual financial data that had been provided to the DTRS Board, in response to our request. Per discussion with the Chief, non fire levy monthly budget to actual financial data is not provided to the DTRS Board. See Issue #3 regarding inaccurate and incomplete financial data in the financial system Quickbooks.</li> <li>• Per Article VIII Section E of the DTRS By-Laws, transactions over \$1,000, which are not included in the approved fire levy budget, must be presented to the Board for review and approval. Per review of the meeting minutes, we did not note any transactions approved in the monthly meeting minutes. There were 19 purchase transactions greater than \$1,000 in our sample selection, and we were unable to determine if they were non levy purchases.</li> </ul> <p>Effective and proper board governance and monitoring is a best practice to assist any entity with sustainability and in meeting its purpose and objectives.</p>	<p>We recommend that the following Board governance best practices be incorporated into the By-Laws and implemented as a requirement:</p> <ul style="list-style-type: none"> <li>• Maintain, review and approve detailed Board minutes on a monthly basis.</li> <li>• Board participation in developing and approving the annual budget for both fire levy and non levy revenues. The Board must also receive complete and accurate budget to actual financial results on a monthly basis for effective and proper monitoring.</li> <li>• As also recommended in Issues #2, 3, 4 and 5, the Board will review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks. This review will serve as a check and balance to ensure that all transactions over \$1,000 (non fire levy) have been submitted to the Board for review and approval.</li> </ul> <p>The above practices are necessary in order for the Board to effectively protect and monitor the Company's sustainability and provide proper financial oversight.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Financial Operations</b>			
<b>High</b>	<b>2. Segregation of Duties</b>		
	<p>Effective segregation of duties helps detect errors in a timely manner, deters improper activity, improves operational efficiency, and enhances communication among functions. Generally, an individual should not have responsibility for more than one of three transaction components: authorization, custody of assets and recordkeeping. In some cases; however, less than ideal segregation of duties may be allowed to exist when either there is effective monitoring procedures in place or the cost of implementing ideal controls exceed the expected benefits.</p> <p>During our testing of cash receipts and cash disbursements, we noted the following segregation of duties conflicts:</p> <ul style="list-style-type: none"> <li>• The Chief, Assistant Chief, Bookkeeper and Treasurer have access to Quickbooks.</li> <li>• The Bookkeeper receives the bank statements, enters transactions into Quickbooks, has access to the safe, has access to blank pre-signed checks, and makes deposits to the bank.</li> <li>• The Chief, Assistant Chief and Executive Officer are the approved check signatories. The Executive Officer receives cash for deposit, prepares deposits, makes deposits to the bank, has access to the safe, and is an approved signatory for all bank accounts.</li> <li>• The Board does not review complete monthly financial statements for all accounts. See Issue #1.</li> </ul> <p>Without proper segregation of duties and controls surrounding cash, there is an increased likelihood of errors, misappropriation of funds or other types of irregularities to occur without being detected in a timely manner.</p>	<p>We recommend DTRS implement the following procedures to improve existing segregation of duties:</p> <ul style="list-style-type: none"> <li>• Access to Quickbooks be limited to the Bookkeeper and Treasurer. The Bookkeeper will enter all transactions into Quickbooks.</li> <li>• The bank statement be submitted to the Treasurer unopened.</li> <li>• Approved check signers be limited to the Chief and Treasurer for day-to-day operations and include the Chairman of the Board for purchases over a certain dollar threshold. No person shall be the payee and a check signer on a check.</li> <li>• The Treasurer and Bookkeeper be bonded.</li> <li>• As also recommended in Issue #3, the Treasurer will prepare monthly financial statements for all accounts and submit them to the Board, within 45 days of month end for review.</li> <li>• As also recommended in Issues #1, 3, 4 and 5, the Board will review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks. This review will serve as a check and balance to ensure that all transactions over \$1,000 (non fire levy) have been submitted to the Board for review and approval.</li> </ul> <p>The above will assist in minimizing possible errors in records, misappropriation of funds or other types of irregularities.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Financial Operations</b>			
<b>High</b>	<b>3. Financial Records</b>		
	<p>We noted the following examples of incomplete and inaccurate financial records in Quickbooks:</p> <ul style="list-style-type: none"> <li>• Existence of old and inaccurate financial transactions in the general ledger. Per the 2010 draft audited financial statements, DTRS had a prior period adjustment of \$15,500 that was not entered into the general ledger. The adjustment consisted of prior audit adjustments that were not entered into the general ledger.</li> <li>• Debit card purchases have not been entered into the general ledger since July 1, 2010. We noted that for the year ending July 1, 2012 total debit purchases not entered into the general ledger amounted to \$37,344.</li> <li>• Forty checks amounting to \$19,354 cleared the bank from January 1, 2012 to October 31, 2012, but had not been entered into the general ledger.</li> <li>• During our testing of cash receipts, we noted two deposits totaling \$1,317, made on January 17, 2012, were incorrectly posted as credits to banking expenses and should have been posted to the bank cash account.</li> <li>• Although DTRS obtains an audit of their financial statements on an annual basis, the last audit was issued December 2012 as of year-end June 30, 2010.</li> </ul> <p>Station management and the Board are hindered in their ability to properly monitor and make informed decisions on incomplete and inaccurate financial data. Incomplete and inaccurate financial data can cause delays in the identification of potential cash issues and / or irregularities and could result in overspending of the budget or misappropriation of funds.</p>	<p>We recommend the following be required:</p> <ul style="list-style-type: none"> <li>• Cash receipts, disbursements and journal entries be posted in Quickbooks each month.</li> <li>• As also recommended in Issue #4, the Treasurer or outside CPA will prepare monthly bank reconciliations for all accounts and submit the reconciliations to the Board for an independent second party review, within 45 days of month end.</li> <li>• As also recommended in Issue #2, the Treasurer will prepare monthly financial statements for all accounts and submit them to the Board, within 45 days of month end for review.</li> <li>• As also recommended in Issues #1, 2, 4 and 5, the Board will review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks. This review will serve as a check and balance to ensure that all transactions over \$1,000 (non fire levy) have been submitted to the Board for review and approval.</li> <li>• Audited financial statements should be obtained and reported on a timely basis as financial reporting more than 6 months after year-end is on stale and outdated financial information.</li> </ul> <p>Complete and timely bank reconciliation performance and review will help ensure that the general ledger is complete and potential cash issues and / or irregularities are identified and resolved in a timely manner.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<i>Financial Operations</i>			
<b>High</b>	<b>4. Bank Reconciliations</b>		
	<p>During our inquiry of DTRS management and the bookkeeper, we noted that monthly bank statements are sent to the Company's external auditor for the performance of the monthly bank reconciliation. No bank reconciliations have been performed and presented to DTRS since fiscal year ended June 30, 2010.</p> <p>A bank reconciliation offers checks and balances for DTRS's accounting and the bank's accounting. Bank reconciliations are a means to detect errors and misappropriation of funds. Non performance of a timely bank reconciliation and review to supporting documentation may cause delays in the identification of potential cash issues and / or irregularities.</p>	<p>As also noted in Issues #1, 2 3, and 5, we recommend the following:</p> <ul style="list-style-type: none"> <li>• The Treasurer or outside CPA will prepare monthly bank reconciliations for all accounts and submit the reconciliations to the Board for an independent second party review, within 45 days of month end.</li> <li>• The Board will review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks. This review will serve as a check and balance to ensure that all transactions over \$1,000 (non fire levy) have been submitted to the Board for review and approval.</li> </ul> <p>Complete bank reconciliation reviews will help ensure that potential cash issues and / or irregularities are identified and resolved in a timely manner.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<i>Financial Operations</i>			
<b>High</b>	<b>5. Cash Disbursements</b>		
	<p>During testing of cash disbursements, we noted the following.</p> <p><u>Authorization of Purchase/Disbursement</u></p> <ul style="list-style-type: none"> <li>For 6 out of 33 check disbursements tested, including 1 check cut to "Cash" in the amount of \$304, and for 17 out of 38 debit card purchases tested DTRS was unable to provide any supporting documentation. We were therefore unable to verify that the disbursement was properly approved and for a valid expense of the company.</li> <li>Of the transactions sampled, none had documented prior approval of the purchase nor was the invoice approved.</li> <li>Check #3905 on 8/29/12 for \$979.90 was to reimburse the Chief for a purchase that had been paid for using the DTRS debit card. The check had not cleared the bank as of our fieldwork (November 26, 2012). DTRS was unaware that it was inappropriately written until our fieldwork, and they noted that the check was destroyed. We were unable to verify that check was destroyed.</li> <li>There were 4 occasions where blank checks were given to an employee or volunteer to purchase groceries. No process exists to review the goods purchased against the receipt to ensure that the purchaser did not purchase personal goods with DTRS funds.</li> <li>The debit card maintained by the Chief does not have established spending limits.</li> </ul>	<p>We recommend the following be implemented for the establishment of effective internal controls around cash disbursements:</p> <p><u>Authorization of Purchase/Disbursement</u></p> <ul style="list-style-type: none"> <li>All invoices must have documented approval prior to payment.</li> <li>Establish a Board approved authority matrix for prior purchase and invoice approval.</li> <li>No person shall be the payee and a check signer on a check.</li> <li>As also recommended in Issues #1, 2, 3 and 4, the Board will review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks. This review will serve as a check and balance to ensure that all transactions over \$1,000 (non fire levy) have been submitted to the Board for review and approval.</li> <li>Board approved spending limitations should be implemented on the bank debit card.</li> </ul>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Financial Operations</b>			
<b>High</b>	<b>5. Cash Disbursements - continued</b>		
	<p><u>Check Stock</u></p> <ul style="list-style-type: none"> <li>DTRS maintains a reserve a dual signed blank checks for emergency. Check #433 dated September 24, 2012 paid to Volunteer Fund Raising in the amount of \$1,760, was taken out of a reserve supply of dual signed blank check stock and paid out of sequence.</li> <li>The check stock is maintained in a file cabinet that was not consistently locked during our fieldwork. The Chief, the Bookkeeper, and the Administrative Assistant have keys to the file cabinet.</li> </ul> <p><u>Supporting Documentation and Organization</u></p> <ul style="list-style-type: none"> <li>For 6 out of 33 check disbursements tested, including 1 check made out to "Cash" in the amount of \$304, DTRS was unable to provide any supporting documentation.</li> <li>For 17 out of 38 debit card purchases tested, DTRS was unable to provide any supporting documentation.</li> <li>There was confusion in regards to who was responsible for various types of records, including receipts for purchases, support for deposits, and support for levy fund reimbursements. There were many instances where a receipt or other document was requested, and the DTRS administrative personnel were unsure where the document was maintained.</li> <li>One (check #2114 \$398) of 7 voided checks sampled from Quickbooks had cleared the bank, but no supporting documentation for this purchase was provided.</li> </ul> <p>Overspending of the budget, payment for non-valid purchases/disbursements, incorrect payment of purchases and/or misappropriation of funds could happen when the following occur:</p> <ul style="list-style-type: none"> <li>Disbursements lacking proper authorization and/or prior approval;</li> <li>Check stock not properly safeguarded and pre-signed;</li> <li>Purchases, including debit card transactions, are not supported by an invoice, receipt or other proof of purchase; and</li> <li>Lack of a clear system of record retention, file maintenance and organization.</li> </ul>	<p><u>Check Stock</u></p> <ul style="list-style-type: none"> <li>Signed blank checks are disallowed; and</li> <li>Check stock is locked and secured on a daily basis.</li> </ul> <p><u>Supporting Documentation and Organization</u></p> <ul style="list-style-type: none"> <li>Require that all cash transactions have the appropriate supporting documentation;</li> <li>Identification of procedures that clearly defines how and where documents are to be filed; and</li> <li>Require that voided and destroyed checks are physically maintained, in addition to ensuring they are properly accounted for in the general ledger.</li> </ul> <p><u>Travel Expenses</u></p> <ul style="list-style-type: none"> <li>DTRS should utilize and follow the County's established travel policy without exception.</li> <li>Employee travel expense reports will be signed off by the member and reviewed and approved by the Chief/Assistant Chief. The Chief's expense reports will be reviewed and approved by the Board.</li> </ul> <p>The above will assist DTRS in gaining reasonable assurance that disbursements are proper and for valid purposes.</p>	

Rating	Issues	Recommendation	Management Response
<b>Financial Operations</b>			
<b>Moderate</b>	<b>6. Cash Receipts – Bingo Activity</b>		
	<p>During fieldwork, we reviewed an audit report issued to the DTRS Governing Board on September 16, 2010 by an independent accounting firm. The report noted that \$4,640 in bingo revenues were not deposited, and there was additional \$1,961 in shortages in the weekly deposits compared to the bingo reconciliation statements. The independent auditor's report and procedures were specifically to address findings related to a report issued by the State of Virginia's Division of Charitable Gaming regarding DTRS gaming (bingo) activity for the year ending December 31, 2008.</p> <p>Chapter 40, Article 3 (Charitable Gaming Regulations - Bank accounts, Recordkeeping, Financial reporting, Audits, and Fees) of the Virginia State Statutes requires all gaming receipts and disbursements to be accurately reported in the Annual Financial Report and all documentation must be maintained for a period of three (3) years from the end of the fiscal year. The organization must deposit all gaming funds within two business days of the game session.</p> <p>Failure to comply with Virginia Statutes can result in denial, suspension, or revocation of the gaming permit.</p> <p>We also noted during our testing of cash receipts from the Bingo account, 10 out of 10 receipt reconciliations tested had overages or shortages in the cash on hand at the end of the gaming sessions, ranging from a shortage of \$59 to an overage of \$48.50.</p> <p>Chapter 40, Article 3 (Charitable Gaming Regulations- Bank accounts, Recordkeeping, Financial reporting, Audits, and Fees) of the Virginia State Statutes requires a reconciliation of the cash on hand at the end of the gaming session. The State provides Form 103 which gaming managers are encouraged to use. This Form requires an explanation of all overages/shortages greater than \$50 to be provided as an attachment to the reconciliation.</p> <p>Although the Company had the required Form 103 completed for the sampled overages/shortages greater than \$50, and it is not unusual for cash activities to cause occasional overages/shortages, awareness should be raised given that all 10 days sampled had overages/shortages. Excessive days of cash overages and/or shortages could indicate a failure to collect monies intact, inaccurate recordkeeping, or potential misappropriation of funds.</p>	<p>We recommend that someone independent of the bingo cash handling process review the daily reconciliations on, at least, a weekly basis. Preferably the Treasurer will perform this monitoring task and all cash handlers will be re-trained on the cash receipts process.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Financial Operations</b>			
<b>Low</b>	<b>7. Journal Entries</b>		
	<p>Journal entries do not require review and approval prior to and after posting to the general ledger. Such a review should be performed by someone independent of the preparation and posting process.</p> <p>Unauthorized adjustments could result in errors in the general ledger or be an indication of potential misappropriation of funds.</p>	<p>We recommend that all journal entries are reviewed and approved by the Treasurer prior to and after posting to the general ledger to ensure accuracy and completeness.</p>	<p>See Management Response pages 40-53</p>
<b>Moderate</b>	<b>8. Assets and Property Control</b>		
	<p>During inquiry of DTRS management, we noted that there is no system in place for booking and tracking inventory, supplies, and equipment and therefore assets are not appropriately safeguarded and accounted for. The net value of fixed assets per the 2010 audited financial statements was approximately \$1 million, and the total supplies expense was approximately \$112,000.</p> <p>Safeguarding of assets is defined as “a process, affected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity’s assets...”</p>	<p>We recommend that DTRS management implement a system to track any inventoried items, supplies, and equipment, on an annual basis. Furthermore, we recommend that DTRS implement a method of tracking DTRS’s fixed assets and their related depreciation.</p> <p>The above will assist DTRS in gaining reasonable assurance that the assets are properly utilized and accounted for, and will also prevent and detect any unintended shrinkage.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Financial Operations</b>			
<b>Moderate</b>	<b>9. Employment Contracts</b>		
	<p>DTRS employs 2 non-volunteer paid employees. Employment contracts were requested and it was noted that they do not exist. We were unable to perform attribute testing on payroll disbursements.</p> <p>Lack of formal employment contracts can result in errors in payroll disbursements and also deprives the parties of a legal foundation upon which to base the employment.</p>	<p>We recommend that employment contracts/agreements be developed and maintained for all paid employees at the Company, which includes salary/pay rate and job responsibilities.</p>	<p>See Management Response pages 40-53</p>
<b>Moderate</b>	<b>10. Cash Management</b>		
	<p>During our review of bank statements from July 2011 through October 2012, we noted the following:</p> <ul style="list-style-type: none"> <li>• There were 4 instances where the Associates account (which is funded by donations and used to purchase supplies, meals, equipment, and entertainment for the volunteer firefighters) was overdrawn for a period of 3 to 7 days before being corrected, in which overdraft fees of \$175 were charged to the account.</li> <li>• The Operating account (funded by tax levy reimbursements and donations and used for operational expenses and other expenses) had been closed out of Bank of America on December 31, 2011 but the cash was not deposited into the new BB&amp;T account until January 17, 2012. The total amount transferred was \$959.</li> </ul> <p>Failure to properly manage cash balances can lead DTRS to incur avoidable overdraft penalties. Furthermore, failure to maintain funds in an approved insured bank account increases the risk of loss due to misappropriation.</p>	<p>We recommend that policies be established to ensure that:</p> <ul style="list-style-type: none"> <li>• The bank balances are reconciled daily in Quickbooks.</li> <li>• Payables are properly managed to avoid overdraft of the bank accounts.</li> <li>• Funds that are moved between banks are re-deposited within 24 hours.</li> </ul>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Financial Operations</b>			
<b>High</b>	<b>11. Policies and Procedures</b>		
	<p>We noted that no formal financial policies and procedures exist, only a standard operating procedure (SOP) for accounts payable. This SOP does not include guidelines for an authority matrix, process to obtain documented prior approval of a purchase or to obtain documented approval of an invoice of a purchase.</p> <p>Lack of well documented policies and procedures increases the risk of miscommunication, error, and lack of effective and efficient internal controls.</p>	<p>We recommend that the Company use and implement County established policies and procedures regarding cash disbursements, cash receipts and travel.</p> <p>We also recommend that the Company establish policies and procedures specific to the following, where applicable:</p> <ul style="list-style-type: none"> <li>• Authority matrix for disbursements- Establish approvers for general disbursements and for any special circumstances (ex: if the general purchase approver is seeking reimbursement, establish who will approve this person's expenditures).</li> <li>• Review of receipts/invoices- All receipts/invoices should be reviewed/approved to ensure they were for valid business purposes.</li> <li>• Duty crew meals- Establish a spending threshold, with specifications of what is allowed/disallowed. Itemized receipts should be submitted/maintained, including a listing of all persons or which food was purchased on restaurant receipts.</li> <li>• Gift cards - Purpose and usage (to whom it was given and why) should be documented and kept with the receipt.</li> <li>• Use of debit cards/purchasing cards- Establish spending limits with the bank, with guidelines for usage by department employees.</li> <li>• Handling voided checks- Establish a procedure for defacing and securing physical copies of voided checks, as well as documenting the reason for voiding.</li> <li>• Security of blank checks- Establish procedures to keep checks secured, with limited access.</li> </ul> <p>The above policies and procedures will assist in establishing a sound control environment.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Operational – Compliance with County Contract, PWC Code Chapter 9.1, Fire and Rescue Association Policy and EMS Regulations</b>			
<b>Moderate</b>	<b>12. Incident Reports</b>		
	<p>During our testing of incident reports, we noted that out of a sample of 20 Company responded incidents, 1 incident (#13007505 on 3/3/2013 dispatched unit A523B from Station 23R) did not have an incident report completed as required. The Company and the DFR could not determine a reason for no incident report to be filed.</p> <p>Incident reports in Prince William County are governed by the following authorities:</p> <ul style="list-style-type: none"> <li>• Code of Virginia § 32.1-116.1 <i>Pre-hospital patient care reporting procedure; trauma registry; confidentiality</i> states “The minimum data set shall include, but not be limited to, the type of medical emergency or nature of the call, the response time, the treatment provided and other items as prescribed by the Board.”</li> <li>• Virginia Emergency Medical Services Regulations 12VAC5-31-560. <i>Patient care records</i> states “the required minimum data set shall be submitted on a schedule established by the Office of EMS.”</li> <li>• FRA Procedure 1.4.1 <i>Fire and EMS Incident Reporting Requirements</i> 4.1 states “Each unit that is dispatched and responds to or arrives at an incident is required to complete an incident report.”</li> </ul> <p>Failure to submit an incident report is a violation of Virginia EMS Regulations, the Code of Virginia, and FRA policy.</p>	<p>In order for the Company to ensure that incident reports are complete, timely and properly submitted, we recommend that the Company monitor submission of incident reports, by the Chief or his designee, who should request the “Daily Incident Report” that the DFR can run and provide on daily basis, upon initial request. This report lists all incident responses made by the Company the previous day. These reports could be used to cross-reference against the Records Management and SafetyPad systems to ensure that each incident has a corresponding report. Any exceptions should be followed up on by the Company.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Operational – Compliance with County Contract, PWC Code Chapter 9.1, Fire and Rescue Association Policy and EMS Regulations</b>			
<b>High</b>	<b>13. Background Screenings</b>		
	<p>We noted the following during our testing of background checks:</p> <ul style="list-style-type: none"> <li>The Company does not consistently maintain documentation of department of motor vehicle background checks, as such for 16 of 20 volunteer members sampled, we were unable to verify that the sampled volunteered members had been screened and cleared within the required timeframe. For 13 of those 16 volunteer members lacking documentation of screening, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>The Company does not consistently maintain documentation of criminal history background checks, and this information is maintained in the system for only 30 days. As such, for 9 out of 20 volunteer members sampled, we were unable to verify that the sampled volunteered members had been screened and cleared within the required timeframe. For 6 of those 9 volunteer members without documented criminal history background checks, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul> <p>Evidence of performance of background checks are required by both the PWC Code Chapter 9.1 and the Virginia EMS Regulations.</p> <p>PWC Code Chapter 9.1-16 (d) states “All career and volunteer personnel in or entering fire and rescue services, or the service of a political subdivision with which it has contracted for fire protection, shall agree to consent to undergo a <b>criminal background check</b> and a <b>department of motor vehicle check</b>. The results thereof shall be submitted to the county or the member company for consideration upon application, or as soon as practicable upon request for current and active members.”</p> <p>Virginia EMS Regulations 12VAC5-31-540 <i>Personnel records</i> state “An EMS agency shall have a record for each individual affiliated with the EMS agency documenting the results of a <b>criminal history background check</b> conducted through the Central Criminal Records Exchange and the National Crime Information Center via the Virginia State Police, a <b>driving record transcript</b> from the individual's state Department of Motor Vehicles office, and any documents required by the Code of Virginia, no more than 60 days prior to the individual's affiliation with the EMS agency.”</p>	<p>To ensure compliance with the Company's contract with the County, Virginia EMS Regulations and the PWC Code Chapter 9.1, we recommend that the Company obtain and maintain all documented evidence of both the department of motor vehicle and criminal history background checks for each one of its volunteer members to ensure that all required screening has occurred. This documentation should be maintained in the respective volunteer member personnel files.</p> <p>Although there is disconnect between Virginia Law and EMS Regulations regarding the retention of actual background check documentation, the Company can document the performance of the applicable background checks on an excel log or personnel form. This log or personnel form should also include the date of when the background was performed, by whom and end result.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Operational – Compliance with County Contract, PWC Code Chapter 9.1, Fire and Rescue Association Policy and EMS Regulations</b>			
<b>Moderate</b>	<b>14. Certifications</b>		
	<p>During our testing, we noted that 1 of 20 volunteer members sampled was listed on the Company’s membership roster as a Driver, but the Company had no records of an Emergency Vehicle Operator’s Course or equivalent. We noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</p> <p>Virginia Emergency Medical Services Regulations 12VAC5-31-1230 <i>Ground ambulance staffing requirements</i> state that an operator (driver) shall have completed an approved Emergency Vehicle Operator’s Course or equivalent, and an attendant-in-charge (lead) must meet the requirements listed for the type of transport to be performed.</p>	<p>We recommend that the Company implement a process to monitor volunteer member certification and compliance with respective Virginia EMS Regulations and any other governing authorities pertinent to their position and rank. All certifications are required to be maintained by the Company’s Training Officer in accordance with FRA Policy 4.5.9 <i>Training Records and Internship Packets</i>.</p> <p>The FRA has issued Policy 4.5.1 <i>Uniform Rank Structure</i> that will be fully implemented in November 2013. This policy will help further define the required minimum certifications by position and rank for all fire/rescue companies in Prince William County.</p>	<p>See Management Response pages 40-53</p>

Rating	Issues	Recommendation	Management Response
<b>Operational – Compliance with County Contract, PWC Code Chapter 9.1, Fire and Rescue Association Policy and EMS Regulations</b>			
<b>High</b>	<b>15. Medical Clearances</b>		
	<p>During our testing of volunteer members’ medical clearances, we noted the following:</p> <ul style="list-style-type: none"> <li>• Three of 20 volunteer members sampled did not have medical evaluations within the required timeframe. For 2 of those 3 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>• Four of 20 volunteer members sampled did not have a completed OSHA Medical Evaluation Questionnaire within the required timeframe. For 3 of those 4 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under audit.</li> <li>• Six of 20 volunteer members sampled did not have fit tests within the required timeframe. For 4 of those 6 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul> <p>PWC Code Chapter 9.1-16 (b) states “every person providing fire and/or rescue response, whether paid or volunteer, who is in the service or entering the service of the county, or the service of a political subdivision or volunteer fire and/or rescue company with which the county has contracted for fire and/or rescue service <b>shall receive a baseline medical examination</b> in accordance with NFPA 1582, and, thereafter, an annual medical examination in accordance with NFPA 1582.”</p> <p>FRA Policy 4.8.3 <i>Medical Evaluation Program</i> requires <b>annual medical evaluations</b> to be conducted every 12 months (plus or minus 3 months) <b>in conjunction with the Annual OSHA Medical Evaluation Questionnaire</b>. Any member not receiving an annual medical evaluation shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p> <p>FRA Policy 9.1.2 <i>Respiratory Protection Program</i> requires <b>annual fit tests</b>. Any member not receiving an annual fit test shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p>	<p>To ensure compliance with Company’s contract with the County, FRA Policy and the PWC Code Chapter 9.1, we recommend that the Company implement a process to monitor that all volunteer members have the proper and timely medical clearance.</p>	<p>See Management Response pages 40-53</p>

Board Member Survey Questions and Responses

Questions	1	2	3	4	5	6	7	8	9	10	11
How long have you been on the Board?	3 Years	5+ Years	2 Years	NR	8 years or more						
Are you a voting or non-voting member of the Board?	Voting	Voting	Voting	NR	Voting						
Do you regularly attend the Board meetings?	Yes	Yes	Yes	NR	Yes						
If so, how often are Board meetings held?	Monthly	Monthly	Monthly	NR	Monthly						
Do you have assigned duties/oversight as a Board member?	Yes	Yes	Yes	NR	Yes						
Were you elected in a public meeting?	Yes	Yes	Yes	NR	Yes						
Have you received a copy of the By-Laws of the Dumfries-Triangle Rescue Squad?	Yes	Yes	Yes	NR	Yes						
At the Board meetings do you regularly receive financial reports?	Yes	Yes	Yes	NR	Yes						
Do these financial reports include the Non-Levy financial transactions/reports?	Yes	Yes	Yes	NR	Yes						
If so, does the Board discuss these financial reports?	Yes	Yes	Yes	NR	Yes						
Does the Board approve individual purchase transactions made from the Levy account above certain dollar thresholds made by the Dumfries-Triangle Rescue Squad?	Yes	Yes	No	NR							
Does the Board approve individual purchase transactions made from the Non-Levy accounts above certain dollar thresholds made by the Dumfries-Triangle Rescue Squad?	Yes	Yes	Yes	NR							
If so, provide examples of types of purchase transactions the Board approves.	Purchasing a new vehicle Approve Chief purchases over a certain amount	Purchases of new ambulances and approval of installation items such as catering	***	NR							
Does the Board approve the Levy account annual budget?	No	Yes	No	NR							
Does the Board approve amendments to the Levy account budget?	No	Yes	No	NR							
Does the Board approve the Non-Levy account annual budget?	Yes	Yes	No	NR							

Board Member Survey Questions and Responses - continued

Questions	1	2	3	4	5	6	7	8	9	10	11
Does the Board approve amendments to the Non-Levy account budget?	Yes	Yes	No	NR							
Please briefly describe any related party transactions you may have with Dumfries-Triangle Rescue Squad, if any:	NR	None	NR								
Please briefly describe any conflicts of interest you are aware of, if any:	The past Chairman overstepped his authority during a Company meeting	I am not aware of any	**	NR							

\*\* The company is directed by the chief rather than by the board. Everyone who has access or signature authority on the back account is appointed by the chief. The chief appoints both all administrative officers as well as operational officers. The president and chairman have no authority over the company at all. The chief has a vote on both the board of directors and the membership. The chief votes on the board that is supposed to advise him.

\*\*\* We approve anything over \$1,000, but there have been purchases over \$1,000 that the board did not approve like the \$8,000 back to school bingo

Please describe any areas for improvements to internal controls, if any?

Board Member	Response
1	More understandable financials to the Board.
2	The areas of improvement are being researched by the board at this time.
3	The chairman and president should lead the administrative side of the business and the chief should lead the operational side. Operational board members should only be allowed to vote at the board level. The chief should not appoint the people that should be his checks and balances, IE the treasurer, executive officer, or captains and lieutenants.
4	NR
5	NR
6	NR
7	NR
8	NR
9	NR
10	NR
11	NR

**Board Member Survey Questions and Responses - continued**

Please provide a brief summary of your qualifications as they relate to the Board of Directors of Dumfries-Triangle Rescue Squad:

Board Member	Response
1	I am a Community Board Member. I am not a member of the organization.
2	My background is in business management and technology.
3	Board Member
4	NR
5	NR
6	NR
7	NR
8	NR
9	NR
10	NR
11	NR

If you have any other comments you would like to provide, please feel free to do so.

Board Member	Response
1	NR
2	NR
3	There needs to be real checks and balances in the company. The board should have full authority over the company rather than the chief. The chief should not have financial control over the organization so unnecessary or unapproved spending will never be an issue.
4	NR
5	NR
6	NR
7	NR
8	NR
9	NR
10	NR
11	NR

Legend	
NR	No Response

## **DTRS Stations 3R, 17 and 23 – Management Response**



## DUMFRIES-TRIANGLE RESCUE SQUAD, INC.

3800 Graham Park Road • PO BOX 460 • Dumfries, Virginia 22026  
(703) 221-3838 • (703) 221-1611 FAX



July 9<sup>th</sup> 2013

The Honorable Corey Stewart, Chairman  
Audit Committee  
Prince William County Board of County Supervisors  
1 County Complex Court  
Woodbridge, Virginia 22192

**Re: Management Response to the Internal Audit of the Dumfries-Triangle  
Rescue Squad by McGladrey, LLP**

Dear Chairman Stewart:

This letter is being written in response to the above-referenced "draft" audit report prepared by McGladrey LLP ("McGladrey"/"the auditors") in connection with the Dumfries-Triangle Rescue Squad. The draft report, which was presented to D-TRS Management on June 3, 2013, raises numerous issues that must be addressed.

### Summary Comments

Overall, we are concerned that the audit intruded into D-TRS corporate matters that are not related to the use of County funds, as we indicated within a letter to Chief McGee, dated June 26, 2013 (copy attached). Nevertheless D-TRS has been forthcoming with all information requested by McGladrey.

Furthermore the draft audit report makes recommendations, which, while they may be helpful, do not demonstrate any indication of Company mismanagement or failure to provide emergency services. McGladrey should have been more scrupulous in distinguishing its standard or stock recommendations from recommendations tailored to address actual problems or mismanagement.

The audit report refers to situations in various years in a scattered fashion. We recognize that D-TRS sustained a loss of bingo funds in 2008, which cannot be retrieved. However, this situation predated a change in command in 2010. Chief Ester was appointed as the

Acting Chief of the Department on September 11, 2010. In a special election held in October of 2010, Chief Ester was elected to fill the unexpired term of the former Chief, and in October 2011, Chief Ester was elected to a two-year term, which expires this year.

The draft report shows a lack of understanding of some factual information. We cite two examples here and address others in the text of this letter:

- Station 17, located at 15219 Holleyside Dr, Montclair, VA 22025, is owned and operated by the Dumfries-Triangle Volunteer Fire Department. D-TRS does not own any portion of the facility, nor does D-TRS receive any Fire-Levy funds with which to operate there. The funds identified on page 1 of the draft audit report as being for Station 3R and Station 17, are actually for the operation of Station 3R and for "personnel" expenses.<sup>1</sup>
- The governing board roster that is dated "through 12/01/2012" is incorrect. Peggy Hall was a director at that time, and Gina Critchley was the Secretary.

Any concurrences by D-TRS with recommendations made in the draft audit are *only* for those specific recommendations contained therein. They *do not* represent any concurrence for *any other recommendation* not contained within the draft audit. Most specifically, D-TRS strongly disagrees with any conclusion that it is misusing funds or failing to provide competent emergency service. Furthermore, D-TRS has learned that McGladrey informed a member of the Board of Supervisors that it was recommending the D-TRS be closed or terminated from service. Critically, no such recommendation appears in this draft report. D-TRS vigorously objects to such a recommendation and asserts that it is not supported by the McGladrey audit findings.

### Bank Accounts

In regard to the Operations Account, the auditors noted that there were "...a significant amount of purchases that were not submitted for levy reimbursement." While the statement is true, it is irrelevant. There is no ordinance or other requirement that *all* qualified expenditures for the Department be paid with fire-levy funds, either directly, or via reimbursement where allowed.

This auditor's statement is an example of irrelevant comments.

### Section 1 – Board Governance

McGladrey has recommended the following:

- A. Maintain, review and approve detailed Board minutes on a monthly basis.
- B. Board participation in developing and approving the annual budget for both fire levy and non levy revenues. The Board must also receive complete and accurate budget to actual financial results on a monthly basis for effective and proper monitoring.

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<sup>1</sup> "Personnel" Expenses are expenses for uniforms, personnel protective equipment, insurance, LOSAP contributions, etc.

- C. As also recommended in Issues #2, 3, 4 and 5, the Board will review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks. This review will serve as a check and balance to ensure that all transactions over \$1,000 (non fire levy) have been submitted to the Board for review and approval.<sup>2</sup>

D-TRS concurs with recommendation (A). McGladrey has identified only two (2) months whereby D-TRS was unable to furnish minutes of the Board of Director's meetings. During the past 18 months D-TRS has had two secretaries and several "acting" secretaries. In addition to stabilizing the minute keeping function, we have implemented a plan to prevent the "loss" of BOD minutes as well as to provide a standardized appearance for all minutes kept by the Department. Minutes are sent to the Chairman and the Chief for review and initial correction. All meeting minutes are reviewed by the Board of Directors at their monthly meeting. Following adoption, the minutes are converted to PDF format and stored online in a Google Docs folder, accessible by all members of the Department. Additionally, electronic copies are maintained in our in-house cloud storage. Therefore, this small omission has been more than corrected.

However, McGladrey's recommendations regarding Board of Directors approval of the budget and review of financial reports are not new concepts for D-TRS. Contrary to the implication of McGladrey's recommendation, the Board of Directors already approves the D-TRS fire-levy budget, prior to its submission to the FRA Budget Committee.

The Chief and the Assistant Chief, with input from the Chairman and the Treasurer, develop each year's fire-levy budget. Upon its completion, the draft fire-levy budget is forwarded to the BOD for approval. Following the BOD's approval, the fire-levy budget is submitted to the Prince William County FRA for review and subsequent adoption.

Furthermore at each monthly BOD meeting, each Board member is provided a copy of the following financial data: 1) A copy of the bank account balances dated the day of the Board Meeting; 2) a copy of the fiscal-year-to-date expenditures of the fire-levy funds for both stations;<sup>3</sup> and 3) a profit/loss statement.<sup>4</sup>

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<sup>2</sup> This single recommendation is repeated in several of the sections of the draft report. It is addressed in this section of the management response.

<sup>3</sup> These reports are provided at both the OL1 "high" level and OL3 "detail" level. The data comes directly from the Prince William County accounting software, and shows the budgeted funds, the pre-encumbered funds, actual expended funds and any remaining unencumbered funds.

<sup>4</sup> D-TRS management has recognized that the PL statement has no data value and there have been several discussions at the Board of Directors about a report that would provide better information. This report will be replaced by a monthly reconciliation report to complete the Treasurer's report to the Board and the Company.

D-TRS does not budget its 501 funds. Instead, those funds are treated as unencumbered and are subject to limitations already imposed by the Bylaws. They are utilized on an "as needed" basis for new and/or ongoing projects. D-TRS is currently developing language to adopt in our Bylaws to clarify the D-TRS' utilization of 501 funds. EDC = 60 days. Responsible: Chairman and Assistant Chief. Again, there is no indication in the audit the D-TRS has misused 501(c) funds.

The issues out of which recommendation (C) arises were identified as a high priority by the management of D-TRS prior to the commencement of the audit.<sup>5</sup> The Department has been pursuing both a short term and long term solution to these issues. The short-term solution has been identified as having the treasurer, within the next 30 days, commence monthly reconciliation of the Department's bank accounts. (This effort could not be commenced until the Treasurer's position was stabilized and new software acquired and implemented.) The long-term solution involves our accountants creating a clean financial file, so that the issues leading to the lack of reconciliations will not re-occur. Estimated Date of Completion ("EDC") (immediate Reconciliation): 30 days. Responsible: Chairman, Treasurer. EDC (Long Term Solution): 120-180 Days. Responsible: Department Accountancy Firm.

McGladrey identified 19 sampled purchase transactions that were greater than \$1,000.00, yet McGladrey *failed* to scrutinize those transactions to determine whether indeed, they constituted an expenditure that required Board approval, let alone whether or not they were levy or non-levy expenses. Therefore, McGladrey's statement in this regard is without context and irrelevant.

D-TRS vigorously disagrees with McGladrey's contention that their recommendations are necessary to "...effectively protect and monitor the Company's sustainability..." While their recommendations may be based upon what are considered best practices, the sustainability of D-TRS and its proper use of levy money and provision of emergency services are not impacted by whether or not those recommendations are adopted.

## Section 2 – Segregation of Duties

McGladrey has recommended the following:

- A. Access to QuickBooks be limited to the Bookkeeper and Treasurer. The Bookkeeper will enter all transactions into QuickBooks.
- B. The bank statement be submitted to the Treasurer unopened.
- C. Approved check signers be limited to the Chief and Treasurer for day-to-day operations and include the Chairman of the Board for purchases over a certain dollar threshold. No person shall be the payee and a check signer on a check.
- D. The Treasurer and Bookkeeper be bonded.
- E. As also recommended in Issue #3, the Treasurer will prepare monthly financial statements for all accounts and submit them to the Board, within 45 days of month end for review.<sup>6</sup>

<sup>5</sup> In fact, this issue was recognized before this audit began and the Board was diligently developing a solution. McGladrey fails to acknowledge this work by the Board in its draft report.

<sup>6</sup> This is mentioned in more than one section of the recommendations. It is addressed here.

With respect to recommendation (A), McGladrey fails to recognize that it is inherently more difficult to segregate duties within a smaller organization than in a larger organization, because a few individuals are performing multiple jobs. Importantly, D-TRS procedures provide that, while the Chief, Assistant Chief, Treasurer and Bookkeeper all have access to QuickBooks; only the D-TRS Bookkeeper currently makes entries into QuickBooks. Also the report does not recognize that, within our organization, the Chief has delegated to the Assistant Chief, oversight of the Department's financials, which necessitates that the Assistant Chief have access to QuickBooks.

D-TRS concurs with recommendation (B). EDC: 30 Days. Responsible: Chairman, Chief, Treasurer. Again, while this recommendation may be a good idea, there is no indication of problems at D-TRS to support it.

D-TRS concurs in part with recommendation (C). D-TRS Bylaws currently allow for the following personnel to sign checks: Chief, Assistant Chief, Executive Officer, Chairman and Treasurer. The Bylaws now *require* two (2) signatures on each check. At this time D-TRS does not plan to change that requirement, but the Board is going to consider a Bylaws change requiring that the Treasurer *and* one of the other approved signatures appear on the check. EDC: 60 Days. Responsible: Board of Directors.

The Board of Directors will investigate both the bonding of the Treasurer and the use of Fire-Levy funds for this purpose. Additionally, a review of our existing insurance policies will be undertaken to make a determination if the appropriate coverage exists. EDC: 60 Days. Responsible: Chairman. These are prudent considerations but do not reflect failure in proper management of funds.

D-TRS concurs with recommendation (E). D-TRS already has a process which mirrors part of this recommendation. A Treasurer's report is made to the Board of Directors at each monthly meeting. Following reconciliation, a reconciliation report will be generated and made a part of the Treasurer's report to the Board of Directors. EDC: 30 Days. Responsible: Chairman, Treasurer.

Contrary to the implication contained within McGladrey's recommendations, there have not been any misappropriation of funds or other types of irregularities during the time span covered by the present audit. Nor, for the matter, have any funds been misappropriated during any time period other than in 2008, which was *several years* prior to the current management of D-TRS. Again, therefore, McGladrey's draft report fails to include the necessary context and thereby gives a misleading impression.

### Section 3 – Financial Records

McGladrey has recommended the following:

- A. Cash receipts, disbursements and journal entries be posted in QuickBooks each month.
- B. Audited financial statements should be obtained and reported on a timely basis as financial reporting more than 6 months after year-end is on stale and outdated financial information.

D-TRS concurs with the above recommendations. EDC: 60 - 180 Days. Responsible: Chairman, Treasurer, Chief, D-TRS Accountancy firm.

Again, D-TRS contests the implication that there are "potential cash issues and / or irregularities". D-TRS maintains that there were no cash issues or irregularities, and McGladrey's comments are speculative – as they so state in using the word "potential".

#### **Section 4 – Bank Reconciliations**

McGladrey has recommended the following:

The Board will review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks. This review will serve as a check and balance to ensure that all transactions over \$1,000 (non fire levy) have been submitted to the Board for review and approval.

D-TRS concurs with the above recommendation. EDC: 30 Days. Responsible: Chairman, Treasurer, Chief

McGladrey has identified a problem with regard to the delayed reconciliations. However, again they have not identified any "...potential cash issues and / or irregularities..." D-TRS maintains that there are none.

#### **Section 5 – Cash Disbursements**

McGladrey has recommended the following:

A) Authorization of Purchase/Disbursement

- 1) All invoices must have documented approval prior to payment.
- 2) Establish a Board approved authority matrix for prior purchase and invoice approval.
- 3) No person shall be the payee and a check signer on a check.
- 4) Board approved spending limitations should be implemented on the bank debit card.

B) Check Stock

- 1) Signed blank checks are disallowed; and
- 2) Check stock is locked and secured on a daily basis.

C) Supporting Documentation and Organization

- 1) Require that all cash transactions have the appropriate supporting documentation;
- 2) Identification of procedures that clearly defines how and where documents are to be filed;
- 3) Require that voided and destroyed checks are physically maintained, in addition to ensuring they are properly accounted for in the general ledger.

D) Travel Expenses

- 1) DTRS should utilize and follow the County's established travel policy without exception.
- 2) Employee travel expense reports will be signed off by the member and reviewed and approved by the Chief/Assistant Chief. The Chief's expense reports will be reviewed and approved by the Board.

The approval of invoices suggested in (A) is already the current practice of D-TRS. All invoices for other than regular recurring monthly expenditures (which have already been pre-approved) are approved by the current Assistant Chief via email, prior to their payment with instructions given for their payment.

The D-TRS Board will review recommendation A(2) and determine if it is necessary for our relatively small organization. EDC: 60 Days. Responsible: Chairman, Treasurer, Chief.

The current practice of D-TRS is that check signers cannot sign checks made out to them. McGladrey provides no example of where that occurred. This is another example of a "stock" recommendation.

The ability to pay for products or services that cost in excess of the discretionary spending authority of the Chief is needed for those instances when a check payment cannot be utilized; therefore D-TRS disagrees with this recommendation. An example would be a Board approved expenditure exceeding \$1,000.00 that is made via an online source where a check cannot easily be utilized.

Effective immediately, signed blank checks will no longer be utilized. EDC: Completed. Responsible: Chief. Please note, because McGladrey did not, that all blank checks are currently secured and kept under lock and key.

D-TRS concurs with recommendations C(1) – C(3). D-TRS has purchased several Neat brand scanners for receipts, as well as an ongoing cloud subscription for maintaining copies of all receipts for cash purchases.<sup>7</sup> Policies and procedures for the items referenced above will be created. Policies for the physical retention of voided checks will be created. EDC: 30-60 Days. Responsible: Chairman, Treasurer, Chief, Department Accountancy firm. The one incident that was cited by McGladrey refers to a check that was voided, and was misplaced and has not been cashed nor will it.

Travel for D-TRS members may be funded via the fire-levy or via D-TRS' 501 funds. All travel funded by the fire-levy is subject to the Prince William County Travel regulations whereby there are specific forms utilized and required travel approvals. Personnel travelling cannot approve their own travel. The bulk of D-TRS members' travel is funded via this process. The Chief, Assistant Chief, Chairman and Executive Officer have authority to approve travel that utilizes fire-levy funds.

On an occasional basis, D-TRS will fund travel for one or two of its members, via its 501 funds. Approval for travel funded this way rests with the Chief. D-TRS objects to the implication in the draft report that any of its disbursements were not proper or for valid purposes, a conclusion not supported by the evidence presented by McGladrey. McGladrey's speculation is irrelevant. In terms of assessing D-TRS' management or performance, what matters is what actually happened or didn't happen.

## **Section 6 – Cash Receipts – Bingo Activity**

McGladrey has recommended the following:

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<sup>7</sup> All receipts for purchases utilizing debit and credit cards are scanned into the system so that they can be retrieved on demand as well as reviewed by the Treasurer.

We recommend that someone independent of the bingo cash handling process review the daily reconciliations on, at least, a weekly basis. Preferably the Treasurer will perform this monitoring task and all cash handlers will be re-trained on the cash receipts process.

D-TRS generally concurs with this recommendation and the Board of Directors will review and make a determination regarding its adoption. EDC: 30-60 Days. Responsible: BOD.

While McGladrey cites to the 2008 funds diversion, they fail to cite any substantial issue regarding funds diversion since or during the time period of the current management. The diversion was reported to the Commonwealth of Virginia Gaming Commission and it was also reported to the Prince William County Police Department.

### Section 7 – Journal Entries

McGladrey has recommended the following:

We recommend that all journal entries are reviewed and approved by the Treasurer prior to and after posting to the general ledger to ensure accuracy and completeness.

D-TRS concurs with the recommendation. EDC: 30-60 Days. Responsible: Chairman, Treasurer, Chief. Again, no indication that D-TRS actions/inactions to date have resulted in a loss or misappropriation of funds.

### Section 8 – Assets and Property Control

McGladrey has recommended the following:

We recommend that DTRS management implement a system to track any inventoried items, supplies, and equipment, on an annual basis. Furthermore, we recommend that DTRS implement a method of tracking DTRS's fixed assets and their related depreciation.

Following the implementation of Chapter 9.1 of the Prince William County Code, an inventory of all assets of all Departments was undertaken by the Prince William County Finance Department. All assets with a value exceeding \$5,000.00 were tagged. McGladrey appears not to be aware of this County action.

D-TRS will investigate an inventory control system for the assets not already inventoried and tracked by County Finance. EDC: 90-180 Days. Responsible: Chief, Assistant Chief. Fixed assets and their depreciation are already tracked in Quickbooks. Again there is no indication that any equipment supplies have been lost or that depreciation has been improperly applied.

### Section 9 – Employment Contracts

McGladrey has recommended the following:

We recommend that employment contracts be developed and maintained for all paid employees at the Company.

D-TRS concurs with this recommendation and will also update the position descriptions for both of its employees. It should be noted that D-TRS has only two (2) employees. EDC: 60 days. Responsible: Chairman, Chief.

### Section 10 – Cash Management

McGladrey has recommended the following:

- A. The bank balances are reconciled daily in Quickbooks.
- B. Payables are properly managed to avoid overdraft of the bank accounts.
- C. Funds that are moved between banks are re-deposited within 24 hours.

D-TRS concurs with recommendation (A). EDC: 30 Days. Responsible: Treasurer.

D-TRS concurs with recommendation (B). EDC: 30 Days. Responsible: Treasurer.

In this singular instance, there was a brief delay of a few days when bank accounts were switched from one bank to another. Any future transfers (none are planned at this time) will occur on the same day.

### Section 11 – Policies and Procedures

McGladrey has recommended the following:

- A. We recommend that the Company use and implement County established policies and procedures regarding cash disbursements, cash receipts and travel.
- B. We also recommend that the Company establish policies and procedures specific to the following:
  - 1) Authority matrix for disbursements- Establish approvers for general disbursements and for any special circumstances (ex: if the general purchase approver is seeking reimbursement, establish who will approve this person's expenditures).
  - 2) Review of receipts/invoices- All receipts/invoices should be reviewed/approved to ensure they were for valid business purposes.
  - 3) Duty crew meals- Establish a spending threshold, with specifications of what is allowed/disallowed. Itemized receipts should be submitted/maintained, including a listing of all persons or which food was purchased on restaurant receipts.
  - 4) Gift cards - Purpose and usage (to whom it was given and why) should be documented and kept with the receipt.
  - 5) Use of debit cards/purchasing cards- Establish spending limits with the bank, with guidelines for usage by department employees.
  - 6) Handling voided checks- Establish a procedure for defacing and securing physical copies of voided checks, as well as documenting the reason for voiding.
  - 7) Security of blank checks- Establish procedures to keep checks secured, with limited access.

D-TRS generally concurs with the above recommendations. The Board of Directors will review these recommendations and make a determination as to whether to implement written policies for the above. EDC: 60 – 180 Days. Responsible: BOD.

D-TRS recognizes the importance to having formal written financial policies. However, D-TRS disagrees with the blanket recommendation regarding adopting the County established policies regarding cash disbursements, cash receipts and travel, as the Company's procedures. Nothing in Chapter 9.1 of the County Code or other FRA rule requires this.

Most importantly, D-TRS is in *full* compliance with County policies with regard to its utilization of fire-levy funds. Inexplicably, McGladrey's recommendations and conclusions do not indicate D-TRS' compliance.

### **Section 12 – Incident Report Testing**

McGladrey has recommended the following:

- A. In order for the Company to ensure that incident reports are complete, timely and properly submitted, we recommend that the Company monitor submission of incident reports, by the Chief or his designee should request the "Daily Incident Report" that the DFR can run and provide on daily basis, upon initial request. This report lists all incident responses made by the Company the previous day. These reports could be used to cross-reference against the Records Management and SafetyPad systems to ensure that each incident has a corresponding report. Any exceptions should be followed up on by the Company.

D-TRS concurs with this recommendation, and the Assistant Chief has requested a copy of the daily incident report from the Department of Fire and Rescue. As of today, the request has not been fulfilled by the Department of Fire and Rescue.

### **Section 13 – Background Screening**

McGladrey has recommended the following:

- A. We recommend that the Company obtain and maintain all documented evidence of both the department of motor vehicle and criminal history background checks for each one of its volunteer members to ensure that all required screening has occurred. This documentation should be maintained in the respective volunteer member personnel files. Although there is disconnect between Virginia Law and EMS regulations regarding the retention of actual background check documentation, the Company can document the performance of the applicable background checks on an excel log or personnel form. This log or personnel form should also include the date of when the background was performed, by whom and end result.

D-TRS has created a Google Docs Form to track criminal background checks. The form will track the dates the background check was requested, received and the results. That form will be made part of the member's official personnel file and will be maintained in our electronic document repository. A form will also be created to track DMV records checks.

### **Section 14 – Certifications**

McGladrey has recommended the following:

- A. We recommend that the Company implement a process to monitor volunteer member certification and compliance with respective Virginia EMS Regulations and any other governing authorities pertinent to their position and rank. All certifications are required to be maintained by the Company's Training Officer in accordance with FRA Policy 4.5.9 *Training Records and Internship Packets*.

D-TRS already has a system to track volunteer member certifications. Additionally D-TRS maintains a paper file on each member. Our records have been updated to reflect that the one member who was identified as a Lead is actually not a Lead, per the County OMD

released leads list.<sup>8</sup> Therefore, McGladrey’s recommendation, while prudent, again does not reflect a real problem in D-TRS management or personnel qualifications.

**Section 15 – Medical Clearance Testing**

McGladrey has recommended the following:

- A. We recommend that the Company implement a process to monitor that all volunteer members have the proper and timely medical clearance.

D-TRS already has a tracking process in place.

**CONCLUSION**

To avoid being repetitious, D-TRS asks the Board of County Supervisors and Audit Committee to review again the concerns which we set forth at the beginning of this letter as Summary Comments.

To the extent that McGladrey has made some helpful recommendations, D-TRS accepts or will consider those recommendations. However, McGladrey’s draft report should not be reviewed as a critical document of D-TRS management or provision of service, because their recommendations are often standard, and are not based on any findings of mismanagement by D-TRS. A recommendation as to how something might be done better is very different than a finding that something has been done improperly. It appears that the bulk of McGladrey’s draft report contains, almost entirely, recommendations as to how D-TRS could be better.

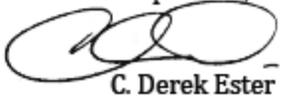
Importantly, there is no indication in McGladrey’s report that D-TRS has misused County levy funds or has failed to provide emergency service.

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<sup>8</sup> A copy of the OMD Released Provider List has been attached to the email to which this response is attached.

The D-TRS Board of Directors and Chief are committed to compliance with Chapter 9.1, D-TRS' agreement with Prince William County in providing emergency service through a partnership. The long audit process has forced a substantial diversion of energy from efforts already underway, prior to the audit, to implement better internal management.

Respectfully submitted,



C. Derek Ester  
Chief of the Department



John McHugh  
Chairman of the Board

**DUMFRIES-TRIANGLE RESCUE SQUAD, INC.**

3800 Graham Park Road • PO BOX 460 • Dumfries, Virginia 22026  
(703) 221-3838 • (703) 221-1611 FAX



September 29<sup>th</sup> 2013

The Honorable Corey Stewart, Chairman  
Audit Committee  
Prince William County Board of County Supervisors  
1 County Complex Court  
Woodbridge, Virginia 22192

**Re: Management Update to the Internal Audit of the Dumfries-Triangle  
Rescue Squad by McGladrey, LLP**

Dear Chairman Stewart:

To date, the following actions have been taken by the Dumfries-Triangle Rescue Squad in response to the above audit.

One of the top priorities identified by D-TRS management, even prior to the audit, was to resolve the issue with our banking records and monthly reconciliations. We have accomplished that, and are currently reconciling all accounts on a monthly basis going forward. Additionally, the reconciliation report is part of the monthly treasurer's report, and is provided to the Board of Directors at their monthly meeting for review.

Upon review of our insurance policies and their renewal this month, all of our Officers, to include the Treasurer, are bonded, and have been.

With the implementation of regular monthly statement reconciliation, any issues identified in Section 4 of the audit appear to be resolved.

As noted in our original response, we have discontinued any use of signed, blank checks.

Our Assistant Chief has completed a three bid process for the purchase of an inventory and asset management system. He is currently completing the paperwork for the finance

department, and will be requesting a purchase order for a system this week. We plan to have a system implemented by the end of the month.

Additionally, we are in the final process of approving policies regarding: voided checks; gift card usage; duty crew meals and review of receipts.

Please don't hesitate to contact me if you have any further questions.

Regards,

A handwritten signature in black ink, appearing to read 'C. Ester', with a large, sweeping flourish extending from the end of the signature.

C. Derek Ester  
Chief of the Department

**Dumfries-Triangle Volunteer Fire Department (“DTVFD”) –  
Stations 3F, 17, and 23**

# Dumfries-Triangle Volunteer Fire Department

Fieldwork: Week of April 8, 2013

## Chief:

Miles Young – Since 1985 (previously Chief from 1981 – 1983)

## Station Address and Year Opened:

Station 3F* – 1944	Station 17** – 1993	Station 23*** - 2010
18321 Jefferson Davis Highway Triangle, VA 22172	15219 Holleyside Drive Montclair, VA 22025	16530 River Ridge Blvd Woodbridge, VA 22191

\*Station 3 – Staffed by Volunteers from 6:00 PM to 6:00 AM Monday through Friday and weekends and holidays. Staffed by DFR career firefighters 6:00 AM to 6:00 PM.

\*\*Station 17 –DTVFD maintains the building and maintains a fire engine at Station 17, but it is staffed by DFR career fighters 24/7.

\*\*\*Station 23 – DTVFD provides and maintains a fire engine pumper, but it is staffed by DFR career fighters 24/7.

## Membership:

Active Operational Volunteer Members	103
Total Volunteer Members	119
DFR Approved Career Positions:	
Station 3F	6
Station 17	27 (12-Medic Unit & 15-Engine)
Station 23	29 (12-Medic Unit & 17-Engine)

## Financial Data:

	Actual FY 2002	Adopted FY 2012	Adopted FY 2013	Proposed FY 2014
Fire Levy Expenditure Budget	\$1,177,102	\$1,650,844	\$1,656,944	\$1,671,144

## Fire Emergency and EMS Response:

	Actual FY 2011	Actual FY 2012	Adopted FY 2013	Base FY 2014
Fire incidents responded to by department	134	1,005	870	950
Fire incidents within first due area	608	602	550	550
Turn out time in 1 minute or less	42%	44%	43%	45%
EMS incidents responded to by department	2,960	2,228	2,040	2,040
EMS incidents responded to within first due area	3,007	3,244	2,650	3,000

## Governing Board:

President:	Virginia Hoskings	
Treasurer:	Donny Cherry	
Secretary:	Valerie Tomazewski	
Membership Secretary:	Liz Presti	
Board Members:	Chief Young	William Anderson
	Mary Frezza	Linda Frye
	David Glinski	

## Apparatus:

	Station 3F	Station 17	Station 23
Vehicles (Officer and Utility)	11		
Fire Engines/ Trucks	6	1	1
Command Unit	1		
Off-road Vehicle/ ATV	1		
Golf Cart	1		
Trailers	4		

## Dumfries-Triangle Volunteer Fire Department - continued

### Comments:

### Bank Accounts:

Account Name	Account Description
<b>Operations Account</b>	This checking account was created with the intention to separately account for all of DTVFD's levy fund purchases and reimbursements. Purchases that qualify for reimbursement by County levy funds are made by physical check. DTVFD then submits qualified purchases to the County for processing, and the reimbursement is made by direct deposit from the County's levy funds to the Operations Account. This account also contains a balance of non-levy funds, and per inquiry some purchases from this account are not submitted for levy reimbursement.
<b>Gaming Account</b>	This checking account was created in order to separately account for all proceeds and expenditures related to DTVFD's charitable gaming activities in accordance with the Code of Virginia SS 18.2-340.19. Funding of the account is comprised of gaming proceeds, and expenses consist of gaming expenses, expenses related to activities which benefit the community and donations to DTVFD.
<b>Payroll Account</b>	This checking account is used solely for the purpose of paying DTVFD's four employees' salaries. The County administers an employee subsidy to DTVFD on July 1 of each year, which is deposited into this payroll account. Payroll is processed by the Accountant using Quicken, and paid biweekly or monthly by direct deposit from this account to the employees. Any remaining funds at the end of the year are resubmitted back to the County.
<b>ATM Account</b>	This bank account is used to manage funds obtained by DTVFD through their on-site ATM. Funds drawn at the ATM machine by customers are direct-deposited by the customers' banking institutions into this account, as well as any ATM fees that are collected into this account. Cash is withdrawn from this account and used to replenish the ATM machine.

**Debt:** Bank of America mortgage on Station 3F: ~\$962,000 original loan (\$13,609 per month, to be paid in full on July 30, 2020)

### Leases:

- E-One, Inc. for the Command Center Unit (\$69,208 per year, will be fully paid in 2014)
- Tax Exempt Leasing Corp. for the 2008 Fire Ranger Mini Pumper (\$54,459 per year, will be fully paid in 2013)
- E-One, Inc. for the CR100 Aerial Ladder (\$86,342 per year, will be fully paid in 2018)

**Subleases:** None

**Related Parties:** None

**Other:** N/A

Rating	Issues	Recommendation	Management Response
<b>Moderate</b>	<b>1. Board Governance</b>		
	<p>We noted when reviewing governance and monitoring by the Governing Board of DTVFD that Board meeting minutes from July 2012 to February 2013 do not indicate if the Board approved the prior meeting's minutes.</p> <p>Effective and proper board governance and monitoring is a best practice to assist any entity with sustainability and in meeting its purpose and objectives.</p>	<p>We recommend that the following Board governance best practices be incorporated into the By-Laws and implemented as a requirement:</p> <ul style="list-style-type: none"> <li>• Maintain, review and approve detailed Board minutes on a monthly basis.</li> <li>• As also recommended in Issue #3, the Board should review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks.</li> </ul> <p>The above practices are necessary in order for the Board to effectively protect and monitor the Company's sustainability and provide proper financial oversight.</p>	<p><b>Response:</b></p> <ul style="list-style-type: none"> <li>• Effective June 2013 the Board will formally approve the minutes from the prior month. Previously the minutes were presumed to be correct unless a Board Member questioned something which may have been discussed.</li> </ul> <p><b>ECD:</b> Done</p>

Rating	Issues	Recommendation	Management Response
<b>Moderate</b>	<b>2. Financial Records</b>		
	<p>We noted that the Company does not utilize an accounting software system that maintains a general ledger. The Company records bank account activity in Quicken, but Quicken is a “checkbook-style” software used to track bank account activity. It can only produce cash in/cash out reports, and does not produce complete Company financial reports. Therefore, the Company does not have a general ledger and cannot produce any financial statements.</p> <p>Company management and the Board are hindered in their ability to properly monitor and make informed decisions on incomplete financial data. Incomplete financial data will cause delays in the identification of potential cash issues and / or irregularities and could result in overspending of the budget or misappropriation of funds.</p>	<p>We recommend that the Company implement an accounting software system such as Quickbooks, Peachtree or a similar program in order to manage the Company’s general ledger. This will allow the Governing Board to receive and review complete and accurate budget to actual financial results on a monthly basis for effective and proper monitoring.</p>	<p><b>Response:</b> DTVFD currently uses Quicken to issue General Ledger accounts which are posted on the bulletin board for all members to review at any time and which are reported to the membership at the beginning of each monthly meeting. The purchase and utilization of another software system to account for less than five checks a month would not be ensuring that we are good stewards of tax levy funds.</p> <p>System-generated reports are utilized by the Board to make sound financial decisions as it is by it’s nature a “checkbook” of the funds generated through the DTVFD’s tax levy. If PWC would provide the individual departments the funds to put in the bank and then make withdrawals on, a checkbook could then be kept of the tax levy funds; barring that; however, these funds are not per se banked other than on paper – which we utilize to fund DTVFD requirements.</p> <p><b>ECD:</b> Done</p>

Rating	Issues	Recommendation	Management Response
<b>High</b>	<b>3. Bank Reconciliations</b>		
	<p>We noted that bank reconciliations are not performed. The bank statements are spot-checked against Quicken.</p> <p>A bank reconciliation offers checks and balances for the Company's accounting and the bank's accounting. Bank reconciliations are a means to detect errors and misappropriation of funds. Non performance of a timely bank reconciliation and review to supporting documentation may cause delays in the identification of potential cash issues and / or irregularities.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• The bookkeeper prepare monthly bank reconciliations for all accounts and submit the reconciliations to the Treasurer for an independent second party review, within 45 days of month end.</li> <li>• As also recommended in Issue #1, the Board will review the monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks.</li> </ul> <p>Complete bank reconciliation reviews will help ensure that potential cash issues and / or irregularities are identified and resolved in a timely manner.</p>	<p><b>Response:</b> Effective May 1, 2013, the Treasurer began conducting formal reconciliations of the monthly bank statements. A Board member has been identified to independently review the bank reconciliations.</p> <p><b>ECD:</b> Done</p>

Rating	Issues	Recommendation	Management Response
<b>Moderate</b>	<b>4. Cash Disbursements Testing</b>		
	<p>During our testing of cash disbursements, we noted that for 3 out of 25 disbursements, we were not provided supporting documentation. We were therefore unable to verify that the disbursement was properly approved and for valid expense of the Company. The 3 disbursements totaled \$580.</p> <p>Lack of proper supporting documentation increases the risk of payment for non-valid purchases/disbursements, incorrect payment of purchases, and misappropriation of funds.</p> <p>We also noted that the Company does not track reimbursements of the levy-funds submitted to the County for payment back to the Company. Although the Company has a relatively low volume of reimbursable expenses as the majority of Company expenses are directly paid to the vendors by the County, the lack of a formal tracking system for reimbursements increases the risk that expenses may not be submitted for reimbursement when they could have been.</p>	<p>We recommend that all disbursements and payments be properly supported by an invoice, contract or other supporting documentation and maintained by the Company to assist in ensuring the purchase was approved and for a valid purpose.</p> <p>We also recommend that the Company track and monitor reimbursements from the County.</p>	<p><b>Response:</b></p> <ul style="list-style-type: none"> <li>Two of the three (3) disbursements were to reimburse firefighters for eyeglasses which on emergency calls – which by practice DTVFD does. The third was a food purchase for which the receipt was misplaced and falls within the guidelines for food purchases provided by the state.</li> </ul> <p>DTVFD keeps a file of the vouchers which are submitted to the county for both reimbursement and direct pay. Copies of the invoices for reimbursement are kept on file at DTVFD with the originals maintained by the county. For purchase orders and blanket purchase orders which are direct pay (such as utilities), DTVFD is required to keep the originals on file for three (3) years to be in accordance with Chapter 9.</p> <p><b>ECD:</b> Currently Compliant</p>

Rating	Issues	Recommendation	Management Response
<b>Moderate</b>	<b>5. Cash Receipts Testing – Bingo Activity</b>		
	<p>Chapter 40, Article 3 (Charitable Gaming Regulations- Bank accounts, Recordkeeping, Financial reporting, Audits, and Fees) of the Virginia State Statutes requires a reconciliation of the cash on hand at the end of the gaming session. The State provides Form 103 which gaming managers are encouraged to use. This Form requires an explanation of all overages/shortages greater than \$50 to be provided as an attachment to the reconciliation.</p> <p>During our testing of cash receipts from the Bingo account, we noted that 12 out of 14 receipt reconciliations tested had overages or shortages in the cash on hand at the end of the gaming sessions, ranging from a shortage of \$98 to an overage of \$8.</p> <p>Although the Company had the required Form 103 completed for 3 overages/shortages greater than \$50, and it is not unusual for cash activities to cause occasional overages/shortages, awareness should be raised given that 12 of 14 days sampled had overages/shortages.</p> <p>Excessive days of cash overages and/or shortages could indicate a failure to collect monies intact, inaccurate recordkeeping, or potential misappropriation of funds.</p>	<p>We recommend that someone independent of the bingo cash handling process review the daily reconciliations on, at least, a weekly basis. Preferably the Treasurer will perform this monitoring task and all cash handlers will be re-trained on the cash receipts process.</p>	<p><b>Response:</b> Bingo funds are tracked and reported directly to the State Gaming Commission. They are provided quarterly and annual reports and conduct random on-site visits to ensure that all practices are in accordance with Virginia Gaming Laws. Cash transactions from Bingo proceeds occur on one specific day of the week (Saturday) during a Bingo session. While the individual transactions are initiated by the Desk Manager for the evening, the Bingo Manager reviews the reports weekly and discusses with those Managers any need for realignment of assignments or training which may be needed.</p> <p>While special documentation regarding the overages/shortages of \$50 or more are required, the Gaming Commission has repeatedly indicated that their primary concern is if the percentage of overages or shortages exceeds 1% of gross funds – due to the excessive number of pull tabs sold, the percentage for DTVD is typically below .5%.</p> <p><b>ECD:</b> Done</p>

Rating	Issues	Recommendation	Management Response
<b>Moderate</b>	<b>6. Employment Contracts/Agreements</b>		
	<p>The Company employs 4 non-volunteer paid employees. Employment contracts/agreements were requested and it was noted that they do not exist. We were therefore unable to perform attribute testing on payroll disbursements.</p> <p>Lack of formal employment contracts can result in errors in payroll disbursements and also deprives the parties of a legal foundation upon which to base the employment.</p>	<p>We recommend that employment contracts/agreements, between the Company and the employee, be developed and maintained for all paid employees at the Company, which includes salary/pay rate and job responsibilities.</p>	<p><b>Response:</b> Attached is an email citing approval from PWCFRS dated July 12, 2010 which includes both the job descriptions and funding for each of these four positions and meets the county requirements for funds disbursements for each of these contractors.</p> <p><b>ECD:</b> Done</p>

Rating	Issues	Recommendation	Management Response
<b>High</b>	<b>7. Standardized Policies and Procedures</b>		
	<p>We noted that standardized policies and procedures exist at the Company. During our testing we observed several key processes and controls; however, they are not formalized or written.</p> <p>Lack of well documented policies and procedures increases the risk of miscommunication, error, and lack of effective and efficient internal controls.</p>	<p>We recommend that the Company use and implement County established policies and procedures regarding cash disbursements, cash receipts and travel.</p> <p>We also recommend that the Company establish policies and procedures specific to the following, where applicable:</p> <ul style="list-style-type: none"> <li>• Authority matrix for disbursements- Establish approvers for general disbursements and for any special circumstances (ex: if the general purchase approver is seeking reimbursement, establish who will approve this person’s expenditures).</li> <li>• Review of receipts/invoices- All receipts/invoices should be reviewed/approved to ensure they were for valid business purposes.</li> <li>• Duty crew meals- Establish a spending threshold, with specifications of what is allowed/disallowed. Itemized receipts should be submitted/maintained, including a listing of all persons or which food was purchased on restaurant receipts.</li> <li>• Gift cards - Purpose and usage (to whom it was given and why) should be documented and kept with the receipt.</li> <li>• Use of debit cards/purchasing cards- Establish spending limits with the bank, with guidelines for usage by department employees.</li> <li>• Handling voided checks- Establish a procedure for defacing and securing physical copies of voided checks, as well as documenting the reason for voiding.</li> <li>• Security of blank checks- Establish procedures to keep checks secured, with limited access.</li> <li>• Bank reconciliation procedures, including person responsible for preparing and independent second party review, within 45 days of month end.</li> </ul> <p>The above policies and procedures will assist in establishing a sound control environment.</p>	<p><b>Response:</b> DTVFD follows PW County policies and procedures regarding purchases from tax levy funds. These recommendations do not appear to pertain to DTVFD as we currently have policies in place that address these recommendations (i.e. we do not use debit cards – we have credit cards with defined spending limits).</p> <p>A disc containing the operating policies and procedures for PWC (which DTVFD follows) was included in the documentation provided to the Auditors. DTVFD also has its own internal operating procedures which are written but which were never requested during the course of this audit.</p> <p><b>ECD:</b> None Required</p>

Rating	Issues	Recommendation	Management Response
High	<p><b>8. Background Screenings</b></p>		
	<p>During our testing of background checks, we noted the following:</p> <ul style="list-style-type: none"> <li>The Company documents performance of motor vehicle background checks via a form, but we were not provided with the form or any other supporting documentation that evidenced the Company's performance of the procedure. As such, we were unable to verify that the sampled volunteered members had been screened and cleared within the required timeframe. For 13 of the 20 volunteer members lacking documentation of screening, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>The Company documents performance of criminal history background checks via a form, but we were not provided with the form or any other supporting documentation for 14 of the 20 volunteers sampled. For 8 of the 14 volunteer members without documented criminal history background checks, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul> <p>Evidence of timely performance of background checks is required by both the PWC Code Chapter 9.1 and the Virginia EMS Regulations.</p> <p>PWC Code Chapter 9.1-16 (d) states "All career and volunteer personnel in or entering fire and rescue services, or the service of a political subdivision with which it has contracted for fire protection, shall agree to consent to undergo a <b>criminal background check</b> and a <b>department of motor vehicle check</b>. The results thereof shall be submitted to the county or the member company for consideration upon application, or as soon as practicable upon request for current and active members."</p> <p>Virginia EMS Regulations 12VAC5-31-540 <i>Personnel records</i> state "An EMS agency shall have a record for each individual affiliated with the EMS agency documenting the results of a <b>criminal history background check</b> conducted through the Central Criminal Records Exchange and the National Crime Information Center via the Virginia State Police, a <b>driving record transcript</b> from the individual's state Department of Motor Vehicles office, and any documents required by the Code of Virginia, no more than 60 days prior to the individual's affiliation with the EMS agency."</p>	<p>To ensure compliance with the Company's contract with the County, Virginia EMS Regulations and the PWC Code Chapter 9.1, we recommend that the Company obtain and maintain all documented evidence of both the department of motor vehicle and criminal history background checks for each one of its volunteer members to ensure that all required screening has occurred. This documentation should be maintained in the respective volunteer member personnel files.</p> <p>Although there is disconnect between Virginia Law and EMS Regulations regarding the retention of actual background check documentation, the Company can document the performance of the applicable background checks on an excel log or personnel form. This log or personnel form should also include the date of when the background was performed, by whom and end result.</p>	<p><b>Response:</b> DTVFD is in the process of revising its application to include a section "For Office Use Only" which allows the Membership Secretary to clearly document in a defined space the dates that both motor vehicle and criminal checks are done. While these checks were previously conducted, copies cannot be kept on site. Notes are put on the top of each application when a person's background check was done. When that individual comes before the membership to be voted in, the Membership Secretary announces if they background check has been completed and whether they passed – in addition to the physical. If the checks are not complete, the membership can only vote on that person pending the results of the checks.</p> <p>Unfortunately, during the audit process, the Membership Secretary was unable to log on to the State system as it had recently been updated and she had locked herself out.. Working with the Virginia State Police, she was able to unlock the system and audit staff was invited back to witness her logging on. The system will not produce a listing of historical checks which were previously run – leaving the presumption that checks may not have been done when in fact they were.</p> <p><b>ECD:</b> Done</p>

Rating	Issues	Recommendation	Management Response
High	<p><b>9. Medical Clearances</b></p>		
	<p>During our testing of volunteer members' medical clearances, we noted the following:</p> <ul style="list-style-type: none"> <li>• Eight of 20 volunteer members sampled were not current on their annual medical evaluations. For 7 of those 8 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>• Eight of 20 volunteer members sampled were not current on their annual OSHA Medical Evaluation Questionnaires. For 7 of those 8 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul> <p>PWC Code Chapter 9.1-16 (b) states "every person providing fire and/or rescue response, whether paid or volunteer, who is in the service or entering the service of the county, or the service of a political subdivision or volunteer fire and/or rescue company with which the county has contracted for fire and/or rescue service <b>shall receive a baseline medical examination</b> in accordance with NFPA 1582, and, thereafter, <b>an annual medical examination</b> in accordance with NFPA 1582."</p> <p>FRA Policy 4.8.3 <i>Medical Evaluation Program</i> requires <b>annual medical evaluations</b> to be conducted every 12 months (plus or minus 3 months) <b>in conjunction with the Annual OSHA Medical Evaluation Questionnaire</b>. Any member not receiving an annual medical evaluation shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p> <p>FRA Policy 9.1.2 <i>Respiratory Protection Program</i> requires <b>annual fit tests</b>. Any member not receiving an annual fit test shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p>	<p>To ensure compliance with Company's contract with the County, FRA Policy and the PWC Code Chapter 9.1, we recommend that the Company implement a process to monitor that all volunteer members have the proper and timely medical clearance.</p>	<p><b>Response:</b></p> <ul style="list-style-type: none"> <li>• Of the twenty (20) volunteers listed, only two (2) members were found not to have completed their physicals. Of those two, one is currently scheduled and the other is being deployed by the military and has gone on Leave of Absence from DTVFD.</li> <li>• OSHA Medical Evaluation Questionnaires are available for each of the eleven with the exception of the two individuals listed above.</li> </ul> <p>Unfortunately during the audit, the documentation regarding these clearances were kept in different areas and not accessible at the time of the audit.</p> <p>Beginning July 1, 2013, DTVFD has hired a staff member to keep track of training, physicals, and fit tests as well as other county and state-directed reporting requirements in accordance with Chapter 9.</p> <p><b>ECD:</b> August 31, 2013</p>

**Board Member Survey Questions and Responses**

Questions	1	2	3	4	5	6	7
How long have you been on the Board?	Over 30 years	20 Years	21 years	30 years	5+ years	NR	NR
Are you a voting or non-voting member of the Board?	Voting	Voting	Voting	Voting	Voting	NR	NR
Do you regularly attend the Board meetings?	Yes	Yes	Yes	Yes	Yes	NR	NR
If so, how often are Board meetings held?	Monthly	Monthly	Monthly	Monthly	Monthly	NR	NR
Do you have assigned duties/oversight as a Board member?	Yes	Yes	No	No	Yes	NR	NR
Were you elected in a public meeting?	Yes	Yes	Yes	Yes	Yes	NR	NR
Have you received a copy of the By-Laws of the Dumfries-Triangle Volunteer Fire Department?	Yes	Yes	Yes	Yes	Yes	NR	NR
At the Board meetings do you regularly receive financial reports?	Yes	Yes	Yes	Yes	Yes	NR	NR
Do these financial reports include the Non-Levy financial transactions/reports?	Yes	Yes	Yes	Yes	Yes	NR	NR
If so, does the Board discuss these financial reports?	Yes	Yes	Yes	Yes	Yes	NR	NR
Does the Board approve individual purchase transactions made from the Levy account above certain dollar thresholds made by the Dumfries-Triangle Volunteer Fire Department?	Yes	Yes	Yes	Yes	Yes	NR	NR
Does the Board approve individual purchase transactions made from the Non-Levy accounts above certain dollar thresholds made by the Dumfries-Triangle Volunteer Fire Department?	Yes	Yes	Yes	Yes	Yes	NR	NR
If so, provide examples of types of purchase transactions the Board approves.	Any amount over 5000 has to go to the board even if it is a budgeted item	NR	Purchases \$5000 or greater. Ex: purchase of a vehicle to be used by department members to attend training classes to decrease cumbersome paperwork for reimbursement for use of personal vehicle due to FRA policy	Fire Equipment, Bldg Maint/New A/C, Fire Station Repairs/ Construction	The requirement is for anything over \$5,000 has to go to the Board of Directors for approval.	NR	NR
Does the Board approve the Levy account annual budget?	Yes	Yes	Yes	Yes	Yes	NR	NR
Does the Board approve amendments to the Levy account budget?	Yes	Yes	Yes	Yes	Yes	NR	NR
Does the Board approve the Non-Levy account annual budget?	Yes	Yes	Yes	Yes	Yes	NR	NR
Does the Board approve amendments to the Non-Levy account budget?	Yes	Yes	Yes	Yes	Yes	NR	NR
Please briefly describe any related party transactions you may have with Dumfries-Triangle Volunteer Fire Department, if any:	NR	NR	Being Registered Agent for the DTVFD corp. I am involved in all corporate decisions	NR	NR	NR	NR
Please briefly describe any conflicts of interest you are aware of, if any:	NR	NR	NO CONFLICT OF INTEREST is a practice of this Corporation	NR	There are no conflicts of interest that I'm aware of.	NR	NR

**Board Member Survey Questions and Responses - continued**

Please describe any areas for improvements to internal controls, if any?

Board Member	Response
1	NR
2	NR
3	We as tax payers of PWC, and an active member of this dept, I feel that this audit should have been directed to the Chapter 9 requirements which includes purchases and expenditures of tax levy monies and not wasted auditing Gaming Accounts. VA state taxes I pay are used for this purpose during audits the State Gaming Comm performs. No improvements are recommended.
4	NR
5	NR
6	NR
7	NR

Please provide a brief summary of your qualifications as they relate to the Board of Directors of Dumfries-Triangle Volunteer Fire Department:

Board Member	Response
1	I have been a member for over 40 years. I am also been retired from an AFB with over 30 years.
2	I have been a member for over 30 years - starting out as a firefighter and progressing through operational positions up to the Captain level and through administrative positions up to my current position.
3	With over 30 years of service and have donated thousands of hours of VOLUNTEER FIRE SERVICE (not Rescue Squad) consisting of full operational and lifetime membership, holding positions as President, Vice Pres, well let's say I have held all administrative positions and retired Gaming Manager after over 10 years.
4	40 years of Service to the DTVFD as Firefighter, Driver, Officer
5	I've been a member of the department for over 11 years. I have gone through the ranks from the firefighter, driver and then Sergeant of duty crew. Additionally, I've held administrative positions by being elected to the Board Of Directors and then elected as the Vice President. I also serve on the county Recruitment and Retention Committee on behalf of our department.
6	NR
7	NR

If you have any other comments you would like to provide, please feel free to do so.

Board Member	Response
1	NR
2	NR
3	No thank you
4	NR
5	NR
6	NR
7	NR

Legend	
NR	No Response

**Stonewall Jackson Volunteer Fire Department & Rescue  
Squad (“SJVFD&RS”) – Station 11**

# Stonewall Jackson Volunteer Fire Department and Rescue Squad

Fieldwork: April 22, 2013 through June 14, 2013

## Chief:

Kevin Wilson- since 2010

## Station Address and Year Opened:

<b>Station 11 – 1971</b>
7814 Garner Drive
Manassas, VA 20109

Staffed by Volunteers from 6:00 PM to 6:00 AM Monday through Friday and weekends and holidays. Staffed by DFR career firefighters 6:00 AM to 6:00 PM and by DFR career medics 24/7.

## Membership:

Active Operational Volunteer Members	71
Total Volunteer Members	120
DFR Approved Career Positions:	
Station 11	25 (12-Medic Unit, 6-Engine & 7-Truck)

## Financial Data:

	<b>Actual FY 2002</b>	<b>Adopted FY 2012</b>	<b>Adopted FY 2013</b>	<b>Adopted FY 2014</b>
Fire Levy Expenditure Budget	\$572,674	\$864,520	\$868,460	\$886,872

## Fire Emergency and EMS Response:

	<b>Actual FY 2011</b>	<b>Actual FY 2012</b>	<b>Adopted FY 2013</b>	<b>Adopted FY 2014</b>
Fire incidents responded to by department	568	571	540	568
Fire incidents within first due area	411	379	375	380
Turn out time in 1 minute or less	35%	36%	34%	36%
EMS incidents responded to by department	2,266	2,103	2,070	2,100
EMS incidents responded to within first due area	1,869	1,763	1,740	1,805

## Governing Board:

<u>As of January 2013</u>	
President:	Richard Rubino
Vice President:	Amy Tarte
Treasurer:	<i>Vacant</i>
Secretary:	Patricia Wilson
Board Members:	Eddie Miller                      Andrew Morin
	Tony Cooch                        Larry Price
	Marvin Carcamo

## Stonewall Jackson Volunteer Fire Department and Rescue Squad

- continued

### Apparatus:

	Station 11
Small Vehicles	5
Ambulances/ Medical Unit	2
Engines/ Ladder Trucks	3 <sup>1</sup>

### Comments:

### Bank Accounts:

Account Name	Account Description
<b>Operations Account</b>	This checking account was created with the intention to separately account for all of SJVFD&RS's levy fund purchases and reimbursements, and select non-reimbursable expenditures. Purchases that qualify for reimbursement by County levy funds are made by physical check. SJVFD&RS then submits qualified purchases to the County for processing, and the reimbursement is made by direct deposit from the County's levy funds to the Operations Account. This account also contains a balance of non-levy monies which fund the non-reimbursable expenditures.
<b>High Performance Account</b>	This checking account was created to hold back up funds for the Operational Account, and acts as a savings account. Both the Operations Account and the High Performance Account are with the same financial institution.
<b>Stair Climb Account</b>	This checking account was created to separately hold funds used for and obtained in the Company's annual Stair Climb fundraiser to benefit the National Fallen Firefighter's Foundation.
<b>Gregson Hall Account</b>	This checking account is used to manage funds obtained by rental fees of the Company's Gregson Hall and miscellaneous donations. Expenses paid from this account include certain non-levy expenses related to management of the Hall.
<b>Mail In Account</b>	This checking account was created to separately hold funds used for and obtained in the Company's annual Mail In fundraiser.
<b>Merchant Account</b>	This bank account was created to accept donations made by credit card on SJVFD&RS's website. Expenses from this account consist of bank fees charged for the bank to process online donations into the account. This account is being closed since it is no longer necessary.
<b>Payroll Account</b>	This checking account was established for the express purpose of providing funds to PayChex in order to provide payroll services for SJVFD&RS's sole employee in accordance with FRA requirements for the employee subsidy given to the volunteer companies. Under the employee subsidy program, the County provides the entire subsidy on July 1 of each fiscal year – which SJVFD&RS would ensure was deposited into its payroll account. In order to open this account, SJVFD&RS transferred funds from one of its existing checking accounts as seed money. SJVFD&RS's employee terminated his employment during FY2011 and any excess funds received as part of the subsidy were returned to the levy fund at the end of that fiscal year. Since SJVFD&RS has made the decision to utilize staffing under the County's temporary services contracts, it has not received any employee subsidies from the County and plans to close this account and return the remaining funds to the source checking account.

**Debt:** None

**Leases:** First Bankers for a Pierce Pumper (\$88,302 per year, will be fully paid on 1/1/2016)

**Subleases:** None

**Related Parties:** None

**Other:** N/A

<sup>1</sup>Stonewall is in the process of selling its 1998 Pierce Quantum Pumper. Accordingly, this is not included in the count of apparatus.

Rating	Issues	Recommendation	Management Response
<b>Moderate</b>	<b>1. Board Governance</b>		
	<p>Although the Governing Board receives bank balances per the bank statements on a monthly basis for both fire levy and non fire levy accounts, we noted financial statements and/or detail to review individual revenues/expenditures of non fire levy accounts are not provided to the Governing Board on a periodic basis.</p> <p>Per Article V, Section 2 (A) and (D) of the Company's By-laws,</p> <ul style="list-style-type: none"> <li>• All spending referred to in this section is for new items other than those that are purchased with fire levy funds; and</li> <li>• (D) "The Board of Directors shall approve new spending between \$2,000 and \$3,000. A majority vote of the Board of Directors present is required for approval."</li> </ul> <p>All funding that flows through and belongs to the Company should be subject to the Governing Board's monitoring processes in order to enhance transparency and allow the Governing Board to have a full picture of all financial activity anticipated and performed.</p>	<p>We recommend that the Governing Board either</p> <ul style="list-style-type: none"> <li>• Receive and review the non levy account monthly bank reconciliations and compare them to the monthly reports, bank statements and canceled checks; or</li> <li>• Receive and review non levy account financial detail from Quickbooks that details revenues/expenditures.</li> </ul> <p>The above practices will assist in adherence to Article V, Section 2 of the Company's By-laws and assist in enhance their oversight function.</p>	<p>See Management Response pages 78-84</p>

Rating	Issues	Recommendation	Management Response
<b>Moderate</b>	<b>2. Segregation of Duties</b>		
	<p>Effective segregation of duties helps detect errors in a timely manner, deters improper activity, improves operational efficiency, and enhances communication among functions. Generally, an individual should not have responsibility for more than one of three transaction components: authorization, custody of assets and recordkeeping. In some cases; however, less than ideal segregation of duties may be allowed to exist when either there is effective monitoring procedures in place or the cost of implementing ideal controls exceed the expected benefits.</p> <p>As of our testing, the Company is in transition regarding their Bookkeeper and Treasurer. As such, the President and Vice President have custodial access to the Quickbooks password to ensure capturing of financial transactions can continue during times of Bookkeeper and Treasurer transition.</p> <p>During our testing of cash receipts and cash disbursements, we noted the following segregation of duties conflicts:</p> <ul style="list-style-type: none"> <li>• The President approves payment of invoices, is a check signer, has edit access to Quickbooks, and access to the safe.</li> <li>• The Vice President is a check signer, has access to Quickbooks and access to the safe.</li> </ul> <p>Without proper segregation of duties and controls surrounding cash, there is an increased likelihood of errors, misappropriation of funds or other types of irregularities to occur without being detected in a timely manner.</p>	<p>We recommend that edit access to Quickbooks be moved from the President and Vice President to the Chief and Treasurer (once identified) in order to properly segregate duties, as they do not approve invoices, are not check signors, and do not have access to the safe.</p> <p>The President and Vice-President may maintain read only access, if available in their version of Quickbooks.</p> <p>The above will assist in minimizing possible errors in records, misappropriation of funds or other types of irregularities.</p>	<p>See Management Response pages 78-84</p>

Rating	Issues	Recommendation	Management Response
<b>High</b>	<b>3. Cash Disbursements</b>		
	<p>During our review of credit card purchases, we noted that in the February 2013 credit card statement, 11 out of 25 transactions did not have accompanying receipts or other supporting documentation. Total unsupported charges were \$701.93.</p> <p>The Company's current procedure is to pay the credit card statement balance on time, regardless of whether all receipts have been obtained and reviewed or not. The Bookkeeper follows up on delinquent receipts; however, they may be turned in a month or more after the date of purchase.</p> <p>Purchases, including credit card transactions, not supported by an invoice, receipt or other proof of purchase could result in overspending of the budget, payment for non-valid purchases/disbursements, incorrect payment of purchases and/or misappropriation.</p>	<p>We recommend that the Company amend their credit card procedure to require receipts to be turned in to the bookkeeper within 14 days of purchase. This will allow the Bookkeeper to vouch credit card statement charges to corresponding receipts/supporting documentation prior paying the statement balance.</p>	<p>See Management Response pages 78-84</p>
<b>Moderate</b>	<b>4. Cash Receipts - Vending Machine</b>		
	<p>During our inquiries, it was noted that the Company has a vending machine on its location, with estimated monthly revenues of \$200. We noted the following:</p> <ul style="list-style-type: none"> <li>• Cash from the machine is withdrawn every couple of weeks and used to replenish the machine's inventory;</li> <li>• The monies are not counted when removed, nor reconciled to the purchases made to replenish the inventory; and</li> <li>• The funds are not recorded in the Company's general ledger.</li> </ul> <p>Without a process to count, record, and reconcile the cash in and out of the vending machine, there is risk that the funds could be misappropriated and could even be of a quantity that is significant to the Company.</p>	<p>In order to enhance controls around vending machine cash, we recommend the following:</p> <ul style="list-style-type: none"> <li>• Any cash removed from the vending machine and the purchases of items to replenish the vending machine be logged at each occurrence;</li> <li>• The receipts of the expenditures should be maintained to provide for an audit trail;</li> <li>• The Bookkeeper or Treasurer reconcile the log to the receipts and cash on hand on a quarterly basis and record in Quickbooks.</li> </ul>	<p>See Management Response pages 78-84</p>

Rating	Issues	Recommendation	Management Response
<b>Low</b>	<b>5. Policies and Procedures</b>		
	<p>Although we did not note any exceptions during out testing of bank reconciliations, we noted that the Company does not have a documented policy or procedure for bank reconciliations.</p> <p>Formally documenting all significant financial processes ensures that proper procedures are thoroughly communicated and available for reference.</p>	<p>We recommend that the Company use and implement County established policies and procedures regarding bank reconciliations.</p>	<p>See Management Response pages 78-84</p>
<b>Moderate</b>	<b>6. Incident Reports</b>		
	<p>During our testing of incident reports, we noted that out of a sample of 20 Company responded incidents, 1 incident (#12038039 on 11/1/2012 dispatched unit E511 from Station 11) did not have an incident report completed as required. The Company and the DFR could not determine a reason for no incident report to be filed.</p> <p>Incident reports in Prince William County are governed by the following authorities:</p> <ul style="list-style-type: none"> <li>Code of Virginia § 32.1-116.1 <i>Pre-hospital patient care reporting procedure; trauma registry; confidentiality</i> states "The minimum data set shall include, but not be limited to, the type of medical emergency or nature of the call, the response time, the treatment provided and other items as prescribed by the Board."</li> <li>Virginia Emergency Medical Services Regulations 12VAC5-31-560. <i>Patient care records</i> states "the required minimum data set shall be submitted on a schedule established by the Office of EMS."</li> <li>FRA Procedure 1.4.1 <i>Fire and EMS Incident Reporting Requirements</i> 4.1 states "Each unit that is dispatched and responds to or arrives at an incident is required to complete an incident report."</li> </ul> <p>Failure to submit an incident report is a violation of Virginia EMS Regulations, the Code of Virginia, and FRA policy.</p>	<p>In order for the Company to ensure that incident reports are complete, timely and properly submitted, we recommend that the Company monitor submission of incident reports. The Chief or his designee should request the "Daily Incident Report" that the DFR can run and provide on daily basis, upon initial request. This report lists all incident responses made by the Company the previous day. These reports could be used to cross-reference against the Records Management and SafetyPad systems to ensure that each incident has a corresponding report. Any exceptions should be followed up on by the Company.</p>	<p>See Management Response pages 78-84</p>

Rating	Issues	Recommendation	Management Response
High	<p><b>7. Background Screenings</b></p>		
	<p>During our testing of background checks, we noted that the Company documents on the member's application form whether or not a criminal history background check has been obtained. Four of the 20 active operational members sampled did not have documentation of performance of a criminal history background check.</p> <p>Evidence of performance of background checks are required by both the PWC Code and the Virginia EMS Regulations.</p> <p>PWC Code Chapter 9.1-16 (d) states "All career and volunteer personnel in or entering fire and rescue services, or the service of a political subdivision with which it has contracted for fire protection, shall agree to consent to undergo a <b>criminal background check</b> and a <b>department of motor vehicle check</b>. The results thereof shall be submitted to the county or the member company for consideration upon application, or as soon as practicable upon request for current and active members."</p> <p>Virginia EMS Regulations 12VAC5-31-540 <i>Personnel records</i> state "An EMS agency shall have a record for each individual affiliated with the EMS agency documenting the results of a <b>criminal history background check</b> conducted through the Central Criminal Records Exchange and the National Crime Information Center via the Virginia State Police, a <b>driving record transcript</b> from the individual's state Department of Motor Vehicles office, and any documents required by the Code of Virginia, no more than 60 days prior to the individual's affiliation with the EMS agency."</p>	<p>To ensure compliance with the Company's contract with the PWC Code Chapter 9.1, we recommend that the Company obtain and maintain all documented evidence of both the department of motor vehicle and criminal history background checks for each one of its volunteer members to ensure that all required screening has occurred. This documentation should be maintained in the respective volunteer member personnel files.</p>	<p>See Management Response pages 78-84</p>

Rating	Issues	Recommendation	Management Response
High	<p><b>8. Medical Clearances</b></p>		
	<p>During our testing of volunteer members' medical clearances, we noted the following:</p> <ul style="list-style-type: none"> <li>• Nine of 20 volunteer members sampled did not have medical evaluations within the required timeframe. For 4 of those 9 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> <li>• Fourteen of 20 volunteer members sampled did not have a completed OSHA Medical Evaluation Questionnaire within the required timeframe. For 7 of those 14 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under audit.</li> <li>• Fourteen of 20 volunteer members sampled did not have fit tests within the required timeframe. For 7 of those 14 volunteers, we noted incident reports documenting that they had been dispatched on incidents during the period under this internal audit.</li> </ul> <p>PWC Code Chapter 9.1-16 (b) states "every person providing fire and/or rescue response, whether paid or volunteer, who is in the service or entering the service of the county, or the service of a political subdivision or volunteer fire and/or rescue company with which the county has contracted for fire and/or rescue service <b>shall receive a baseline medical examination</b> in accordance with NFPA 1582, and, thereafter, an annual medical examination in accordance with NFPA 1582."</p> <p>FRA Policy 4.8.3 <i>Medical Evaluation Program</i> requires <b>annual medical evaluations</b> to be conducted every 12 months (plus or minus 3 months) <b>in conjunction with the Annual OSHA Medical Evaluation Questionnaire</b>. Any member not receiving an annual medical evaluation shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p> <p>FRA Policy 9.1.2 <i>Respiratory Protection Program</i> requires <b>annual fit tests</b>. Any member not receiving an annual fit test shall be deemed non-operational and shall not participate in emergency response and/or training activities.</p>	<p>To ensure compliance with Company's contract with the County, FRA Policy and PWC Code Chapter 9.1, we recommend that the Company implement a process to monitor that all volunteer members have the proper and timely medical clearance.</p>	<p>See Management Response pages 78-84</p>

Board Member Survey Questions and Responses

Questions	1	2	3	4	5	6	7	8
How long have you been on the Board?	5 Months	16 Years	5 Months	1 Year, 2 Months	NR	NR	NR	NR
Are you a voting or non-voting member of the Board?	Voting	Voting	Voting	Voting	NR	NR	NR	NR
Do you regularly attend the Board meetings?	Yes	Yes	Yes	Yes	NR	NR	NR	NR
If so, how often are Board meetings held?	Monthly	Monthly	Monthly	Monthly	NR	NR	NR	NR
Do you have assigned duties/oversight as a Board member?	Yes	Yes	Yes	No	NR	NR	NR	NR
Were you elected in a public meeting?	Yes	Yes	Yes	Yes	NR	NR	NR	NR
Have you received a copy of the By-Laws of the Stonewall Jackson Volunteer Fire Department and Rescue Squad?	Yes	Yes	Yes	Yes	NR	NR	NR	NR
At the Board meetings do you regularly receive financial reports?	Yes	Yes	Yes	Yes	NR	NR	NR	NR
Do these financial reports include the Non-Levy financial transactions/reports?	Yes	Yes	Yes	Yes	NR	NR	NR	NR
If so, does the Board discuss these financial reports?	Yes	Yes	Yes	Yes	NR	NR	NR	NR
Does the Board approve individual purchase transactions made from the Levy account above certain dollar thresholds made by the Stonewall Jackson Volunteer Fire Department and Rescue Squad?	Not Sure	Not Sure	Not Sure	Not Sure	NR	NR	NR	NR
Does the Board approve individual purchase transactions made from the Non-Levy accounts above certain dollar thresholds made by the Stonewall Jackson Volunteer Fire Department and Rescue Squad?	No	Yes	Yes	No	NR	NR	NR	NR
If so, provide examples of types of purchase transactions the Board approves.	N/A	**	Wall mount boxes for station AED's	N/A	NR	NR	NR	NR
Does the Board approve the Levy account annual budget?	Not Sure	No	Not Sure	Not Sure	NR	NR	NR	NR
Does the Board approve amendments to the Levy account budget?	No	Yes	No	No	NR	NR	NR	NR
Does the Board approve the Non-Levy account annual budget?	No	No	No	No	NR	NR	NR	NR
Does the Board approve amendments to the Non-Levy account budget?	No	No	No	No	NR	NR	NR	NR
Please briefly describe any related party transactions you may have with Stonewall Jackson Volunteer Fire Department and Rescue Squad, if any:	NR	None	I don't know what a related party transaction is	NR	NR	NR	NR	NR
Please briefly describe any conflicts of interest you are aware of, if any:	NR	None	***	Kevin Wilson has his mother on the BOD	NR	NR	NR	NR

\*\*Board has appropriated funds for installation, stair climb and other purchases involving non levy funds. Non levy expenditures are not treated as being part of the annual budget

\*\*\*The secretary is the mother of the station chief. That has the potential to create a conflict of interest but I am not aware of any issues occurring due to this

**Board Member Survey Questions and Responses - continued**

Please describe any areas for improvements to internal controls, if any?

Board Member	Response
1	NR
2	We will be working on documentation retention with respect to AMEX so that records are also kept with the credit card statements in addition to vendor folders and voucher/payment request submissions to the County.
3	Increased communication regarding board issues. There is little communication to the board at large regarding any matter until the actual board meeting itself. We were not notified that the treasurer had resigned until her absence was questioned (about a month delay). Some simple training about how fund / budgeting could help new board members become more aware of the system - thought I have yet to take the initiative to request that training.
4	Remove Capt. Mattox from his position.
5	NR
6	NR
7	NR
8	NR

Please provide a brief summary of your qualifications as they relate to the Board of Directors of Stonewall Jackson Volunteer Fire Dept. & Rescue Squad:

Board Member	Response
1	NR
2	Member for 26 years and am an ambulance driver and attendant in charge. I have also served as an EMS lieutenant and was responsible for EMS equipment supply and procurement. I have written successful AFG and RSAF grants for equipment and an ambulance. I spaced ambulances, pumpers and small vehicles and conducted bid processes for vehicle purchases. Over the years, I have served as President, Vice President, Secretary and a member of the Board of Directors.
3	I am 30 years old, have a Master's degree in computational linguistics and work as a software developer. I have no background in accounting or management. I have been with the rescue squad for almost 3 years, EMS only, and have recently been cleared as an ambulance officer.
4	I have been with the dept for 7 years
5	NR
6	NR
7	NR
8	NR

**Board Member Survey Questions and Responses - continued**

If you have any other comments you would like to provide, please feel free to do so.

Board Member	Response
1	NR
2	The Department does not make a separate budget for non levy expenditures. Rather, our budget is limited to the operational budget that is funded through the county and appropriated by e BOCS. Once a draft budget is prepared, it is emailed to the BOD for review and comment prior to submission to the FRA for review and endorsement. Any questions or comments are received and the submission is then finalized. The budget submissions that we do are essentially a realignment of funds to match actual expenses since there have not been any significant increases over the past several years (except for the one year that we received a \$100k increase to fund the lease purchase of a new pumper). The budget highlights are also presented to the membership for their information as well. Significant nonlevy expenditures are approved by the BOD on an adhoc basis. There is not a specific dollar amount that is a trigger. The same can be said for certain levy expenses. The purchase of vehicles have gone to the BOD as well as the submission of grant applications and lease purchase contracts. Other purchases that have gone to the BOD include a \$10k set aside for fitness equipment, mattresses for bunk beds, a coffee machine for the kitchen and renovations to the station. Nonlevy expenditures that include BOD approval in recent years include job shirts and the annual installation. Also, the BOD approves the periodic recruitment and fund raising mailers. The triggers for BOD approval is not necessarily the dollar amount (even though there are thresholds in the bylaws. Rather, it may be the nature of the project itself and the desire to be more transparent and inclusive with the BOD and the membership.
3	There were many questions that related to specific levy fund budgeting which only included yes/no options. As a new board member, I did not have the background to answer those questions accurately and have listed "No" as my responses only because I wasn't sure and didn't want to unfairly influence my responses by asking senior members of the board. I'm not sure why basic procedure questions would be in a subjective survey anyway.
4	NR
5	NR
6	NR
7	NR
8	NR

Attributes	
NR	No Response

## **SJVFD&RS Station 11 – Management Response**



STONEWALL JACKSON VOLUNTEER  
FIRE DEPARTMENT & RESCUE SQUAD INC.  
7814 Garner Drive, Manassas, Virginia 20109 (703) 369-5396

June 30, 2013

The Honorable Corey Stewart, Chairman  
Audit Committee  
Prince William County Board of County Supervisors  
1 County Complex Court  
Prince William, Virginia 22192

**Re: Management Response to Internal Audit of Stonewall Jackson Volunteer Fire  
Department and Rescue Squad**

Dear Mr. Stewart:

This letter is being written in response to the above-referenced "draft" audit report prepared by McGladrey LLP ("McGladrey" or "Auditors") in connection with the Internal Services Audits of the Stonewall Jackson Volunteer Fire Department and Rescue Squad, Inc. ("SJVFD&RS" or the "Department"). The draft report, which is to be presented to the Audit Committee on July 23, 2013, raises various issues – some of which have already been addressed or were in the process of being addressed in advance of the draft report being provided to the Department.

**Issue No. 1 – Board Governance**

The Auditors raised an issue concerning board governance as it relates to the financial oversight of the Department.

Under the Department's by-laws, BOD approval is required for certain purchases using non-levy or 501 funds. In addition to purchases requiring BOD approval under Article V, Section 2(D) of the by-laws, purchases involving the expenditure of significant funds and/or funding new programs are typically brought to the BOD for approval by the Chief or President on an ad-hoc basis even though such approval may not be required.

The Auditors have recommended that the BOD be provided with detailed bank reconciliations and QuickBooks reports on a monthly basis in addition to the summary report of the bank account status and the levy budget. Through discussions with McGladrey, the Department has noted that the monthly bank statements are available to the membership for *in-camera* review upon request. The Auditors agreed that *in-camera* review of the bank statements is a suitable alternative and suggested that the BOD be reminded that this review is available at the beginning of each calendar year when new members begin their terms.

*Stonewall Jackson Volunteer Fire  
Department and Rescue Squad  
June 30, 2013  
Page 2 of 6*

#### Issue No. 2 – Segregation of Duties

The Auditors noted that during the audit, the Department was in a period of transition without a Treasurer or a Bookkeeper. Additionally, the Auditors noted that the President approves the payment of invoices, is a check signer, and has access to the QuickBooks password as well as access to the safe. Finally, the Vice President is a check signer, has access to the QuickBooks password as well as access to the Safe – and during the transition period, was initiating payment requests.

The Department agrees that the segregation of duties is critical in order to ensure that adequate internal controls are in place. In this regard, SJVFD&RS has established definite lines of control between initiators and approvers as well as between the “administrative” and the “operational” sides. When fully staffed, the Treasurer and Bookkeeper are the initiators while the President and Vice President are approvers.<sup>1</sup> The general rule is that the President approves all transactions and that the Vice President will approve transactions when the President is not available. In the event that the President or Vice President is to be the recipient of a transaction (e.g., check reimbursement), the other designated approver will be required to approve the transaction.

The Auditors are concerned that the President and Vice President had possession of the QuickBooks password. It is important to note that the possession of the QuickBooks password was limited to custodial purposes and that all work within QuickBooks was conducted either by an outside vendor (Moran & CO. PC) or the Bookkeeper. The QuickBooks password has been provided to the Bookkeeper and will be provided to the new Treasurer as he completes his training. As a result, it is not necessary for the Chief to be the custodian of the QuickBooks password.

The Department objects to making the Chief a custodian of the QuickBooks password. This is due to a cultural change which moved financial/budgetary responsibilities from the Chief to the President and BOD several years ago. Further, since the password will be held by the Treasurer and Bookkeeper, neither the President nor the Vice President will need to be the custodians in the normal course. That said, in the event of a resignation or termination, it is critically important that all passwords be surrendered so that the Department can take appropriate steps for continuity of operations. These steps must be ensured by the administrative officers of the Department.

Based upon the cultural change described above, the Chief is no longer an approver of transactions – with the exception of travel under the County’s Travel Policy.

The Department has experienced one travel transaction where all approvers (Chief, President and Vice President) travelled together. Through discussions with the Department of Finance, it was determined that the appropriate solution would be for the Chief and President to countersign all of the travel documents and that the President sign the 3-part manual voucher. To

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<sup>1</sup> In the event that there is no Bookkeeper and/or Treasurer who have been properly trained on the County processes, the Vice President shall act as the initiator and the President as the approver.

*Stonewall Jackson Volunteer Fire  
Department and Rescue Squad  
June 30, 2013  
Page 3 of 6*

the extent that a check was made payable to the President, the check was signed by the Vice President so that the President was not in the position of approving his own transaction.

#### Issue No. 3 – Cash Disbursements

The Auditors noted that during its review of the February 2013 credit card statement, 11 out of 25 transactions did not have receipts or other supporting documentation attached to the statement and noted that SJVFD&RS's current procedure is to pay the credit card bill on time regardless of whether all receipts have been turned in. McGladrey noted that the Bookkeeper follows up and that delinquent receipts may be turned in a month or more after the purchase.

The Department agrees that there is the potential for credit card transactions that are not supported by a receipt or other proof of purchase to a negative impact on the Department. While the Department believes that the risk is minimized by the fact that the credit card statements are reviewed (and OL3 codes assigned to each transaction), the Department started developing a new credit card process once it was made aware of the concern. This process is currently being piloted and the goal is to have the new process completed by the end of the first quarter of FY2014.

#### Issue No. 4 – Cash Receipts – Vending Machine

During early discussions with McGladrey, it was noted that approximately \$200.00 is removed from the vending machine each month and that the revenues are used to purchase new supplies and that there was no written record of the funds or the purchases of supplies. Immediately following this discussion, the Department established a new procedure for the vending machine in which all revenues and expenditures are accounted for. The information details are provided to the Bookkeeper who will then enter the information into the appropriate QuickBooks account.

#### Issue No. 5 – Policies and Procedures

The Auditors noted that the Department does not have a formal policy for bank reconciliations in its "Administrative/Financial Procedures and Internal Controls Manual." A review of this manual reflects a reference to bank statement reconciliations under the QuickBooks section. Nonetheless, the Department agrees that a more explicit policy should be included in the manual. SJVFD&RS will review the County policy and consult with its CPA for guidance.

#### Issue No. 6 – Incident Report Testing

The SJVFD&RS agrees with the McGladrey that incident reports need to be completed in a timely manner. The Department will develop a program for a monthly recap of incidents and reports. The responsibility for ensuring that reports are completed in a timely manner will be delegated to the Operations Fire and EMS Captains who shall report back to the Chief and Assistant Chief at the monthly Line Officers' meeting. In this regard, the recap would be requested from DFR

*Stonewall Jackson Volunteer Fire  
Department and Rescue Squad  
June 30, 2013  
Page 4 of 6*

at the end of the month so that an update report could be provided at the monthly Line Officers' meeting approximately two weeks following.

#### Issue No. 7 – Background Screening

The Department agrees that background screening is critical to ensuring that individuals who are a danger to the community are not providing EMS and fire suppression services to the public. Because of potential questions with respect to a few individuals, the Department made the decision to conduct new background checks on all personnel even though such checks may not have been required when the joined SJVFD&RS.

OEMS Regulation 12VAC5-31-540 requires all EMS agencies to have a record for each individual affiliated with the EMS agency documenting the results of a criminal history background check through the Central Criminal Records Exchange and the National Crime Information Center through the Virginia State Police.<sup>2</sup> Additionally, Section 9.1-16 (d) of the County Code states that once the FRA has taken the appropriate implementation steps, all personnel shall undergo a criminal background check.

SJVFD&RS notes that the OEMS regulations are prospective in nature and that personnel who joined prior to 2003 were not subject to the background check requirement. Additionally, the Department notes that the implementation steps for Section 9.1-16(d) of the County Code have not been completed. While the DFR Chief has assigned the policy to the FRA Policy Committee, the committee has not had the opportunity to meet and develop an appropriate policy or procedure for the FRA.

The Department believes that criminal background checks and driver's license checks should be conducted on a periodic basis. Conducting these sorts of checks only at the time of affiliation is insufficient since changes can occur that the Department would otherwise be unaware of. SJVFD&RS plans to follow the FRA policy once it is adopted and during the policy development process will advocate for periodic background and driver's license checks of all members.

#### Issue No. 8 – Medical Clearance Testing

SJVFD&RS agrees that compliance with the medical clearance testing is important and has taken steps to remedy this issue – both from a process and training standpoint.

At the outset, the SJVFD&RS recognizes that adequate training must be provided to personnel as they assume new leadership positions within the Department. This training will ensure that technicians and line officers have the required tools in order to ensure that they are successful and can meet their obligations to the Department and its membership. Training leadership in various aspects of department operations is critical to ensuring that younger officers

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<sup>2</sup> Michael Berg, Compliance Manager for OEMS has advised that the NCIC component of the criminal background check will not be implemented for the foreseeable future. OEMS will advise agencies when that component goes live.

*Stonewall Jackson Volunteer Fire  
Department and Rescue Squad  
June 30, 2013  
Page 5 of 6*

have the necessary training and experience to become senior officers, including chief. As a result, the Chief's philosophy is to permit his personnel to make mistakes so that they can learn and become better officers.

The Chief has mandated that the following steps will be taken in order to ensure that SJVFD&RS is in compliance with the FRA policies and procedures concerning medical clearances and fit tests:

- a. Monthly review of the medical clearance spreadsheet (and new RMS System) as part of the monthly line officer's meeting.
- b. Ensure sufficient members are properly trained to provide fit-tests to members
- c. Notification to members one month prior to their medical clearance expiration<sup>3</sup>
- d. Reminder to members during the month of medical clearance expiration
- e. Suspension of riding status following expiration of medical clearance unless extenuating circumstances justify allowing use of the three-month grace period provided for in FRA Procedure 4.8.3.

#### Conclusion

As indicated above, the Department recognizes the need for internal controls and the need to improve its processes in order close any holes in its existing processes. Since 2008, the Department has periodically examined its internal processes in order to tighten its procedures. These looks, taken together with the financial audit of its FY2010 books and this internal controls audit, provide

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<sup>3</sup> For purposes of its internal policy, SJVFD&RS is treating the medical clearance expiration date as the one-year anniversary rather than the fifteenth month as provided for in FRA Procedure 4.8.3.

*Stonewall Jackson Volunteer Fire  
Department and Rescue Squad  
June 30, 2013  
Page 6 of 6*

an opportunity to improve processes and ensure that the Department is utilizing best practices that are appropriate to an organization of its size.

Sincerely yours,



Richard D. Rubino  
President



Kevin J. Wilson  
Chief

cc: Melissa Peacor, County Executive  
Chris Martino, Deputy County Executive  
Kevin McGee, Chair - FRA



STONEWALL JACKSON VOLUNTEER  
FIRE DEPARTMENT & RESCUE SQUAD INC.  
7814 Garner Drive, Manassas, Virginia 20109 (703) 369-5396

September 29, 2013

The Honorable Corey Stewart, Chairman  
Audit Committee  
Prince William County Board of County Supervisors  
1 County Complex Court  
Prince William, Virginia 22192

**Re: June 30, 2013 Management Response to Internal Audit of Stonewall  
Jackson Volunteer Fire Department and Rescue Squad**

Dear Mr. Stewart:

I am the new Chief of the Stonewall Volunteer Fire Department and Rescue Squad. I have reviewed the above-referenced "draft" audit report prepared by McGladrey LLP ("McGladrey" or the "Auditors") and the management response dated June 30, 2013 prepared by President Richard Rubino and Chief Kevin Wilson and fully support and concur with the written Management Response.

Please let Richard Rubino or myself know if you have any questions.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Anthony E. Cooch".

Anthony E. Cooch  
Chief

Cc: Richard Rubino, President  
Melissa Peacor, County Executive  
Chris Martino, Deputy County Executive  
Kevin J. McGee, Chair – FRA

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