



PRINCE WILLIAM COUNTY, VIRGINIA

Prince William County, Virginia

Evergreen Volunteer Fire Department and Rescue Squad – Transition Audit

Report Date: April 15, 2016





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

Attention: Chief Kevin McGee
Chairman of the Fire and Rescue Association: Prince William County, VA

Pursuant to the approved Statement of Work #13021NA4-2015-16-004, signed March 2016, for Prince William County, Virginia (the "County") we hereby present the Evergreen Volunteer Fire Department and Rescue Squad ("EVFDRS") Transition Audit. We will be presenting this report to the Audit Committee of the Board of County Supervisors at the next scheduled meeting on May 10, 2016.

BACKGROUND

Per Resolution Number 16 - 50 dated January 19, 2016, the Prince William County's Board of County Supervisors ("BOCS") approved the merger of Evergreen Volunteer Fire Department and Rescue Squad EVFDRS into the County's Department of Fire and Rescue ("DFR"). This entailed termination of the 2009 agreement for provision fire and/or rescue services between EVFDRS and the County, including the direct transfer of all real and personal property, assets, contracts and accounts of EVFDRS to the County for the purpose of providing fire and rescue service.

SCOPE AND OBJECTIVE

The scope and objective of this transition audit was to determine whether, upon the merger, if real and personal property, assets, contracts and accounts of EVFDRS were effectively transferred to the County and/or terminated. We attempted to perform limited follow-up procedures on the previously issued Internal Audit of Evergreen Volunteer Fire Department and Rescue Squad report dated November 5, 2014 (accepted by the BOCS on March 17, 2015), as it related to compliance with active volunteer member background screenings and certifications.

APPROACH

Our approach consisted of the following:

Understanding and Collecting Relevant Data and Information

We conducted interviews with the appropriate County DFR and Finance representatives to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We sent communication to EVFDRS's President on March 14, 2016 regarding the transition audit, with a list of requested items needed to perform the transition audit.

Detailed Testing

The purpose of this phase was to conduct testing, as appropriate, to validate and substantiate the real and personal property, assets, contracts and accounts of EVFDRS were effectively transferred to the County and/or terminated, and to perform limited follow-up procedures on the previously issued Internal Audit of Evergreen Volunteer Fire Department and Rescue Squad report dated November 5, 2014 (accepted by the

APPROACH - CONTINUED

Detailed Testing - continued

BOCS on March 17, 2015), as it related to compliance with active volunteer member background screenings and certifications. Procedures were to include, but not be limited to, the following:

- Obtaining and reviewing most recent annual audited financial statements, where available, and internal financial statements.
- **Reviewing EVFDRS 501(c)(3) status.**
- Reviewing status of debt and leases of EVFDRS.
- **Performing completeness and existence procedures over the transfer of real property, assets and inventory at EVFDRS for the purposes of providing fire and rescue services.**
- Determining value of payables outstanding by EVFDRS as of the merger date.
- Performing procedures over bank accounts under the name EVFDRS.
- **Determining number of active volunteer members at the time of the merger.**
- Determining that baseline medical examinations and subsequent annual medical examinations have been performed in accordance with *Sec. 9.1-16. - Physical examinations, criminal background checks, and department of motor vehicle checks.*
- Determining that criminal background checks and department of motor vehicle checks have been performed on the volunteer members and results have been reported to the FRA in accordance with *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 and are in accordance with *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.*
- **Permitting**

We received a response from EVFDRS's President on March 14, 2016 stating that they received the request and would be in touch with us soon regarding what information could be provided. We followed up with EVFRDR's President on March 18, 2016. We have not received any communication since March 14, 2016, nor have we received any of the requested items. As such, we were only able to perform procedures around EVFDRS's 501(c)(3) status, inventory and permitting.

RESULTS

501(c)(3)

EVFDRS's last filed Form 990 with the IRS was for the fiscal year ending June 30, 2011. As such their 501(c)(3) status has been revoked as of November 15, 2014.

In general, 501(c)(3) is a nonprofit organization is exempt from federal income tax if its activities have the following purposes: charitable, religious, educational, scientific, literary, testing for public safety, fostering amateur sports competition, or preventing cruelty to animals. Organizations acquire 501(c)(3) tax exemption by filing IRS Form 1023, but there are some classes of organizations that are automatically treated as tax exempt under 501(c)(3) without the need to file Form 1023: Churches, their integrated auxiliaries, and conventions or associations of churches, and organizations that are not private foundations and that have gross receipts that normally are not more than \$5,000. Most tax-exempt organizations must annually file IRS Form 990, an informational tax form. This annual reporting requirement, fulfilled by completion of one of the Form 990 series of returns, gives the IRS an overview of the organization's activities, governance and detailed financial information. In collecting this information, it allows the IRS to review an organization to determine if they continue to qualify for tax exemptions after the status is granted.

RESULTS - CONTINUED

501(c)(3) – continued

Organizations that do not file Form 990 for three consecutive years automatically lose their tax-exempt status. An automatic revocation is effective on the original filing due date of the third annual return or notice. (Section 6033(j) of the Internal Revenue Code). When an organization's tax-exempt status is revoked, it is no longer exempt from federal income tax. Consequently, it may be required to file one of the following federal income tax returns and pay applicable income taxes:

- Form 1120, *U.S. Corporation Income Tax Return*, due by the 15th day of the 3rd month after the end of the organization's tax year or
- Form 1041, *U.S. Income Tax Return for Estates and Trusts*, due by the 15th day of the 4th month after the end of your organization's tax year.

A revoked organization is not eligible to receive tax-deductible contributions and will be removed from the cumulative list of tax-exempt organizations. The IRS will also send a letter informing the organizations of the revocation. An organization must apply to have its tax-exempt status reinstated, even if it was not originally required to file an application for exemption. It must:

1. Apply for recognition of tax exemption by filing Form 1023 (if applying under section 501(c)(3)), or Form 1024 or a letter (if applying under a different Code section), regardless of whether the organization was originally required to apply for exemption; and
2. Pay the appropriate user fee.

In addition to reviewing the 501(c)(3) status for EVFDRS, we reviewed the reporting status for all of the current (nine (9) in total) Volunteer Fire and Rescue Companies within Prince William County for the last 4 years. We have provided a memorandum to the Chairman of the Fire and Rescue Association with the results of the procedures performed.

Inventory

As part of our inventory procedures, we performed a review existence and completeness of "inventoriable" assets. The County capitalizes all tangible assets with an acquisition value of \$5,000 or more and a useful life expectancy of more than one (1) year, in accordance with Virginia Statute and as stated in the Capital Asset Accounting and Control Policy, Finance Department Procedures Manual.

- **Existence:** The assertion of existence validates that the specified assets that are recorded in the accounting records are in custody of the County.
- **Completeness:** The assertion of completeness validates whether all the transactions are properly included in the accounting records. That is, assets that exist as of a given date are properly recorded and included in the account balance

In order to review for existence and completeness, we obtained the following:

- Probar inventory results for EVFDRS from the most recent inventory (2014). The County has contracted with a 3rd party vendor, Probar, to provide capital asset inventory and insurance services on a biennial basis, as such, Probar's inventory listing included some items under \$5,000. The last inventory performed by Probar was in 2014.
- EVFDRS fixed asset listing of assets provided by the County's Department of Finance

On-site at EVFDRS we performed a walk-through at the facility, with the assistance from DFR, and physically observed the "inventoriable" assets. We then compared the above lists to the assets physically observed and made note of the following:

- Assets listed in the County fixed asset listing that were not included in Probar's inventory results, vice versa.
- Assets included in the County fixed asset listing and/or in the Probar inventory results that were not physically observed.
- Assets noted on site with estimated value over capitalization threshold of \$5,000, but not listed on Probar/County report.
- Miscellaneous discrepancies.

RESULTS - CONTINUED

Inventory – continued

We noted the following during our inventory observation:

- Four (4) assets listed on the County’s fixed asset listing, but were not observed on site.
- One (1) asset listed on Probar’s inventory results report, but were not observed on site.
- Nineteen (19) assets physically observed, but not on County fixed asset listing or on Probar inventory listing.
- One (1) discrepancy of documented information between the County fixed asset listing and Probar inventory listing.
- Eight (8) assets listed on the County’s fixed asset listing, but not on the Probar inventory listing.
- Numerous assets listed on the Probar inventory listing, but not on the County’s fixed asset listing. (Some items are <\$5,000 for example: computer monitors and items associated with an apparatus such as: SCBA packs, SCBA cylinders, stair chair for apparatus, battery packs)

Membership

In order to determine the number of active members at the time of the merger we obtained and reviewed the following:

- EVFDRS “Clerk of Court Membership Report” as of December 2015, maintained by EVRDRS and submitted to the County’s Clerk of Court;
- EVFDRS “Uniform Rank Structure” (“URS”) report as of December 2015, maintained by the DFR; and
- EVFDRS “Medical Physical Workbook Volunteer Status Form” as of December 2015, maintained by the DFR.

Each volunteer fire and rescue company is required to report membership to the County’s Clerk of Court on a monthly basis. We summarized EVFDRS’s “Clerk of Court Membership Report” as of December 2015 as follows:

Status	Administrative	Operational	Total
Active	32	16	48
Inactive	11	-	11
Educational Leave	-	4	4
Employment Leave	-	1	1
Medical Leave	1	2	3
Military Leave	-	1	1
Probationary	1	17	18

The URS report maintained by the DFR tracks senior rank members’ compliance with the URS requirements. The FRA had adopted Policy 4.5.1 *Uniform Rank Structure* that defines the required minimum certifications by position and rank for all fire/rescue companies in Prince William County through Res. 13-73 dated October 16, 2013 with an implementation date of January 1, 2015. The FRA has granted an extension to incumbent members through June 30, 2017, via Res. 14-61 dated November 19, 2014. We summarized the URS report, as follows:

Rank		Status	Type	Uniform Rank Structure Status
Lieutenant	EMS	No Data	No Data	Not compliant: Missing 5 of 8 requirements
Lieutenant	EMS	Probationary	Operational	Not compliant: Missing 3 of 8 requirements
Chief	Fire	Active	Operational	Not compliant: Missing 5 of 24 requirements
Chief Officer	Fire	Active	Administrative	Not compliant: Missing 22 of 24 requirements
Chief Officer	Fire	Active	Operational	Not compliant: Missing 11 of 24 requirements
Captain	Fire	Active	Operational	Compliant
Lieutenant	Fire	Active	Operational	Not compliant: Missing 12 of 18 requirements

RESULTS - CONTINUED

Membership – continued

The Medical Physical Workbook Volunteer Status Form maintained by the DFR tracks each member's compliance as it relates to medical evaluations, OSHA questionnaire restrictions, and fit tests.

We summarized EVFDRS's Medical Physical Workbook Volunteer Status Form as of December 2015 as follows:

Status	Cleared	
	Yes	No
Full Participation	5	
Out of Date (Indicates Medical/OSHA or Fit Test Date has exceeded 12 months)	15	
Failed/Missing/Expired (Indicates Medical/OSHA or Fit Test Date has exceeded 15 months)		24
Inactive Status (College, Extended Injury of Sick Leave, Deployment, Personal Reasons)		9
Total	20	33

We noted the following during our review of Membership:

- Two (2) of the five (5) members cleared with full participation per the Medical Physical Workbook Volunteer Status Form were not included on the EVFDRS Clerk of Court Membership Report as of December 2015.
- Six (6) of the seven (7) senior rank members were missing URS requirements.
- One (1) of the five (5) fire senior rank members is listed as cleared with full participation.
- Two (2) of the five (5) fire senior rank members are listed as cleared out of date (Indicates Medical/OSHA or Fit Test Date has exceeded 12 months).
- One (1) of the five (5) fire senior rank members is listed as not cleared failed/missing/expired (Indicates Medical/OSHA or Fit Test Date has exceeded 15 months).
- One (1) of the five (5) fire senior rank members is not listed on the Medical Physical Workbook Volunteer Status Form.
- Four (4) of the fifteen (15) cleared out of date (Indicates Medical/OSHA or Fit Test Date has exceeded 12 months) are junior members (16 to 18 years old).

In summary, per review of the above, EVFDRS had three (3) active operational members in good standing as of December 2015. As such, EVFDRS is out of compliance with FRA Policy 1.1.5 Section 4.4 as of December 2015.

FRA Policy 1.1.5 Section 4.4 states "Operational Member Requirement – Each FRA member department shall maintain a minimum of 20 operational members. Operational members will remain at all time a member in good standing of the FRA member department, and comply with all Chapter 9.1, FRA Policies and Procedures, and other applicable County, State and Federal regulations."

Permitting

On January 26, 2016, County Risk Management performed a facility inspection of EVFDRS Station 15, noting 103 deficiencies. The report noted that this inspection was a survey only and not comprehensive, with the recommendation that a more comprehensive facility and programmatic inspections/audits be conducted to meet OSHA, NFPA/IFC, and other applicable standards and practices. The report also noted that previous facility assessments have been conducted and concerns noted. One outcome of the facility inspection noted that updates/modifications have been made to EVFDRS Station 15 (for example electrical work/modifications), which raised the question by the DFR of whether proper permitting was obtained for these modifications.

RESULTS - CONTINUED

Permitting – continued

The DFR requested that we look at permitting as compared to modifications noted on the facility inspection report. The risk is that modifications were made without the proper and required permitting. We were unable to determine the complete population of modifications made that would require a permit. As such we selected two (2) deficiencies noted on the facility inspection that would have required a permit for the modifications noted. They are as follows:

#	Electrical Safety	Deficiencies	Recommendation
77	Is all electrical equipment in proper working order? NO	There were multiple instances of improper electrical installation and maintenance throughout the facility and especially within utility rooms. These rooms were difficult to access to assess.	Although specific areas of concern are noted below, a more thorough inspection of primary electrical installations (including exterior and accessory structures) must be conducted. All installations should be identified (including those to be abandoned), labeled, properly installed, properly covered, secured, and grounded to meet electrical code, manufacturer's instructions, and workmanlike standards. Electrical room access doors should be labeled. All storage must be removed from these rooms to allow for safe access and to provide appropriate clearances around equipment. Walls and ceilings should be further assessed for moisture intrusion, missing tiles, and other holes. Maintain the integrity of electrical equipment as designed. 16 VAC 25-60-10 Part III §120, OSHA; 1910 Subpart S, NFPA Install and maintain all electrical equipment as listed and to electrical safety standards. OSHA 1910.303, NFPA 70
79	Is all electrical equipment in proper working order? NO	There were multiple areas of the facility where outlet and other covers were missing, displaced, or were otherwise improperly installed (such as holes around the outlet/cover).	Repair/replace the defective areas. Specific areas are identified below, but a more thorough inventory needs to be completed. Equipment and building components must be maintained according to the manufacturer's specifications and limitations. 16 VAC 25-60-10 Part III §120.

As part of our procedures we contacted the Department of Development Services: Permitting Division and were provided all electrical related permits for EVFDRS dating back to 1989. There were fifteen (15) electrical permits on file for EVFDRS. With the assistance of the Permitting Division, we attempted to reconcile the fifteen (15) electrical permits on file to electrical work that could have been related to the above. We were unable to reconcile and confirm the population of the fifteen (15) electrical permits to the two (2) deficiencies noted above (#77 & #79). As such, we were unable to determine if EVFDRS obtained permitting for electrical work performed at Station 15.

We would like to thank those involved in assisting the Internal Auditors with this transition audit.

Respectfully Submitted,

RSM US LLP

Internal Auditors

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