

SPECIAL AUDIT

CROW ROOST FIRE DEPARTMENT CADDO COUNTY, OKLAHOMA

January 1, 2009 through March 31, 2011



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

CROW ROOST FIRE DEPARTMENT

CADDO COUNTY, OKLAHOMA

SPECIAL AUDIT REPORT

JANUARY 1, 2009 THROUGH MARCH 31, 2011

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Oklahoma State Auditor & Inspector

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August 23, 2011

George Geissler, State Forester/Director
Division of Forestry Services
Oklahoma Department of Agriculture, Food and Forestry
2800 N. Lincoln Boulevard
Oklahoma City, OK 73105

Transmitted herewith is the special audit report of the Crow Roost Fire Department, Fort Cobb Lake, Caddo County, Oklahoma.

Pursuant to the Director's request and in accordance with the requirements of **74 O.S. 2001, § 227.8**, we performed a special audit with respect to the Crow Roost Fire Department for the period January 1, 2009 through March 31, 2011.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the Director's request. Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Crow Roost Fire Department for the period January 1, 2009 through March 31, 2011.

A report of this type tends to be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to serve the citizens of Oklahoma by promoting accountability and fiscal integrity in state and local government.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our special audit.

This report is addressed to and intended solely for the information and use of the Oklahoma Department of Agriculture, Food and Forestry and the Board of Directors of Crow Roost Fire Department and should not be used for any other purpose.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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BOARD OF DIRECTORS

(As of March 31, 2011)

Steven York Chairman
Chairman.....October 2009 to Present

(vacant) Vice Chairman

Bob Davis..... Vice Chairman
Vice Chairman.....October 2009 through March 1, 2011

George Turney Secretary/Treasurer
Secretary/Treasurer.....November 2010 to Present

Danny Homier..... Secretary/Treasurer
Secretary/Treasurer.....October 2009 through November 2010

Assistant Secretary/Treasurer

JoAnne Spanglehour

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INTRODUCTION

The Crow Roost Fire Department, Caddo County, Oklahoma (CRFD) was established as a “charitable corporation” under the provisions of **18 O.S. §§ 592-594**. According to **18 O.S. § 592**:

“...a corporate fire department shall have authority to provide fire protective service both to its members and to nonmembers, either within or without the unincorporated area wherein it is situated.”

According to the present bylaws, approved October 2010, the CRFD operates under the direction of a community elected three member *voting* Board of Directors (Board), plus a Fire Chief, Assistant Fire Chief and Assistant Secretary/Treasurer who serve as *nonvoting* members of the board. The Board is vested with the responsibility to oversee all financial and operational functions of the CRFD, and to establish “...rules and regulations...for the conduct of the business and affairs of the Department.”

Included in the CRFD bylaws are the duties of the Assistant Secretary/Treasurer listed in Article 6, Section 4 of the bylaws, and provide that:

“Assistant Secretary/Treasurer shall be a member of the board (no vote) shall receive and account for all funds of the Department; shall deposit the same in some bank designated by the Board as a depository; and pay or cause to be paid obligations of the Department out of the depository on checks signed by two officers. At each monthly meeting of the Board, the Treasurer shall submit for the information of the community and participating members a complete statement of the account for the past month and shall discharge such other duties pertaining to the office as shall be prescribed by the Board. The Assistant Secretary/Treasurer shall not be a member of the Fire Department.”

Article 4, Section 1 includes the provision that the “Fiscal year will be July 1 to June 30,” which coincides with the State of Oklahoma’s designated fiscal year period.

In this report, fiscal years are abbreviated by using the ending calendar year. For example, the fiscal year of July 1, 2009 to June 30, 2010, will be identified as “FY10.”

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During the audit period, the CRFD's primary sources of revenue included proceeds from state and federal grants, a subsidy provided through a Caddo County sales tax initiative, fundraisers and donations.

No audit reports of the CRFD, done in accordance with generally accepted auditing standards, were available for our review.

All dollar amounts in this report are rounded to the nearest dollar, unless otherwise indicated.

On December 6, 2010, the Director of the Division of Forestry, Oklahoma Department of Agriculture, Food and Forestry, requested the Oklahoma State Auditor and Inspector (OSAI) to conduct an "audit of operational grant fund expenses" of the Crow Roost Fire Department.

The results of the special audit are in the following report.

**FIDUCIARY
RESPONSIBILITY**

The Board of Directors has an obligation to act in the best interest of the CRFD and community as a whole. This fiduciary responsibility requires that all funds belonging to the CRFD be handled with scrupulous good faith and candor. Such a relationship requires that no individual shall take personal advantage of the trust placed in him or her. When the Board of Directors accepts responsibility to act in a fiduciary relationship, the law forbids them from acting in any manner adverse or contrary to the interest of the CRFD or the community.

**GENERAL
BACKGROUND**

In 1988, the Rural Fire Protection Program Fund Act (Act) was passed by the Oklahoma State Legislature and signed into law. The Oklahoma Department of Agriculture, Food and Forestry (ODAFF) was designated to administer funds available for the purposes of the Act. According to **19 O.S. § 901.56 (F.)**, funds available to rural fire districts:

“...shall be expended only for the maintenance of its fire department, the purchase, construction, maintenance, repair and operation of its fire stations, fire apparatus and equipment, the purchase, rental, installation or maintenance of fire hydrants, the payment of insurance premiums upon fire stations, fire apparatus and equipment, and insurance premiums for injuries or death of fire fighters, as otherwise provided by law.”

Title 19 O.S. § 901.61 of the Act created eleven (11) “rural fire protection coordination districts,” that coincide with the state’s eleven “regional councils of governments,” as part of the administration of state grant funds available under the Act and of federal excess property to be acquired “...for the support and operation of fire departments and fire districts.”

Caddo County is included in Rural Fire Protection Coordination District #9, along with seven other counties in the south, central area of the state. District #9 is housed in the Association of South Central Oklahoma Governments (ASCOG), with administrative offices in Duncan, Oklahoma.

In accordance with provisions of the Act, the Crow Roost Fire Department was awarded “operational grant funds” in the amount of \$5,100 for each of the three fiscal years of FY08, FY09 and FY10.

On November 16, 2010, the Rural Fire Protection District #9 Coordinator at ASCOG submitted a letter to the CRFD requesting “copies of all relevant materials” regarding the expenses related to the grant funds received for three fiscal years noted above.

In a letter dated November 22, 2010, the CRFD responded by:

1. Asserting that the Board was a new Board, as of October 2009;
2. Alleged that “all records” prior to October 2009 had been “removed” from the CRFD office prior to the change in Board membership and were consequently missing and unavailable;

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3. Reported that “some” duplicate bank statement records had been obtained from their bank for the period prior to October 2009.
4. Provided financial “summaries” of expenses based on bank statements for FY09, FY10 and the first four months (Jul-Oct) of FY11.
5. The CRFD did not provide any invoices, receipts or tickets supporting the summaries of expenses being reported, including for the period following October 2009, the term of administration by the new CRFD Board.

The CRFD response was considered to be insufficient and/or inadequate, which led to the subsequent request for an audit by then Director John Burwell of the ODAFF, Division of Forestry.

OBJECTIVE I. Determine if operational grant funds were properly deposited.

BACKGROUND

One of the primary concerns of the Department of Agriculture, Food and Forestry was to determine if operational grant funds provided to the CRFD were deposited and expended properly for the purposes identified in **19 O.S. § 901.56 (F.)**

There were also concerns expressed to us by former firefighters of the CRFD related to whether or not the CRFD had properly deposited and spent funds received from a FEMA Disaster Assistance Grant.

In addition, because the County Audit Division of the OSAI audits Caddo County Government, we were aware of distributions of county sales tax funds approved by county voters of Caddo County to support its municipal and rural fire departments, including the CRFD.

The CRFD bylaws describe the duties of the Assistant Secretary/Treasurer in Article 6, Section 4, and provide that:

“Assistant Secretary/Treasurer shall be a member of the board (no vote) shall receive and account for all funds of the Department; shall deposit the same in some bank designated by the Board as a depository;”

FINDING #1

Federal and state grant funds and county sales tax funds were deposited by CRFD, but not always in a timely manner.

We obtained grant records from the Department of Agriculture, Food and Forestry and from Oklahoma Emergency Management (OEM), as well as the payments from Caddo County representing the CRFD’s share of county sales tax proceeds. For ease of administration, Caddo County’s sales tax proceeds were accumulated by the County Treasurer and distributed once each year in January.

Based on bank statement records obtained directly from Legacy Bank, from January 1, 2009, to March 31, 2011, the CRFD deposited \$42,038.92. Of that amount, \$30,662.82 (72.9%) represented the public funds the CRFD had received from the ODAFF, OEM and Caddo County.

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While we were able to trace all of the public funds to deposits into the CRFD’s bank account, we noted that several of the deposits were not made in a timely manner:

Warrant Date	Warrant Description	Amount	Date Deposited	# Days Until Deposited
1/12/2009	Caddo Co. Warrant #000009	\$8,022.36	1/20/2009	9
10/9/2009	ODAFF Warrant #104779134	\$5,100.00	11/4/2009	26
1/11/2010	Caddo Co. Warrant #000009	\$6,024.02	1/13/2010	2
5/21/2010	OEM Warrant #101308115	\$1,056.20	7/14/2010	54
5/21/2010	OEM Warrant #101308116	\$3,168.60	7/14/2010	54
1/7/2011	OEM Warrant #101405971	\$603.75	1/27/2011	20
1/25/2011	Caddo Co. Warrant #000022	\$6,687.89	1/27/2011	2
Total of CRFD Deposits of Public Funds:		\$30,662.82		

Note: Due to concerns about the situation at CRFD, ODAFF-District #9 elected to “hold” the ODAFF issued state warrant for the FY11 operational grant. That warrant was also in the amount of \$5,100.00 and would have been delivered and deposited during the fall of 2010.)

FINDING #2

There is no governing authority requiring timely deposit for a “charitable corporation” operating under the provisions of Title 18.

In order to prevent accidental loss and/or intentional diversion of collections received, timely deposit of collections/revenues is an important internal control for any public or private entity.

Various statutes in Titles 11, 19 and 62 require “daily deposit” of revenue collections *by public entities*. For example, **62 O.S. § 517.3(B)** provides, in relevant part:

“The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office [...]

However, the CRFD is a Title 18 “charitable corporation” and NOT a “public entity” governed by any of the various “daily deposit” statutes. The CRFD’s bylaws place the responsibility on the assistant secretary/treasurer for receiving and depositing “all funds” in the bank

“designated by the Board,” but are otherwise silent and provide no guidelines or direction requiring “daily deposit,” or at least “timely” deposit.

CONCLUSION

We were able to trace all of the state and federal grant proceeds, as well as the county’s sales tax distributions, to deposits into the CRFD’s bank account at Legacy Bank. However, we noted several of the deposits were not being made in a timely manner, which contributed to the concerns of the ODAFF and the former firefighters.

RECOMMENDATIONS

The CRFD Board should review and revise its bylaws and/or establish *written policies* to address the various financial duties and procedures that any entity must perform to operate day to day.

1. The bylaws or policy changes should include procedures for issuing *pre-numbered* receipts for ALL collections (cash, check or money order) and requiring a reconciliation of deposits to receipts issued on a periodic basis.
2. Upon receipt of any CRFD collections by any member of the CRFD or Board member, the funds should be promptly turned over to the assistant secretary/treasurer to be deposited in a timely manner.
3. If the Rural Fire Protection Program is continued as currently designed, ODAFF should consider “direct deposit” procedures to ensure that grant funds are timely deposited.
4. OEM and those county governments providing sales tax support to their county municipal and rural fire departments should also consider “direct deposit” procedures.

OBJECTIVE II. Determine if expenses were supported by appropriate documentation.

BACKGROUND

As noted in the “General Background” section of this report, the records prior to the Oct-Nov 2009 transition period between the old and new boards, were not available for our review. Since November 2009, the CRFD has maintained a monthly spreadsheet record of their expenses and collections/deposits, prepared by the assistant secretary/treasurer. The monthly reports were provided to the Board of Directors at their monthly meetings.

The monthly reports were kept in a three-ring binder, a duplicate copy of which was provided to us. There were copies of invoices, receipts and tickets, purporting to support the CRFD expenses, attached to the monthly reports.

The November 2009 monthly report included some purchases and/or disbursements from October 2009. We obtained bank statement records directly from Legacy Bank and compared those records to the three-ring binder records provided by the CRFD.

We tested the CRFD’s disbursement records primarily to determine:

1. That the expenses were properly supported by itemized invoices, receipts, statements and tickets.
2. That the expense checks were countersigned by a second person, as required by the CRFD bylaws.

FINDING #1

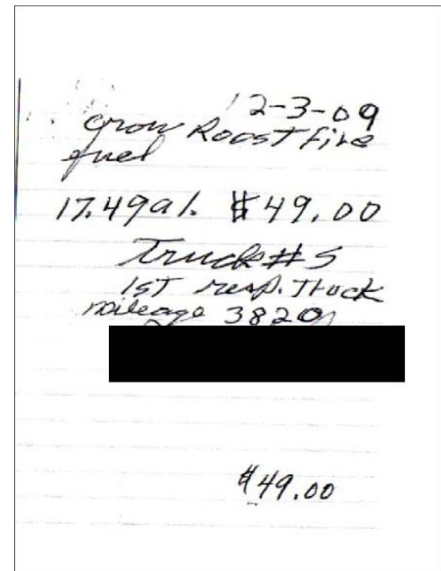
There was little documentation for the period of January 2009 through October 2009 (previous board), and approximately 39% of the expenses in the following period of November 2009 through March 2011 (present board) were not sufficiently supported by itemized invoices, receipts or tickets.

We attempted to verify the bank account records obtained from Legacy Bank to the records provided by the CRFD. We noted the following:

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- Of the 61 checks issued (plus 2 debits for “insufficient” check deposits) during the first ten month period (Jan 09 to Oct 09) and totaling \$8,254, there was virtually no documentation provided to support the disbursements. Our interviews indicated conflicting accounts of whether it was the previous board or the new board that was responsible for the missing documentation.
- Of the 178 disbursements of various types during the term of the new board (Nov 09 to Mar 11) totaling \$29,903, the CRFD was unable to provide itemized receipts for 64 payments, totaling \$11,628, *approximately one-third of payments and 39% of actual dollar cash disbursements.*
- We noted four instances where check numbers were unaccounted for and, presumably, voided. Voided checks should be retained and accounted for, along with the rest of CRFD’s financial records.

Some tickets and receipts could not be identified to a specific check or disbursement. Other tickets and receipts appeared to be reimbursements paid to some member of the fire department. Some of these “receipts” were only plain pieces of paper or receipts issued on pre-printed forms for “Tony’s Italian Specialties.” We were able to confirm the “Tony’s Italian Specialties” receipts were, in fact, receipts from the Crow Roost Store, which is next door to the fire station.



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<i>Fire Station</i>	BAR	63723
<i>Gas</i>	64.00	<i>4/26</i>
<i>Truck # 3</i>		

TONY'S ITALIAN SPECIALTIES 2824 N. PENNSYLVANIA (405) 524-7705	DATE	CHECK NO.	AMOUNT
	<i>4/22/09</i>	63723	64.00

A few invoices, receipts or tickets submitted for reimbursement reflected items and amounts that had been marked through with a marker. The reimbursements did not include the line item amounts that had been marked through, and the items not included apparently were personal purchases made along with CRFD purchases.

We noted one instance of a reimbursement being made to Crow Roost Store, in the amount of \$1,490.13, which was only partially supported by various invoices and receipts from a variety of vendors, including Wal-Mart, Sysco, Indian Nation Wholesale and others. The balance of the reimbursement was supported only by amounts on adding machine tape. A subsequent interview indicated this transaction at Crow Roost Store included "chili dinner/fish fry supplies" for fundraising efforts.

FINDING #2

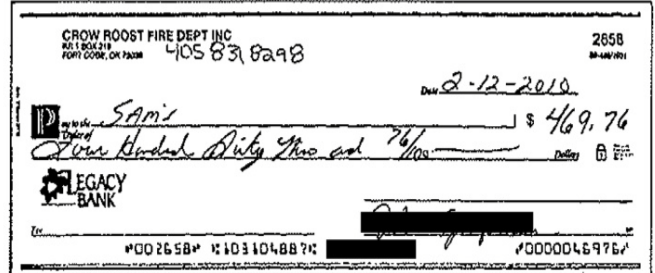
Some check disbursements did not have dual signatures, as required by the bylaws, and there was an increasing use of various forms of non-check disbursements (ACH, "point of sale" debits, drafts by utility companies, and one ATM withdrawal) during the term of the new/present board.

Article 6, Section 4 of CRFD's bylaws state, in relevant part:

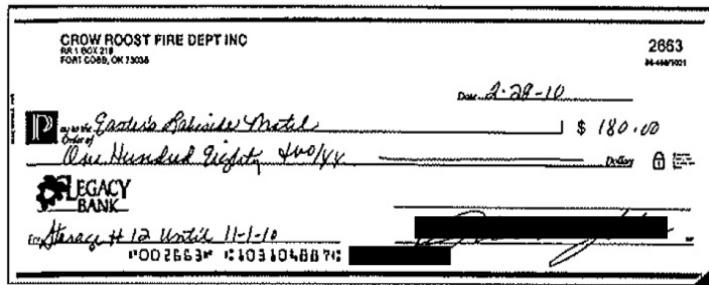
Assistant Secretary/Treasurer shall be a member of the board (no vote) shall receive and account for all funds of the Department; shall deposit the same in some bank designated by the Board as a depository; and pay or cause to be paid obligations of the Department out of the depository *on checks signed by two officers.*" (emphasis added)

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During our review we noted 7 out of 178 disbursements had been made by checks with a single signature, rather than the dual signatures required by the CRFD's own bylaws.

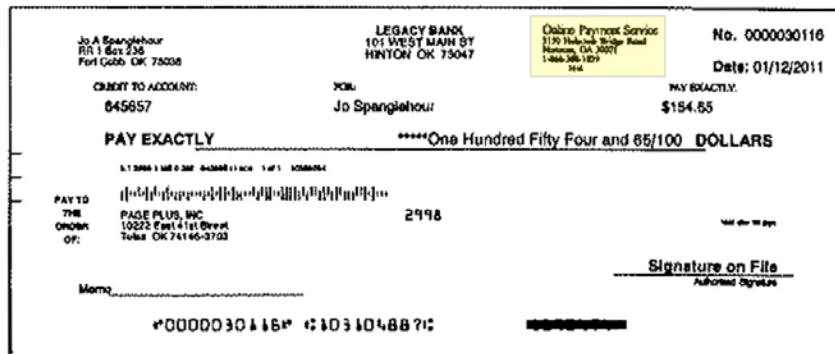


Ck # 2658 for \$469.76 -- 02/17/2010



Ck # 2663 for \$180.00 -- 03/17/2010

We also noted 81 payments (46%) were made with some form of electronic transaction, rather than by check. The bylaws do not authorize electronic transactions nor address electronic transactions in any way.



Ck # 30116 for \$154.65 -- 01/19/2011

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Jo A Spanglahour
PO Box 236
Fort Cobb, OK 73038

LEGACY BANK
101 WEST MAIN ST
HINTON OK 73047

Online Payment Service
130 National Bridge Road
Norcross, GA 30071
1-800-576-1238
Net

No. 0000030122
Date: 03/09/2011

CREDIT TO ACCOUNT FOR: PAY EXACTLY.
3714 Jo Spanglahour \$161.62

PAY EXACTLY ***One Hundred Sixty One and 62/100 DOLLARS**

⑆103104887⑆ 103104887⑆ 1 of 1 10007618

PAY TO THE ORDER OF: FARMERS CO-OP 3448
P.O. Box 188
Weapahok, OK 73093-0188

Memo _____

Signature on File
Authorized Signature

⑆0000030122⑆ ⑆103104887⑆

Ck # 30122 for \$161.62 -- 03/16/2011

FINDING #3

A significant percentage of the invoices, receipts, statements or tickets did not have the signature of a CRFD member or Board member to validate the purchase.

Of the various retail store receipts, cash register tapes, invoices, statements and tickets that were presented as supporting documentation, many had no CRFD signature on them. Without the signature of an individual member or Board member taking responsibility for the purchase, the CRFD has no procedure in place to relate the purchase to, or validate the purchase was for, approved CRFD activities or functions. (See Appendix for examples.)

CONCLUSION

A substantial amount of the CRFD disbursements during the audit period lacked adequate supporting documentation and/or authorization (signatures). The seven single signature checks and numerous electronic transactions are an indication the CRFD Board failed to monitor and/or enforce one of the controls over its disbursements, namely the dual signature requirement.

RECOMMENDATIONS

At a minimum, the CRFD Board of Directors should adopt policies and procedures to:

1. Document ALL CRFD expenses with an itemized invoice, receipt, statement or ticket.
2. If purchasing CRFD items at the same time as personal items, the two groups of items should be separated and

two checkouts should be done to obtain a receipt for the CRFD items that is completely separate from the receipt for personal items.

3. Record the check number and date issued on the itemized invoice, receipt, statement or ticket being paid.
4. Require whichever member of CRFD with first-hand knowledge of a transaction to sign the invoice, receipt, statement or ticket accepting responsibility for the goods or services received in order to validate CRFD purchases.
5. Monitor and review monthly transactions to verify that ALL invoices, receipts, statements and tickets are signed and validated by a CRFD member and/or Board member.
6. Ensure that ALL expense transactions be clearly designated according to the “source” of funding (i.e. federal grant, state grant, county sales tax and CRFD). *(See also: Other Findings and Recommendations.)*
7. Keep voided checks as part of the complete record of CRFD’s financial transactions.
8. Designate rotating Board members to review bank statements and monitor compliance with the CRFD bylaws concerning dual signatures for all cash disbursements.
9. Determine if additional changes should be made to the CRFD bylaws to provide guidelines for electronic payments to vendors and/or drafts for services by utility companies.

OBJECTIVE III. Determine if there was a misappropriation of grant funds.

BACKGROUND

The April 6, 2010, minutes for the Crow Roost Fire District meeting reported an agenda item mentioning the reactivation of the “Northeast Fort Cobb Lake Association” (Association), that new officers for that association “were elected,” and that the “first meeting” of the Association was scheduled for the following Saturday, April 10.

During a July 2010 meeting of the CRFD Board, Steven York, Board Chairman, was heard by multiple individuals proposing the possibility of using two OEM warrants for FEMA disaster assistance to open a community “disaster relief fund.” The OEM/FEMA disaster assistance payments were for the CRFD equipment used for relief work provided to community residents during the January 2010 ice storm.

According to interviews, there was some dissension and discussion concerning the proposed deposit of the OEM/FEMA warrants and whether the “disaster relief fund” would be under the control of the CRFD or the newly reactivated Association. The concern following the July 2010 meeting was that the OEM/FEMA funds may have been diverted into the bank account for the Association.

FINDING #1

As noted in Objective #1, the two OEM/FEMA warrants were eventually deposited in the CRFD bank account, but only after a delay of 54 days from the date of issuance.

It is fortunate the OEM/FEMA warrants were deposited in the CRFD bank account. If the warrants *HAD* been deposited into another bank account with the Association, or some other entity not entitled to the FEMA disaster funds, OSAI would have referred the matter to the local District Attorney for legal review, evaluation and potential charges for diversion of public funds.

FINDING #2 *The lack of documentation for significant amounts of CRFD disbursements is a concern.*

As noted in **Objective #2**, there was insufficient documentation for a high percentage of CRFD disbursements. However, many of those undocumented disbursements were for utility services, phone and internet services, postage, training at a technology center, several donations to families, including a \$1,000 donation to the widow of the former fire chief who died in the line of duty. Other payments lacking documentation were to the Oklahoma Department of Central Services-Risk Management and a few to known vendors of fire related supplies and equipment, such as Casco Industries.

Other undocumented disbursements were more questionable and included payments to Crow Roost Store, Walmart, Sam’s Wholesale, and one March 18, 2011, ATM withdrawal in the amount of \$203. Subsequent interviews and documentation obtained from Legacy Bank indicate the ATM withdrawal was intended to pay “cash” for a used Floto brand water pump. The pump was determined to be inoperable, and the purchase was not completed. The cash was re-deposited at Legacy Bank on April 1.

The lack of documentation, in and of itself, does not necessarily indicate a misappropriation, but it does increase the potential for abuse or misappropriation in the purchasing/disbursement process.

FINDING #3 *There was a notable increase in the amount of monthly expenses following the election of a new Board in October 2009.*

This table compares the first 10 months of our audit period to the 17-month period of the current Board starting in November 2009:

Period	Total No. of Disbursements	Total Dollar Amount	Monthly Average	Monthly Average \$
Jan 09-Oct 09	63	\$8,254	6.3	\$825
Nov 09-Mar 11	178	\$29,903	10.5	\$1,761
Totals:	241	\$38,187		

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Although there was an average increase in cash disbursements of \$936 per month, there was also a similar increase in collections from all sources, which resulted in an ending bank balance of \$21,380 at March 31, 2011, that was not much different from the ending balance of \$21,654 at October 31, 2009.

In comparing the cash disbursements during the two periods, the purchasing done during the 1st period was more “bare bones” basic monthly expenses, whereas a large part of the additional expenses in the 2nd period were attributable to EMT training at local technology centers (\$1,580), a chainsaw purchase (\$458), the Johnson Memorial (\$1,000), the reimbursement to Crow Roost Store for specified and unspecified expenses (\$1,490), a purchase of “T-shirts/Hoodies” for firefighters (\$644), new radios and pagers (\$4,190), radio batteries (\$590), as well as some increase in Walmart and Sam’s Wholesale purchasing and purchases of medical and firefighting supplies.

CONCLUSION

Due to the unreliable reporting, and often insufficient documentation, we were not able to form a conclusion regarding possible misappropriation and/or abuse. Analytical review indicated an increase in monthly expenses that coincides with the new board/administration, but analytical review alone does not provide sufficient evidence for a misappropriation.

RECOMMENDATION

The Board should utilize the findings and recommendations in this report to improve the CRFD’s recordkeeping, financial reporting and monitoring of operations. The purposes or reasons for implementing better records, policies and procedures would be to demonstrate their compliance with the use of public funds, ensure their tax-exempt status is not endangered and avoid future allegations of wrongdoing.

Other Findings and Recommendations

FINDING #1

The public funds from federal, state and county government were commingled with no accounting or bookkeeping system designed to track and report the receipts and expenses of the various grants and other public support.

As previously noted in this report the CRFD receives funds from various sources including grants, county sales tax, donations and fundraisers. From our review of the CRFD's records, we found no indication that the CRFD is providing a separate accounting of the funds from the various sources, including state and federal grant funds.

State and federal grants have specific requirements concerning how the grant funds are to be spent, what records are to be kept, what reports are to be made, etc. For example, a 2010 FEMA grant obtained by the CRFD included the following language:

As described in 44 CFR Section 13.42, applicant [CRFD] must maintain all work related records *for a period of three (3) years...and must reflect work related to disaster specific costs* [emphasis added].

Because the funds were commingled, there was no means to determine if the payments for expenses were made from FEMA funds, state operational grants, Caddo County sales tax support or from donated funds.

For example, we noted the CRFD spent \$59.40 for candy and soft drinks, and also purchased food for a "workday" totaling \$44.03. Other examples of non-firefighting disbursements would be the purchase of food for fundraisers, the purchase of flowers for and memorial donations to local families. While these expenses may be permissible when paid with donated funds, the payment of these expenses from FEMA grant or state operational grant funds would be more problematic.

Since the CRFD has comingled all sources of revenue, and because a significant amount of the expenses are insufficiently supported by appropriate documentation, we were unable to determine the CRFD's

compliance with the state and federal grant requirements attached to those grants. Because the funds were commingled, federal and state grantor agencies could take the position that *a portion of every expense transaction has some federal or state grant funds included.*

Consequently, federal and state grantor agencies could request reimbursement for those undocumented expenses.

RECOMMENDATIONS The CRFD Board of Directors should adopt policies and procedures to:

1. Consider and implement some or all the recommendations provided at **Objective #2.**
2. Many municipalities keep various “restricted” funds, such as debt service funds, federal grant funds and legislatively designated and restricted “street and alley” funds, *physically segregated in separate bank accounts*, in order to demonstrate compliance with restrictions imposed on such funding. The CRFD Board might consider this alternative accounting/bookkeeping strategy to avoid commingling its public funds.

FINDING #2

The statutes (18 O.S. §§ 592-594) establishing “charitable corporations” for rural fire department purposes have not been significantly modified or updated since first passed in 1957.

Title 18 O.S. §§ 592-594 were first added to the statutes in 1957. The intent for the new “benevolent and charitable corporations” was to provide an organizational framework to permit the members of rural volunteer fire departments to accept donations, hold fundraisers, charge fees for fire-fighting services and to limit the liability of volunteer firefighters “while actually performing the function of providing fire protective services within and without the unincorporated area...”

In the early decades, the Title 18 volunteer fire departments were funded predominately by membership fees or dues, donations and charges for actual fire runs, and the rural fire departments were mainly equipped with military surplus equipment from the WWII and Korean War era. Simple bookkeeping systems and basic records were adequate for simple operations and recordkeeping.

But in the last twenty years or so, other sources of revenue, such as state and federal grants and county sales tax support have begun to be provided to Title 18 rural nonprofit fire departments. With “public funds” comes a higher level of accountability and a need to provide more timely, accurate and reliable financial information and reporting.

We believe there is likely a wide range of accounting and/or bookkeeping and administrative experience and practices represented in the volunteer boards and the administrative/finance volunteers of these Title 18 rural fire departments.

Consequently, the problem issues described in this report may be more wide spread than a single rural fire department in Caddo County. The Crow Roost Fire Department may not be that exceptional or unusual, with regard to the unreliability and incomplete nature of its financial records and reporting.

As noted above, the statutes establishing Title 18 rural fire departments have not been significantly reviewed or updated to take into account the fact that a larger proportion of the revenues of these entities are now public funds. Such public funding may need (or perhaps should have) some added restrictions attached and a necessarily higher standard for accurate, reliable and timely reporting, as well as some additional methods or procedures for independent checking or monitoring of the accuracy and reliability of these entities’ financial reporting.

RECOMMENDATIONS The Oklahoma Department of Agriculture, Food and Forestry should:

1. Evaluate the **Title 19 Rural Fire Protection Program** and determine whether additional guidelines, restrictions, instructions, rules and/or regulations should be considered for those rural and municipal fire departments that are participants.
2. Consider whether any additional requirements determined to be in the interests of the program and its Title 18, Title 19 and municipal fire department participants would best be implemented by contractual agreement, or by Oklahoma Administrative Code “rules and regulations” or by legislation.

FINDING #3

Title 18 nonprofit volunteer fire departments are in danger of losing their tax-exempt status.

In October 2010, the IRS initiated enforcement of a rule change approved by Congress in 2006. Previously, there was an exception for “nonprofit” corporations that budgeted/raised less than \$25,000 per year. The rule change by Congress in 2006 required ALL nonprofit organizations, with the exception of religious groups, to begin filing the appropriate “990” form, without regard to the amount of their budgeted expenses and/or fund raising.

With the increase in public funds provided to Title 18 volunteer fire departments, it is possible that some nonprofit corporate fire departments have exceeded the \$25,000 threshold of the *previous* IRS rule and have not been in compliance with IRS rules and regulations for some years.

The *current 2006* IRS rule now requires an annual filing from ALL Title 18 volunteer fire departments in Oklahoma, as well as other small nonprofits. Failure to comply will result in the loss of their tax-exempt status.

The IRS has a website that lists the nonprofit organizations that have *already* had their tax-exempt status revoked:

<http://www.irs.gov/charities/article/0,,id=240099,00.html>

As of the date of this report, there were approximately 4,800 nonprofits in Oklahoma that have had their tax-exempt status officially revoked. There did not appear to be very many, if any, Title 18 fire departments included in the list.

The most probable explanation for their absence from the list is that the Title 18 fire departments have *never* filed any paperwork with the IRS, believing that they were exempt from filing requirements under the previous \$25,000 threshold for filing a 990 return. Consequently, the IRS is not aware of their existence and has no contact information for them.

**CROW ROOST FIRE DEPARTMENT
CADDO COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JANUARY 1, 2009 THROUGH MARCH 31, 2011**

RECOMMENDATIONS The ODAFF and/or the rural fire district coordinators should notify all Title 18 volunteer fire departments of the current IRS filing requirements.

1. The nonprofit corporate fire departments should be advised to register with the IRS, and file all appropriate documentation and 990 returns as necessary, and to review past financial records to determine if any returns should have been filed in previous years.
2. Filing requirements can be downloaded from the following IRS website:

<http://www.irs.gov/pub/irs-pdf/p557.pdf>

DISCLAIMER

In this report, there may be references to state statutes, Attorney General's opinions and other legal authorities which appear to be potentially relevant to the issues reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose or intent by the issuance of this report to determine the guilt, innocence, culpability or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement and judicial authorities designated by law.

**CROW ROOST FIRE DEPARTMENT
CADDO COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JANUARY 1, 2009 THROUGH MARCH 31, 2011**

Appendix

**CROW ROOST FIRE DEPARTMENT
CADDO COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JANUARY 1, 2009 THROUGH MARCH 31, 2011**



LOWE'S HOME CENTERS, INC.
1000 EAST, SH 152
MUSTANG, OK 73064 (405) 367-2000

- SALE -

SALES #: S2903581 1493918 12-24-10

125425 HAO.E/S BLLST 2 F72/F84/F	29.08
132452 40W 4' T12 CU PLUS CUP 10	12.98
327866 SYL 75W 8FT T12 3500K 2FK	74.10
13.72 DISCOUNT EACH	-1.37
6 @ 12.35	

2720
SUBTOTAL: 116.16
TAX: 0.00
INVOICE 14603 TOTAL: 116.16
CHECK: 116.16

TOTAL DISCOUNT: 8.22
STORE: 2903 TERMINAL: 14 12/24/10 12:56:11
OF ITEMS PURCHASED: 8
EXCLUDES FEES, SERVICES AND SPECIAL ORDER ITEMS



THANK YOU FOR SHOPPING LOWE'S.
SEE REVERSE SIDE FOR RETURN POLICY.
STORE MANAGER: RUSS BUCK

HAVE A COMMENT OR FEEDBACK? LET US KNOW AT:

↑
A2.24E



Savings Made Simple

279.80 OP 24P
92.82 - metal

CLUB MANAGER BRAD YOKLEY
(580) 248-3400
Fax and Pull # (580) 248-0363
LAWTON, OK
12/02/10 14:36 9302 8239 005 1616
X MEMBER 101-*****5302

THANK YOU,
CROW ROOST FIRE DEPT INC

342325 BATTERIES	9.98
342325 BATTERIES	9.98
341653 BATTERIES	14.98
341653 BATTERIES	14.98
851723 PLATTER	14.48
851723 PLATTER	14.48
931170 TONGS	4.16
658707 HALF STEAM	6.22
838752 IOSERIES INK	17.98
281058 1.5VIEWBND	9.98
658700 FULL STEAM	8.28
876266 SHOOTOVELS	14.42
461016 SPIRAL HAM	24.14
678172 NON DAIRY CR	9.88
461016 SPIRAL HAM	20.32
461016 SPIRAL HAM	23.75
461016 SPIRAL HAM	9.22
365649 FOLGERS	9.22
365649 FOLGERS	24.61
461016 SPIRAL HAM	19.64
830141 CHAIR	34.72
830141 CHAIR	19.64
912151 4' TABLE	18.78
390757 ENTRY MAT	18.78
390757 ENTRY MAT	18.78
SUBTOTAL	372.62
TOTAL	372.62

Customer 2707 2010
VOID

A2.24D

**CROW ROOST FIRE DEPARTMENT
CADDO COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JANUARY 1, 2009 THROUGH MARCH 31, 2011**

Smith & Sons Building Center
P.O. BOX 156
ANADARKO, OK 73005-0156
{405} 247-3501 FAX {405} 247-7423

Customer Copy
INVOICE
PLEASE REFER TO INVOICE NUMBER
ON ALL CORRESPONDENCE

Page: 1	Invoice: 20125762
Special : CROWS ROOST FIRE DEPT	Time: 11:06:18
Instructions :	Ship Date: 12/10/10
:	Invoice Date: 12/10/10
Sale rep #: LARRY LARRY SMITH	Acct rep code:
Due Date: 12/10/10	
Sold To: CASH-TAXABLE	Ship To: CASH-TAXABLE
() -	
() -	
Customer #: 1	Customer PO: Order By:

ORDER	SHIP	L	U/M	ITEM#	DESCRIPTION	Alt Price/Uom	PRICE	EXTENSION
1.00	1.00	P	EA	3003142	64023 SHOP LIGHT W/SWITCH	17.9900 EA	17.9900	17.99
2.00	2.00	P	EA	5615737	SP41 48" 32W T8 FLUOR BULB	143.6400 BOX	3.9900	7.98

	FILLED BY CHECKED BY DATE SHIPPED DRIVER SHIP VIA Customer Pickup RECEIVED COMPLETE AND IN GOOD CONDITION	<table style="width: 100%;"> <tr> <td style="width: 60%;"></td> <td style="width: 40%; text-align: right;">Sales total</td> <td style="width: 40%; text-align: right;">\$25.97</td> </tr> <tr> <td style="width: 60%;"></td> <td style="width: 40%; text-align: right;">Taxable</td> <td style="width: 40%; text-align: right;">25.97</td> </tr> <tr> <td style="width: 60%;"></td> <td style="width: 40%; text-align: right;">Non-taxable</td> <td style="width: 40%; text-align: right;">0.00</td> </tr> <tr> <td style="width: 60%;"></td> <td style="width: 40%; text-align: right;">Sales tax</td> <td style="width: 40%; text-align: right;">2.47</td> </tr> </table>		Sales total	\$25.97		Taxable	25.97		Non-taxable	0.00		Sales tax	2.47
	Sales total	\$25.97												
	Taxable	25.97												
	Non-taxable	0.00												
	Sales tax	2.47												

TERMS: Accounts due 1st of the month. 1.75% interest charge on past due accounts. \$75 minimum charge, 10% restock fee. Claims for shirage must be made on receipt of merchandise.


2 - Customer Copy

TOTAL \$28.44
Change: 11.56

A2-24D

**CROW ROOST FIRE DEPARTMENT
CADDO COUNTY, OKLAHOMA
SPECIAL AUDIT REPORT
JANUARY 1, 2009 THROUGH MARCH 31, 2011**

A2.27D



Savings Made Simple

CLUB MANAGER BRAD YOKLEY
(580) 248 - 3400
Fax and Pull # (580)248-0363
LAWTON, OK
03/18/11 12:17 1031 8239 012 1149
X MEMBER 101-*****5302

THANK YOU,
CROW ROOST FIRE DEPT INC

****SUSPEND ITEMS FOLLOW****

E 721847 PLATES	6.78 E
E 2530 M&M PLAIN	21.76 E
2 @ 5.98	
E 726874 LEMONADE 340	11.96 E
3 @ 11.68	
E 885303 DESKTOP	44.04 E
E 6052 SWEET N LOW	11.48 E
E 16258 SUGAR 10	6.57 E
658700 FULL STEAM	8.28 E
658707 HALF STEAM	6.28 E
830141 CHAIR	19.64 E
E 677724 N'JOY SUGAR	9.44 E
E 678172 NON DAIRY CR	9.88 E


****SUSPEND ITEMS COMPLETE****

SUBTOTAL	156.11
TOTAL	156.11
ECA CHECK TEND	156.11
CHANGE DUE	0.00

When you pay by check you authorize us to use its information to process an Electronic Funds Transfer (EFT) or a draft drawn on your account, or to process the payment as a check. If payment is returned unpaid, you authorize collection of your payment and the Return Fee below by EFT(s) or draft(s) drawn on your account. Call 888-906-3388 with any questions
RETURN FEE AMOUNT 25.00

ITEMS SOLD 14

TC# 4491 3409 6644 8440 4275 2



WE VALUE YOUR OPINION
WE WANT TO KNOW ABOUT YOUR SHOPPING EXPERIENCE TODAY AT SAM'S CLUB
Please complete a survey about today's club visit at:
<http://www.survey.samsclub.com>
IN RETURN FOR YOUR TIME YOU COULD RECEIVE ONE OF FIVE \$1,000 SAMS CLUB SHOPPING CARDS
You must be 18 or older and a legal resident of the United States to enter. No purchase necessary to win. To enter without purchase and for official rules visit:
www.entry.survey.samsclub.com
Sweepstakes period ends on the date shown in the official rules. Survey must be taken within TWO weeks of today.
Esta encuesta también se encuentra en español en la

CLUB MANAGER BRAD YOKLEY
(580) 248 - 3400
Fax and Pull # (580)248-0363
LAWTON, OK
02/11/11 11:55 7688 8239 009 1619
X MEMBER 101-*****5302

THANK YOU,
CROW ROOST FIRE DEPT INC

830141 CHAIR	19.64 E
159129 JUMBO CLIP	4.98 E
785169 SHARPIEMARKE	7.68 E
24499 MAGIC TAPE	9.68 E
85761 EZPENBLK24PK	10.68 E
615043 CHINET PLATE	15.98 E
749312 8.5X11 PAD	5.46 E
625236 2PK64X120TC	19.58 E
E 562637 GARLICPEPPER	7.98 E
E 562637 GARLICPEPPER	7.98 E

SUBTOTAL 109.64
TOTAL 109.64
ECA CHECK TEND 109.64
CHANGE DUE 0.00

When you pay by check you authorize us to use its information to process an Electronic Funds Transfer (EFT) or a draft drawn on your account, or to process the payment as a check. If payment is returned unpaid, you authorize collection of your payment and the Return Fee below by EFT(s) or draft(s) drawn on your account. Call 888-906-3388 with any questions
RETURN FEE AMOUNT 25.00

ITEMS SOLD 10

TC# 5096 3508 4323 1587 4101 9



WE VALUE YOUR OPINION
WE WANT TO KNOW ABOUT YOUR SHOPPING EXPERIENCE TODAY AT SAM'S CLUB
Please complete a survey about today's club visit at:
<http://www.survey.samsclub.com>
IN RETURN FOR YOUR TIME YOU COULD RECEIVE ONE OF FIVE \$1,000 SAMS CLUB SHOPPING CARDS
You must be 18 or older and a legal resident of the United States to enter. No purchase necessary to win. To enter without purchase and for official rules visit:
www.entry.survey.samsclub.com
Sweepstakes period ends on the date shown in the official rules. Survey must be taken within TWO weeks of today.
Esta encuesta también se encuentra en español en la página de Internet.
THANK YOU
Find big savings for your tiny tot.
Shop us for diapers, formula, and more
02/11/11 11:57:26

A2.26C



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV