

AGREED-UPON PROCEDURES REPORT

FOR

**ACCOUNTS PAYABLE
SPECIAL FUNDS ACCOUNTS**

CHARLOTTE VOLUNTEER FIRE AND RESCUE SERVICES, INC.

JANUARY 14, 2013

**Agreed-Upon Procedures
Completed by
Batchelder Associates, P.C.**

AGREED-UPON PROCEDURES REPORT

FOR

**ACCOUNTS PAYABLE
SPECIAL FUNDS ACCOUNTS**

**EXPENDITURE TESTING JULY 1, 2007 THROUGH JUNE 30, 2012
FORENSIC ANALYSIS**

BATCHELDER ASSOCIATES, PC

CONTENTS

Report of Independent Certified Public Accountants	1
Vendor Payable Detail of Issues	Exhibit A & A1
Recommendations	Exhibit B & B1

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Charlotte Volunteer Fire and Rescue Services, Inc
Charlotte, Vermont

Batchelder Associates, PC has performed the procedures enumerated below, which were agreed to by the Charlotte Volunteer Fire and Rescue Services, Inc. These procedures were performed solely to assist Charlotte Volunteer Fire and Rescue Services, Inc. to obtain a review of expenditures during the period July 1, 2007 through June 2012.

We performed this agreed-upon procedures engagement in accordance with generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested for any other purpose.

1. Procedure We reviewed 100% of the vendor payables for Charlotte Volunteer Fire and Rescue Services, Inc.'s all of the Special Funds account, for the Fiscal Year Ends of 2008, 2009, 2010, 2011 and 2012. We examined the validity and accuracy of invoices; verifying approval procedures; tracing all activity from the check register to the invoices and bank statements, then tracing activity on bank statements back to the check register.

Finding We found for each year the following issues:

Description	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012
Number Viewed	16	36	35	19	74
Traced from check register to bank statement	16	36	35	19	74
Invoice improperly approved	8	18	5	2	32
Approval date not completed	0	1	0	3	1
Missing approval	0	10	11	7	40
Check number entered incorrectly in check register	0	1	0	0	0
Examined validity & accuracy of invoice	0	21	11	4	47
Missing invoice	2	6	7	6	26
Voided check verified	0	1	1	0	0

Please note the Barrow's Special Fund account was not opened until February, 27, 2009 with the first check, #102, written on July 30, 2009 thus no checks tested for 2008.

In addition, multiple attempts were made to obtain copies of the missing invoices; however, they were unable to be located at the Fire House. In some cases of the missing invoices, additional attempts were made to obtain copies directly from the vendors, of which a few were received.

In accordance with the United States *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the subject matter of the procedures listed above and any fraud and illegal acts that come to our attention in performing those procedures. The purpose of our engagement was to perform the above procedures and was not to express an opinion or provide any form of assurance on internal controls, compliance, or any other matter. In performing the procedures, we observed certain deficiencies, as summarized above and as detailed in the attached Exhibit A, that we believe represent matters required to be disclosed. In addition, Exhibit B outlines Batchelder Associates, PC recommendations.

This report is solely for the use of the Charlotte Volunteer Fire and Rescue Services, Inc. and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report is a matter of public record and is available at the Charlotte Volunteer Fire and Rescue Services, Inc. and Town of Charlotte, Vermont.

Barre, Vermont
November 8, 2012

AGREED-UPON PROCEDURES REPORT
FOR
CHARLOTTE VOLUNTEER FIRE AND RESCUE SERVICES, INC.

Expenditure Testing, July 1, 2007 – June 30, 2012
FORENSIC ANALYSIS

BATCHELDER ASSOCIATES, PC

Expenditure Testing Noted Issues and Examples

January 14, 2013

Batchelder Associates, PC has outlined below a breakdown for each special fund and the various issues within each individual check register.

Barrows Special Funds Results:

Fiscal Year End 2008:

- No accounts payable transactions, account opened on 02/27/2008 with a deposit of \$10,713.49. The first check written, check #102, was on 07/30/2008.

Fiscal Year End 2009:

Missing approval and invoice:

- KME Fire Apparatus, check #102; \$22,534.00. (Note: Invoice was obtained directly from vendor via fax. The invoice did not have an approval.)
- Marshall Tire Group, check #125, \$2,025.10
- Transfer, check #136, payable to Charlotte Volunteer Fire & Rescue operating account, \$5,000.00, dated 06/20/2009, cleared the bank on 06/26/2009. Confirmed deposited into the Charlotte Volunteer Fire & Rescue Operating accounting on 06/25/09.

Check number issue:

- Check #102, KME Fire Apparatus, \$22,534.00 is in the check register as 1.

Approval date issue:

- Reynolds & Son, check # 133, \$2,400.00, no approval date.

Barrows Special Funds Results (continued):

Fiscal Year End 2010:

Missing approval and invoice:

- Charlotte Rescue, check #130, \$3,000.00, unable to confirm deposit, as had not received the bank statements, accounts payable or accounts receivable for the time period of 06/30/08 to 06/30/11.

Missing approval:

- Dick St. George, check #131, \$930.00, requested by Kay Gault on 03/14/10, no signature for approval.
- KME Fire Apparatus, check #142, \$6,075.21, requested by Kay Gault on 06/28/10, no signature for approval.

Missing invoice:

- Charlotte Fire Special, check #141, \$13,000.00, check confirmed to be deposited to CVFRS operating account within a reasonable amount of time.

Fiscal Year End 2011:

Approval date issue:

- Grand Pointe Marina, check #144, \$23,666.00, no approval date.

Fiscal Year End 2012:

Approval date issue:

- RVG Electrical Services, check #149, \$220.00, no approval date.

Missing invoice:

- City of South Burlington, check #147, \$6,500.00.

Charlotte Rescue Special Funds Results:

Fiscal Year End 2008:

Transactions prior to June 30, 2008 were maintained outside of QuickBooks. Batchelder Associates, PC was not provided the offline check register to test transactions for period covering July 1, 2007 through June 30, 2008. However, Batchelder Associates, PC was able to determine checks written were accounted for through the bank statements. Batchelder Associates, PC determined that all deposits and checks recorded in QuickBooks dated after July 1, 2008 cleared the bank.

Charlotte Rescue Special Funds Results (continued):

Fiscal Year End 2009:

Batchelder Associates, PC completed a comparative review of the QuickBooks check register and bank statements, tracing transactions. No payables to review.

Listed as Voided Checks:

- Check # 646, CVFD Special Fund \$ 75.00, originally voided, record updated to show it cleared the bank on 07/07/2009.

Checks Clearing the Bank not in Check Register:

- Check # 660, \$63.96, is not listed with in the QuickBooks check Register, but cleared the bank on 06/12/2008.

Fiscal Year End 2010:

Batchelder Associates, PC completed a comparative review of the QuickBooks check register and bank statements, tracing transactions. No payables to review.

Difference in Deposit Dates:

- Deposit within QuickBooks Register listed as 11/11 2009 \$3,000.00 and 11/17/2009 \$250.00, were deposited per bank statement on 11/17/2009 for \$3,250.00

Fiscal Year End 2011:

Batchelder Associates, PC completed comparative review of the QuickBooks check register and bank statements, tracing transactions. No payables to review.

Identified and confirmed all payments and deposits. No definitive issues.

Fiscal Year End 2012:

Missing approval and invoice/receipt:

- Check #702, The Charlotte News, \$120.00
- Check #703, CVFD Special Fund, \$125.00
- Check #704, Old Brick Store, \$51.23
- Check #705, CVFD Special Fund, \$500.00
- Check #708, DMV, \$97.00
- Check #710, Shelburne Rescue, \$250.00
- Check #711, Charlotte Fire Special Fund, \$2,417.00

- Check #712, Charlotte Fire Special Fund, \$587.50
- Check #724, Chary Scott, \$32.68
- Check #731, Charlotte Fire Special Fund, \$125.00
- Check #734, Old Brick Store, \$81.92

Missing Voided Check:

- Check #717
- Check #719
- Check #720 (Missing, voided in check register, not cleared)

Voided Check Confirmed:

- Check #722

Missing approval:

- Check #706, Ian Pomerville, \$177.79
- Check #707, Old Brick Store, \$51.51
- Check #709, Costco, \$146.78
- Check #721, EMP, \$62.65
- Check #723, Everdixie USA, \$434.00
- Check #728, National Creative, \$387.00
- Check #729, Earl's Cyclery, \$899.00
- Check #730, Chary Scott, \$54.66
- Check 732, Ian Pomerville, \$70.31

Charlotte Fire Special Funds Results:

Fiscal Year End 2008:

Missing invoices:

- Check #550, Rita St. George, \$125.00
- Check #549, Shelburne Supermarket, \$60.00

Fiscal Year End 2009:

Missing invoices:

- Check #560, Rita St. George, \$250.00, reimbursement
- Check #565, Cucina Antica, \$565.00, \$140.61

Fiscal Year End 2010:

Missing invoice:

- Check #569, Chris Mack, \$137.90

Charlotte Fire Special Funds Results (continued):

- Check #573, North Country Fire, \$110.00
- Check #574, North Country Fire, \$55.00

Missing invoice and approval:

- Check #578, Red River Computer, \$3,700.00

Fiscal Year End 2011:

Missing invoice:

- Check #584, Chardy St. George, \$376.25
- Check #586, Ian Pomerville, \$300.00
- Check #588, Charlotte Rescue, \$123.00

Missing approval:

- Check #580, Steven Costello Family, \$50.00
- Check #583, Cash, \$450.00, for Halloween
- Check #587, Chris Davis, \$200.00

Approved after payment

- Check #581, Little Garden Market, \$654.00
- Check #582, Brett Lewis Threads, \$1,497.00

Fiscal Year End 2012:

Missing approval and invoice/receipt:

- Check #589, Chris Mack, Actually written to Jiffy Mart, no receipt, \$50.56
- Check #590, Little Garden Market, \$100.00
- Check #591, Chris Mack, \$585.00
- Check #592, Little Garden Market, \$750.00
- Dated 10/13/11, Bank Charge Chittenden Bank, research for audit
- Check #594, Charlotte Rescue, \$125.00
- Check #596, Old Brick Store, \$58.86
- Check #601, Shelburne Meat Market, \$350.00
- Check #602, Dick St. George, \$100.00
- Check #603, Devin St. George, \$100.00
- Check #615, Kay Gault, \$100.00, gift for Kay Gault going away in memo

Missing approval and invoice/receipt issue:

- Check #604, Monica Birchmore, \$120.00, Lifeguard Training, written out on a CVFRS pamphlet.

Missing Voided Check:

- Check #608

Missing Invoice:

- Check #597, Jennifer Bora, \$75.00

Missing Approval:

- Check #593, Costco, \$145.00
- Check #597, Jennifer Bora, \$75.00
- Check #605, Point Bay Marina, \$3,200.00, GPS for Marine 3
- Check #612, Chris Davis, \$149.90, reimbursement

Charlotte Tower Special Funds Results:

The Charlotte Tower Special Funds Account was established using QuickBooks June 30, 2007.

Fiscal Year End 2009:

Missing Approval:

- Check #1067, Primmer Piper Eggle, \$209.00, Legal Fees
- Check #1068, Primmer Piper Eggle, \$133.00, Legal Fees
- Check #1073, Vermont Energy, \$6,957.00, Leasehold improvements - Air exchange
- Check #1074, Reliant Electric Works, \$723.07, Leasehold improvements – Electrical work
- Check #1078, Internal Revenue Service, \$470.00,
- Check #1079, Internal Revenue Service, \$660.00, Check written out to the Bank for IRS Deposit.

Fiscal Year End 2010:

Missing approval and invoice/receipt:

- Check #1080, Charlotte Fire & Rescue, \$15,000.00, Memo: Operations Transfer, confirmed deposited into Charlotte Volunteer Fire & Rescue Operation account on 06/25/09.
- Check #1081, Internal Revenue Service, \$24.15
- Check EFT, Internal Revenue Service, 03/15/2010, \$1,170.00

Voided check not in check register:

- Check #1084

Charlotte Tower Special Funds Results (continued):

Missing Approval:

- Check #1082, Bly Communications, \$1,430.00
- Check #1083, Radio North Group, \$2,945.00
- Check EFT, Internal Revenue Service, \$913.00, dated 02/11/2010
- Check EFT, Internal Revenue Service, \$191.31, dated 05/27/2010
- Check EFT, Internal Revenue Service, \$390.00, dated 06/15/2010
- Check #1085, Radio North Group, \$15,552.32

Fiscal Year End 2011:

Missing approval and invoice/receipt:

- ACH, Internal Revenue Service, 11/15/2010,
- ACH, Internal Revenue Service, 03/16/2011, \$760.00
- Check EFT, Internal Revenue Service 06/14/2011, \$2,004.00

Fiscal Year End 2012:

Missing approval and invoice/receipt:

- ACH, Internal Revenue Service, 02/13/2012, \$553.00
- ACH, Internal Revenue Service, 02/13/2012, \$2,670.00
- ACH, Internal Revenue Service, 05/09/12, \$148.22

**AGREED-UPON PROCEDURES REPORT
FOR
CHARLOTTE VOLUNTEER FIRE AND RESCUE SERVICES, INC.
ALL SPECIAL FUNDS ACCOUNTS
BATCHELDER ASSOCIATES, PC
DETAILS OF RECOMMENDATIONS**

January 14, 2013

Procedures 1 Batchelder Associates, PC recommends a strong internal control policy process be put in place immediately.

All vendor invoices are required to be reviewed and approved by the Chief of Operations prior to being paid. All checks cut are to be reviewed by the Chief of Operations to confirm check agrees with received invoice. In addition, a check register should be provided with the cut checks and the invoices to be certain check numbers assigned to the checks agree with the printed checks.

All voided checks are to be accounted for and kept in a separate file. QuickBooks has the capability to record voided checks and is to be recorded immediately upon check being voided. If an issued check is to be replaced, it is required to be requested in writing by the individual who is requesting the replace. Prior to the replacement check being issued the request must be reviewed and approved by the Chief of Operations.

Submission and approval of invoices are to be completed by two separate persons.

Due to the nonexistent internal control procedures, there has been the potential for payment of inappropriate charges; however, we found no direct evidence of misuse of CVFRS' assets.

As new vendors are set up in QuickBooks and invoices received by the new vendors, a W-9 is to be sent to the vendor for completion and return. This will provide CVFRS with the appropriate information to prepare the 1099's at year end.

As part of the month end financial statement preparation, an open accounts payable report is to be printed and verified the open vendor payable is accurate and is due as of the end of the month.

The list of active vendors should be monitored on a regular basis for accuracy.

DRAFT