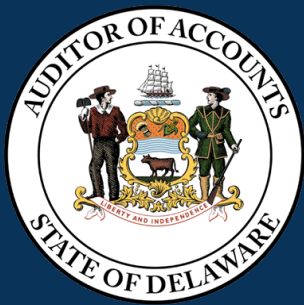


MEMORIAL VOLUNTEER FIRE COMPANY

PERFORMANCE AUDIT
CALENDAR YEARS 2021, 2022, 2023



MEMORIAL VOLUNTEER FIRE COMPANY

REPORT SUMMARY CALENDAR YEARS 2021, 2022, 2023

BACKGROUND

The Memorial Volunteer Fire Company (the “MVFC”) engaged the State of Delaware Office of Auditor of Accounts for a performance audit (the “Audit”).

The purpose of our Audit was to evaluate the efficiency and effectiveness of operations during calendar years 2021 to 2023.

The three audit objectives were: to verify the design and operational effectiveness of internal controls over financial activities and reporting; assess the effectiveness of the entity's financial governance framework and daily financial operations, including oversight, decision-making, roles, policies, record-keeping, budgeting, compliance, and transparency; compliance with the Sussex County Grant agreement for the period under review.

The State Auditor is authorized under 29 Del. C. §2906 to conduct performance audits.

KEY INFORMATION AND FINDINGS

Memorial Volunteer Fire Company (MVFC), founded in 1954, is a 501(c)(3) non-profit organization located in Slaughter Beach, Delaware. The company provides fire protection and rescue EMT services to both Kent and Sussex County, Delaware. The company bylaws discuss the financial responsibilities of the Treasurer regarding the management of funds, financial reporting, and internal control over check writing. It mentions that the company policies and procedures contain further requirements regarding the financial operations of the company.

Our audit uncovered multiple control deficiencies that have increased the MVFC's exposure to financial risk. The primary areas of concern relate to the following:

- **Non-compliance with Policy & Procedure:** The former Treasurer did not consistently follow internal policies for the proper handling and depositing of money and checks. This condition creates a vulnerability for the organization and represents a deviation from established financial criteria.
- **Deficient Expense Records:** Insufficient documentation was maintained for certain expenditures, limiting the audit trail and increasing the risk of financial irregularities.
- **Weaknesses in Financial Oversight:** Organizational policies were determined to be inadequate in providing clear and robust guidance for the management of credit cards, payroll, the annual budget, and grant funding.

The current MVFC Board been proactive in making process improvements which were discussed with AOA. However, a future audit would be necessary to provide assurance that controls are in place and working as designed.



MEMORIAL VOLUNTEER FIRE COMPANY

REPORT SUMMARY CALENDAR YEARS 2021, 2022, 2023

KEY INFORMATION AND FINDINGS CONT. _____

Expenses - Proper Approval by Board/Members and Supporting Documentation

Fiscal Year	2021	2022	2023	Total 2021 - 2023
Items Tested	60	60	60	180
Items with <u>Approval</u> Exceptions	43	36	47	126 (70%)
Items with <u>Documentation</u> Exceptions	27	29	19	75 (42%)
Total Dollar Amount	\$1,476,378.80	\$368,689.72	\$1,468,552.85	\$3,313,621.37
Dollar Amounts of Items with <u>Approval</u> Exceptions	\$1,472,022.92	\$347,463.70	\$1,464,159.54	\$3,283,646.16 (99%)
Dollar Amounts of Items with <u>Documentation</u> Exceptions	\$1,329,740.39	\$276,986.52	\$1,015,607.09	\$2,622,334 (79%)

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**State of Delaware
Office of Auditor of Accounts**

**Lydia E. York
State Auditor**

INDEPENDENT AUDITOR'S REPORT

President Preston Greenwalt
Memorial Fire Company
Station 89
359 Bay Ave.
Milford, DE 19963

Dear President Greenwalt,

We have conducted a performance audit on Memorial Volunteer Fire Company. This audit was conducted based on 16 Del. C §6608(c).

Performance Audit Overview

The United States Government Accountability Office develops and promulgates government auditing standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are referred to as Generally Accepted Government Auditing Standards (GAGAS).

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) applicable to performance audits issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We are required to be independent of Memorial Volunteer Fire Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit procedures are designed to assess efficiency, effectiveness and compliance however they do not provide absolute assurance in detecting all instances of fraud, waste or abuse. The audit findings are based on the information available and the scope of the review, and while efforts are made to identify irregularities, undetected instances may still exist.

Highlights and Conclusions

Based on the performance audit conducted, we identified several improvements to assist MVFC with three overall objectives. This audit was conducted at the request of the Delaware Fire Commissioners Office to evaluate the efficiency and effectiveness of Memorial VFC operations. AOA was engaged by the Fire Commission to address MVFC member concerns over mismanagement of funds, lack of policies, and excessive expenditures of prior board members. The current board sought to identify and address gaps in preventive or detective controls or procedures on past activities, with the goal of preventing any potential for fraud waste and abuse in addition to improving governance over the Fire Company.

The current board was proactive while awaiting the results and have implemented policies and procedures over the areas of concern. Any changes to current practices or the implementation of new processes were discussed with AOA. However, a future audit would be necessary to provide assurance that controls are in place and working as designed since we were limited to activity in the scope of calendar years 2021 to 2023.

MVFC should continue to build upon these policies and procedures and update them as the Company grows in the future. Establishing proper internal controls to effectively guide, manage, and oversee Memorial VFC's operations should be prioritized to ensure the Company's continued progress and long-term success.

Delaware Auditor of Accounts (AOA) Authority: The Office of Auditor of Accounts is authorized under 29 Del C. Chapter 29 Auditor of Accounts to conduct performance audits.

This report is intended solely for the information and use of the MVFC, Fire Commissioners Office, and the Office of Auditor of Accounts. Under 29 Del. C §10002 this report is a matter of public record, and its distribution is not limited. This report will be provided to the General Assembly, Offices of the Governor, Controller General, Attorney General and Management and Budget.

AOA extends its gratitude to the Memorial VFC Board and Company members for their cooperation and support throughout this audit. Their professionalism and commitment have been truly instrumental in facilitating a thorough and meaningful audit.

Lydia E. York
State Auditor
Office of Auditor of Accounts
Dover, Delaware

September 23, 2025

BACKGROUND

Memorial Volunteer Fire Company (MVFC), founded in 1954, is a 501(c)(3) non-profit organization located in Slaughter Beach, Delaware. The Company provides fire protection and rescue EMT services to both Kent and Sussex County, Delaware. MVFC has two locations – the first at 359 Bay Ave, Milford, DE 19963, and an additional station located at 8009 Slaughter Beach Rd, Milford, DE 19963. The Bay Ave location includes a Fire Hall that can be rented for local events.

Membership and Activities

Per the Company's website, Memorial Volunteer Fire Company has 50 members¹. This membership includes active members, life members, junior members, administrative members, career staff, and Ladies Auxiliary. Currently MVFC owns 15 vehicles registered with the DMV, including two ambulances, two brush trucks, one fire police vehicle, one command truck, one SUV, one 5-ton truck, and seven suppression apparatuses².

Memorial VFC rents out its fire hall for public or private events. Fire hall rentals are arranged through the Building Superintendent and requires a deposit prior to the event occurring and the remaining payment to be remitted afterwards. There is a contract signed when the fire hall is rented. Food is allowed to be brought to the event; however, the kitchen is not allowed to be used by catering staff.

MVFC Board and Governance

MVFC's bylaws require that in October of each year, annual Board elections be held at the regular membership meeting for the following positions: President, Vice President, Secretary, Treasurer, Fire Chief, Ambulance Captain, Fire Recorder, Chief Engineer, Superintendent of Buildings, Director #1 and Director #2. Candidates for these positions must be nominated by members in good standing. The officers hold office for one year from the date of election or until their successors are duly confirmed or qualified. Members cannot hold more than one elected office at a time.

Regular monthly meetings are to occur on the first Tuesday of every month (with Election Day as an exception). The President may call a special meeting at any time if there are 7 days' notice given. A quorum is reached when 15 active members, 2 of which are active board members, are in attendance.

The bylaws also discuss the financial responsibilities of the Treasurer regarding the management of funds, financial reporting, and internal control over check writing. It mentions that the President authorizes the audit of the financials on an annual basis.

¹ <https://www.memorialfire89.com/members.cfm?g=&page=1>

² <https://www.memorialfire89.com/apparatus.cfm>

Record Keeping and Financial Reporting

Memorial VFC contracts out their bookkeeping services through two independent certified public accountants (CPA). The general ledger, financial reporting, payroll and electronic check process is maintained through Intuit's QuickBooks accounting software.

As required by *16 Del. C. §6608 (a)* and Sussex County, Memorial VFC contracts with an independent CPA to conduct a review of its annual financial statements and an agreed upon procedures engagement. An agreed-upon procedures engagement consists of auditors performing specific procedures on subject matter or an assertion and reporting findings without providing an opinion or a conclusion on it.³ A review of annual financial statements is an attestation service as issued by the American Institute of Certified Public Accountants (AICPA). A review is a service that provides a moderate level of assurance that the data provided is not materially misstated which is less assurance than a financial statement audit.

Revenue Sources:

Based on information from the State's accounting system, First State Financials (FSF), MVFC's State-related revenue comes from appropriated Grants-in-Aid, fire company allocations from the Department of Insurance's (DOI) "premium tax", State Bond Bill funds, Ambulance Funds, and the Department of Elections – Kent County. as detailed in Table 1.

Table 1: State funds Received for January 2, 2021, through December 31, 2023

	2021	2022	2023
Grants-in-Aid	\$ 164,405	\$ 292,205	\$ 259,065
Department of Insurance Funds	467,433	520,217	610,255
Ambulance Funds	84,319	117,141	129,875
Department of Elections	\$ -	\$ 600	\$ -
Total State Funds	<u>\$ 716,157</u>	<u>\$ 930,163</u>	<u>\$ 999,195</u>

Grants-in-Aid Bill

Memorial VFC is required to use the appropriations received for the operation and maintenance of fire apparatus', ambulances, and rescue trucks.

Department of Insurance Funds

As defined in Delaware Code⁴, each volunteer fire company and rescue service in the State receives an allocation of the "premium tax" paid to the Office of the Insurance Commissioner by insurance companies who cover risks of loss on any real or personal property from fire within the State. The funds are to be used for assisting and maintaining the fire department or companies within the State⁵.

³ GAO Yellowbook Standards Glossary Definition

⁴ [18 Del. C. §713\(a\)\(1\)](#)

⁵ [18 Del. C. §705\(e\)](#)

Ambulance Fund

As explained by Delaware Code *11 Del. C. §4101(j)*, a ten dollar (\$10) penalty shall be imposed for any violations of Title 21, Motor Vehicles, of the Delaware Code and is to be deposited in to the “Volunteer Ambulance Company Fund” administered by the State Fire Prevention Commission. The Commission pays money from the fund directly to each volunteer ambulance company based upon the number of runs each company completed.⁶

Department of Elections-Kent County

Revenue received for the use of the building during Primary and General Elections.

Sussex County Revolving Grant

Memorial VFC receives a revolving grant from Sussex County for firefighting and basic life support services, which continues yearly until terminated by either party. Sussex County also offers various other funding opportunities for specific needs, like fire enhancement, rescue trucks, aerial devices, ambulances, and discretionary or special grants.

Expenses:

According to the MVFC’s Delaware Volunteer Fire Service Annual Statement submitted to the Delaware Fire Commissioner’s Office, the disbursements for the past three years are scheduled by type in Table 2 below:

Table 2: Disbursements Reported for January 2, 2021, through December 31, 2023

	2021	2022	2023
Insurance Premiums	\$ 47,829	\$ 53,672	\$ 84,838
Equipment Maintenance	63,646	54,228	158,550
Building Maintenance	39,227	59,263	41,482
Gasoline, Diesel Fuel, and Oil	12,132	15,202	22,413
Heating Fuel	9,952	13,987	6,969
Utilities	30,862	31,298	37,135
Food and Beverage	-	2,006	1,863
Travel and Entertainment	-	23,786	9,466
Training and Education	-	910	6,392
All Other Expenses*	<u>\$ 489,757</u>	<u>\$ 567,370</u>	<u>\$ 426,368</u>
Total Disbursements	<u>\$ 693,405</u>	<u>\$ 821,722</u>	<u>\$ 795,476</u>

*There is no breakout provided as part of the Annual Statement

⁶ [11 Del. C. §4101\(j\)](#)

AUDIT RESULTS

Based on the work performance in connections with the performance audit we concluded the following for each objective:

- Objective 1
 - Verify the design and operational effectiveness of internal controls over financial activities and reporting.
 - For the findings 1-1 through 1-7, we were able to provide recommendations if fully implemented would increase the effectiveness of internal controls and assist with the deterrence of possible fraud, waste, and abuse.
- Objective 2
 - Assess the effectiveness of the entity's financial governance framework and daily financial operations, including oversight, decision-making, roles, policies, record-keeping, budgeting, compliance, and transparency.
 - For the finding 2-1, we were able to provide recommendations if fully implement would increase the overall effectiveness of the financial governance for MVFC.
- Objective 3
 - Determine Memorial VFC's compliance with the Sussex County Grant agreement for the period under review
 - For the finding 3-1, we were able to provide recommendations if fully implemented would increase the compliance over the grant agreement for Sussex County.

Findings and Recommendations

Finding 1-1: Cash Receipts – Supporting Documentation, and Coding

Condition: The Memorial Volunteer Fire Company (VFC) lacked adequate oversight over its cash receipt transaction handling processes. Testing of 180 randomly selected cash receipt transactions revealed that 7 (4%) were incorrectly categorized in the general ledger, and 14 (8%) lacked proper supporting documentation. The results are summarized below:

Fiscal Year	2021	2022	2023	Total
Sample Size	60	60	60	180
Total Dollar Amount	\$229,137.49	\$20,068.97	\$272,655.04	\$521,861.50
Missing Supporting Documentation Exception	One deposit transaction \$338.39	None	13 deposit transactions totaling \$2,467.65	14 exceptions (8%)
General Ledger Classification Exception**	One deposit transaction \$177.69	Two deposit transactions totaling \$377.12	Four deposit transactions totaling \$1,060.45	7 exceptions (4%)

**** Deposit transaction was misclassified as a donation. It is an EMS Billing.**

Cause: Missing support for certain cash receipt transactions was due to the previous VFC Treasurer's inconsistent documentation practices and over-reliance on external bank records rather than a strong internal record-keeping system.

Effect: The lack of adequate documentation and proper recording of cash receipts significantly increased the risk of errors, misstatements, and potential misappropriation of funds, including the potential for taking cash before it is recorded in the accounting system. Additionally, the misclassification of transaction sources in the general ledger compromised the accuracy and transparency of financial reporting.

Criteria: Standards for Internal Control in the Federal Government (Green Book), Memorial VFC Bylaws, Memorial VFC Policies and Procedures, Sussex County Grant Agreement

Recommendations:

Recommendation 1-1a: Memorial VFC should ensure that all cash received is properly collected, endorsed, and deposited in accordance with the Company's bylaws and most recent policies and procedures. To maintain transparency and accountability, this process must be documented with supporting records such as receipts, check images, or deposit slips. Additionally, Memorial VFC should retain this documentation as required by its bylaws, policies and procedures, and grant agreements.

To further strengthen financial controls, the Treasurer should immediately endorse all incoming checks upon receipt using the Company's official stamp, as outlined in the latest policies and procedures.

Recommendation 1-1b: The Board should track the receipt of donations. The logging of donations should include, the donor, the amount of the donation, the date donated, and type of donation (restricted vs unrestricted). This report can be used as a reference when reconciling all donation transactions in the general ledger. This would ensure that all monies are accounted for, recorded properly, and used as permitted.

Finding 1-2: Cash Receipts – Check Endorsements

Condition: A review of 123 checks deposited into the operating account revealed that 77% (95) lacked the required endorsement stamp, a violation of Memorial's VFC Check Deposit Endorsement Policy. This indicates a significant deficiency in adherence to established internal controls.

Cause: The root cause is a breakdown in the verification process for check stamped endorsements. While checks were collected and batched, the stamped endorsements were not consistently verified.

Criteria: Memorial's VFC Check Deposit Endorsement Policy; Standards for Internal Control in the Federal Government (Green Book)

Effect: There is an increased risk of check fraud or improper processing due to missing endorsements.

Recommendation:

Memorial VFC should strengthen its financial controls by ensuring that the Treasurer immediately endorses all incoming checks upon receipt with the organization's official endorsement stamp. To further enhance accuracy and compliance, Memorial VFC should consider implementing a mandatory verification process to confirm that each check has the correct endorsement stamp before deposit. This added layer of oversight will help minimize processing errors and ensure proper authorization of funds.

Additionally, Memorial VFC should establish periodic self-assessments as a quality control measure. By reviewing a sample of deposited checks, the organization can verify adherence to endorsement policies and identify any discrepancies or areas for improvement. These proactive steps will reinforce financial accountability, improve procedural consistency, and enhance the integrity of the organization's financial operations.

Finding 1-3: Expenses- Approvals and Supporting Documentation

Condition: Memorial VFC's has inadequate oversight of expenditures. Testing of 180 randomly selected expense transactions revealed: (1) 126 expenditures (70%) did not have proper authorization or approval; and (2) 75 expenditures (42%) were not supported by adequate documentation. These exceptions indicate a serious lapse in internal controls and a heightened risk of financial irregularities.

Fiscal Year	2021	2022	2023	Total 2021-2023
Sample Size	60	60	60	180
Total Dollar Amount	\$1,476,378.80	\$368,689.72	\$1,468,552.85.	\$3,313,621.37
Proper Approval by Board/Members Exception	43 transactions totaling \$1,472,022.92	36 transactions totaling \$347,463.70	47 transactions totaling \$1,464,159.54	126 exceptions (70%)
Supporting Documentation Exception	27 transactions totaling \$1,329,740.39	29 transactions totaling \$276,986.52	19 transactions totaling \$1,015,607.09	75 exceptions (42%)

Cause: Memorial VFC's previous Treasurer inconsistently kept supporting documentation (purchase orders, invoices, and receipts) for expenses. The Board approved bills based on a list read aloud, rather than reviewing supporting documentation

Effect: Due to the lack of proper documentation and transaction approval processes (particularly for expenses over \$500), the Board lacked full awareness and oversight of the fire company's operating account transactions. This deficiency in internal controls creates a heightened risk of overspending, unauthorized payments, and potential financial irregularities.

Criteria: Standards for Internal Control in the Federal Government (Green Book), and Memorial VFC Policies and Procedures.

Recommendation:

Recommendation 1-3a: It is required by the Company's bylaws and most recent policies and procedures that all purchases must align with the budget and are requested through purchase orders. The Board should review and approve all purchases over \$500.00 and record the approval in the Board minutes. Further, supporting documentation such as receipts, purchase orders, and invoices should be kept in retention by the Company Treasurer.

Recommendation 1-3b: In addition to verbalizing revenue and expenses at membership meetings, AOA recommends the following reports accompany the Board minutes:

- Reports of Income and Expense with comparison to Budget

- Copy of Bank Statements
- Copy of Bank reconciliation approved by authorized reconciler
- Listing of all transactions processed in accounting period

This promotes transparency and allows the Board and the membership to conduct their own analysis of the financial health of the Company.

Finding 1-4: Credit Cards - Reporting Credit Card Activity & Supporting Documentation

Condition: Memorial VFC was not consistently maintaining supporting documentation as part of its credit card expense management. The previous Treasurer lacked transparency towards the Board and Membership regarding the credit card activity. Documentation for credit card transactions, especially during fiscal years 2021 and 2022, was not maintained. A sample of sixty transactions, totaling \$27,214.62, was tested by AOA for fiscal year 2023. This review revealed that seventeen transactions (\$6,362.57) lacked supporting documentation. Furthermore, twenty transactions (\$7,484.08), identified as travel expenses, were not accompanied by required travel expense reports.

Cause: Due to a lack of transparency because of the previous Treasurer's allowed practices, members were never shown their credit card statements, as the previous Treasurer informed them that receipts were unnecessary and would not be kept, leading to no itemized list of purchases being available to other members and no requirement for pre-travel and post-travel expense reports.

Effect: Memorial VFC experienced significant financial control and transparency issues due to the previous Treasurer's failure to maintain proper documentation for credit card transactions and provide visibility to the Board and Membership. This lack of oversight hindered expense verification (to confirm the legitimacy of expenditures), particularly for travel, raising concerns about potential misuse of funds and eroding trust and accountability within the organization.

Criteria: Standards for Internal Control in the Federal Government (Green Book), and Memorial VFC Policies and Procedures

Recommendations:

Recommendation 1-4a: The Memorial VFC Treasurer should retain detailed support for credit card expenditures such as itemized receipts, invoices, etc. Credit card expenses should be reported as a separate expenditure report and discussed amongst the Board and membership. Strengthening oversight through regular Board reviews and enforcing documentation retention will enhance transparency, accountability, and financial control.

Recommendation 1-4b: The Company should abide by its most recent policies which require travel and expense reports for mileage, meals, hotel, supplies, etc. to be maintained by each member and employee and then submitted to the EMS Chief and Treasurer for approval and payment. Reimbursements for travel should be evaluated prior to remittance of travel expenses and approved by the Board. MVFC should also implement a per diem process for travel to reduce unnecessary travel expenses.

Finding 1-5: Payroll - Pay-rates/ Pay Scales

Condition: During the audit period (2021-2023), Memorial VFC lacked a formal, documented process for determining and approving new employee pay rates. Specifically, the organization did not have documented and approved pay rates, pay scales, or a formal methodology. Pay decisions were made based on board discussions without a defined methodology or approval process. While a new policy addresses approval requirements and the use of a sliding scale and prevailing wage knowledge, it lacks specifics on applying the sliding scale and considering prevailing wage rates.

Cause: Pay rates were determined informally through Board discussions without a defined calculation or documented approval process.

Effect: The lack of documented policy and procedures can lead to inconsistent compensation practices, potentially resulting in unfair or discriminatory pay practices, and could create difficulties in justifying pay decisions to employees. It also increases the risk of potential legal challenges related to pay equity or discrimination

Criteria: Standards for Internal Control in the Federal Government (Green Book), and Memorial VFC Policies and Procedures.

Recommendation: We recommend that Memorial VFC establish formal process for developing, reviewing, and approving policies for the calculation and implementation of pay scales. Those policies and procedures should establish the methodology of base pay for entry-level applicants, negotiation of pay for experienced applicants, and the methodology for overtime payments. The Company should ensure that these documents are regularly updated and accessible to relevant employees.

Finding 1-6: Payroll - Records & Timesheets

Condition: There is no second level approval of timesheets or payroll reporting, resulting in inaccurate payroll reporting and ultimately employees being either underpaid or overpaid. AOA identified errors in the calculation of total hours worked within the EMS Supervisor's weekly Excel payroll spreadsheet, which is not reviewed by a second person. AOA identified discrepancies between reported hours and actual hours worked which resulted in employees being either underpaid or overpaid. The errors found in total hours worked calculations, inconsistent date headings, missing pay stub documentation, and variations in employee names on payroll records raise concerns about the reliability of the pay processing system.

AOA randomly selected 2 pay periods per year for 2021-2023 and compared the time reports to employee paystubs. The results are as follows:

- **Payroll Hours Underpayment/Overpayment**
 - **FY 2022:** One employee was underpaid by 0.25 hours and one employee was overpaid by 12 hours.
 - **FY 2023:** Two employees were overpaid by 22.5 and 8 hours and one employee received a check for “Retroactive Hours”.
- **Payroll Name Variations:** One employee last name varied on the payroll excel sheet for five payroll periods.
- **Payroll Documentation:** No individual payroll timesheets were available for audit testing and paystub copies were missing for the week of 12/20/21 through 12/26/21.
- **Payroll Excel Headings:** The payroll excel sheet had inconsistent calendar date headings on three payroll excel sheets. For example, if one payroll excel sheet ended on January 3, 20xx, the next payroll date should be January 4, 20xx. However, we noted, these dates could be two or three days later.

Cause: There was no segregation of duties to ensure the accuracy of timesheet reporting and payroll disbursements. The inaccuracies in employee payroll, stem from errors in the EMS Supervisor's weekly excel spreadsheet and a failure to review payroll for accuracy prior to making disbursements. These errors resulted in inaccurate total hours worked calculations, inconsistent date headings, missing documentation, and variations in employee names not explained. all of which undermine the reliability of the pay processing system.

Effect: The employer is impacted with operational inefficiencies resulting in the entity having to address payroll errors, which requires additional time and resources to investigate, correct, and communicate to employees. When employees are underpaid or overpaid due to errors in payroll calculations, it can lead to a sense of injustice, resentment, and a loss of trust. The errors also create an elevated risk of legal and financial problems for the employer.

- **Wage and Hour Violations:** Errors in payroll calculations can expose the employer to wage and hour violations under labor laws.
- **Fines and Penalties:** Failure to comply with labor laws can result in hefty fines and penalties.
- **Potential Lawsuits:** Employees who are underpaid could file lawsuits.

- **Impeded Budgeting:** Inaccurate payroll data makes it difficult to accurately budget for future payroll costs.

Criteria: Standards for Internal Control in the Federal Government (Green Book), and Memorial VFC Policies and Procedures

Recommendation:

Payroll Segregation of Duties/Additional Reviews: Memorial VFC should implement a multi-level timesheet and payroll review and approval process, prior to making any payroll disbursements. The Company should implement compensating controls that include separating the responsibility for preparing weekly timesheets, verifying hours worked, and approving the correct time in order to verify the completeness and accuracy of information. Proper segregation of duties is an effective internal control measure an organization can implement to increase the chances of detecting errors and reduce the risk of fraud.

Payroll Excel Sheet Dates: The payroll excel sheet should be updated with the correct dates for each payroll period and be subject to review for accuracy and completeness.

Payroll Name Variation: To address the inconsistency of employee names, Memorial VFC should establish and enforce a consistent and accurate naming convention for all employee records, including payroll spreadsheets.

Payroll Documentation Record Retention: Memorial VFC should develop and enforce a clear document retention policy outlining the required retention periods for all payroll records in accordance with federal, state, and local regulations.

Finding 1-7: Payroll Bank/GL Reconciliation

Condition: Due to inconsistencies in payroll reporting, AOA was unable to reconcile the payroll bank statements to the general ledger or the Company's Earnings Summaries Reports.

Cause: During the period under review, there was no reconciliation process to ensure that earnings summaries, general ledger, and bank statements reconcile.

Effect: The unreconciled records significantly undermine the reliability and accuracy of the organization's financial reporting and may suggest irregularities or inaccuracies in payroll processing and fiscal management.

Criteria: Standards for Internal Control in the Federal Government (Green Book), and Memorial VFC Policies and Procedures.

Recommendation: Memorial VFC should conduct bi-weekly reconciliations of payroll records against bank statements and financial reports to provide another level of assurance. This process will assist in identifying and correcting discrepancies, ensure that any payroll adjustments and corrections are legitimate, and that all corrections are properly documented.

Finding 2-1: Budget Process

Condition: Memorial VFC has control weaknesses in its financial planning and oversight processes. Specifically, the entity lacks a formal, detailed budgeting process, leading to frequent deviations from planned expenditures and ad-hoc spending decisions. Furthermore, a key internal control is missing: the absence of budget-to-actual reporting mechanisms hinders effective monitoring of funding sources and expenditures.

Cause: The current weaknesses stemmed from a budgeting process managed by the former Treasurer and the organization's accountant with insufficient board oversight and unclear line items within the budget.

Effect: Without adequate review of actual spending against budgeted line items, the Board lacks a clear understanding of whether overspending is occurring or if the organization's financial needs are being met. This could lead to cash flow problems if expenses unintentionally outpace available funding, potentially jeopardizing the organization's ability to operate effectively. The absence of budget-to-actual reporting prevents the Board from accurately assessing the organization's current financial position and making informed strategic decisions, hindering its ability to fulfill its fiduciary responsibilities.

Criteria: Standards for Internal Control in the Federal Government (Green Book), Memorial VFC Policies and Procedures, and Sussex County grant Agreement.

Recommendations:

Recommendation 2-1a: Memorial VFC should establish clear and realistic budget standards, criteria, and expectations, and communicate them to the membership. The Board should take into consideration the addition of supporting reports such as cash forecasting, investment quotes, and borrowing reports to better explain the tracking of income and expenses. These reports should include detailed categories, amounts, and limits of authorized expenses and projected revenues.

Recommendation 2-1b: Memorial VFC should monitor their budget throughout the year by preparing a budget to actual report and discussing large variances with the membership. This would help avoid any transparency issues, unintentional overspending, and ensure financial needs are met. These reports should also be reviewed and approved by the Board.

Finding 3-1: Compliance with Grant Agreement

Condition: Memorial VFC did not fully comply with the Sussex County grant agreement's requirement for written policies and procedures. Specifically, written policies were not implemented until mid-2023, and even then, they were incomplete and did not accurately reflect the organization's practices.

Cause: This non-compliance stemmed from the organization relying on unwritten best practices instead of documented policies and procedures.

Effect: The lack of written policies and procedures resulted in non-compliance with the Sussex County grant agreement. The inability to meet the requirements of the grant may result in Sussex County holding funds until the grant agreement requirements are filled.

Criteria: Sussex County and Memorial VFC grant agreement

Recommendation: In order to stay compliant with the Sussex County Grant agreement, Memorial VFC's policies and procedures should include information relevant to the financial operations of the Company such as governance over financial responsibilities; the budgeting process; financial reporting; financial reviews; cash receipt/disbursement process; credit card handling; and compensation and payroll. These policies and procedures should be discussed, reviewed, and approved by the Board annually and include the date of all revisions made. The new policies and procedures should also be brought to the attention of the Membership for discussion and clarification.

MANAGEMENT RESPONSE

June 21, 2025

State of Delaware

Office of Auditor of Accounts

1128 South Bradford Street

Dover, DE 19904

Re: Management's Response to Performance Audit

To Whom it May Concern,

We, the leadership of the Memorial Volunteer Fire Company, would like to thank the Delaware State Auditor's Office for its time and effort in conducting the recent financial audit of our organization. This audit was initiated following concerns regarding the financial management practices of our fire company by a previous board member reported to the State Fire Prevention Commission. Upon notification, from the Commission in the spring of 2024, of said concerns and a subsequent order from the Commission to have an audit completed, we immediately acted in full transparency and good faith by requesting that the Delaware State Auditor's Office conduct a comprehensive audit of our finances as requested. We felt this was the most responsible and objective way to address the concerns raised and to demonstrate our full cooperation and accountability.

The final audit report identified deficiencies in our financial practices during fiscal years 2021, 2022, and 2023. We acknowledge these findings and recognize the importance of the issues identified. However, we are pleased to note that both the Auditor's Office and the Commission acknowledged the significant progress we had already made prior to and during the course of the audit, to include by not limited to a full reassessment and update of our financial policies and procedures.

The scope of the audit was during the calendar years 2021-2023. During 2024, Memorial Fire Company (the "Company") installed a new Board and implemented multiple changes to their processes and internal controls. The Company hired Hufnagel Accounting to oversee their accounting records and payroll. The Company released their previous accountant who prepared

their accounting records, payroll, and tax returns. The Company also hired a separate accounting firm to prepare their annual financial statements to ensure segregation of duties. The Company changed their accounting software from QuickBooks desktop to QuickBooks Online. This change guarantees the Company to have instant access to their accounting records, financials and budgets through the cloud rather than waiting on an outside accounting firm to provide documents. We believe the State Auditors did a thorough job reviewing the 2021-2023 accounting records and the Company learned about their internal control flaws. The response below is to document the changes made to the findings and the State's recommendations.

Finding 1-1: Cash Receipts- Supporting Documentation and Coding:

The Company now maintains transparency and accountability by retaining deposit slips and can access transactions online with their Community Bank of Delaware bank account. When deposits are made, the Treasurer emails their accountant the classification of the transactions (donations, ambulance income, grants, etc.) on a timely basis. The accountant will record the transactions in QuickBooks, prepare the bank reconciliations of all bank accounts at month end and attaches bank statements to the reconciliations. This process ensures segregation of duties. The Treasurer will discuss the deposits and disbursements with the Board and its members at their monthly meetings for transparency.

Finding 1-2: Cash Receipts-Check Endorsements:

The Company transitioned more payables over to their online bill pay process Bill.com, a cloud-based accounts payable billing system. The Treasurer will input transactions to Bill.com which connects to QuickBooks. With all transactions there are attached receipts and descriptions of the expense along with their corresponding account classifications. The Treasurer will email the list of bills to be paid to their accountant. The accountant will review all transactions and ensure that the proper classification for the expenditures is made. Bill.com also pays bills electronically through ACH or handles checks in-house, this eliminates company written checks and the concern of lack of endorsements. Using the online software and having documentation attached to the transactions ensures procedural consistency and improves the integrity of the Company's financial operations.

Finding 1-3 Expenses-Approvals and Supporting Documentation:

The Treasurer presents to the Board and their members expenses paid (old business) new invoices to be paid (new business) to ensure transparency. The Company also created and utilizes the budgets created in QuickBooks.

Finding 1-4 Credit Cards-Reporting Credit Card Activity & Supporting Documentation:

The Company now holds credit card holders accountable for their credit card usage by supplying the holders with their statements. The Board members with the credit cards will supply the Treasurer with the corresponding receipts along with the purpose of the transaction. The Treasurer will send the accountant the credit card statements along with explanations of each transaction along with the classification. The accountant will enter the transactions in QuickBooks and reconcile the credit card statements to the accounts in a timely manner after their cutoff period. This will ensure segregation of duties and transparency. The Company also updated their travel policies to ensure the Members are held accountable and decrease frivolous spending.

Finding 1-5 Payroll- Pay Rates/ Pay Scales:

The Company currently has a small employee pool for their EMT/Ambulance services. The pay rates/ scales are based on experience and comparable to other local fire companies to ensure competitiveness with their pay rates. The Company recently appointed a new EMS Committee Chairperson who will assist with overseeing the payroll process. This will ensure segregation of duties and fairness of pay scales of the employees.

Finding 1-6 Payroll- Records and Timesheets:

The Company is implementing a new time tracking system where the employees will be able to clock in and out through a cloud application. This will ensure accurate hours down to the minute for employees pay. The Fire Chief will email the Treasurer and accountant a spreadsheet with everyone's hours and (payrates if changed) to ensure transparency. The Fire Chief will also communicate to the accountant if there was any PTO taking during the payroll period. The accountant will input the employees' hours in QuickBooks' payroll program. When the payroll is processed, the accountant will email the Fire Chief, Treasurer and the EMS Committee Chairperson the employees paystubs and all payroll reports for that pay period.

Finding 1-7 Payroll Bank and GL Reconciliations:

The payroll bank account is reconciled in a timely manner by the accountant in QuickBooks. All bank reconciliations have their bank statements attached. The bank reconciliations are reviewed by the Treasurer.

Finding 2-1 Budget Process:

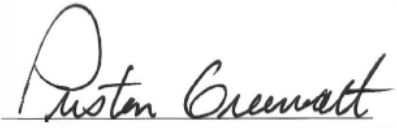
Upon hiring their new accountant, the accountant created a budget in QuickBooks at the beginning of the fiscal year. The Treasurer has access to the Actual vs. Budget reports for review and goes over with the Board. The implantation ensures transparency and correct classification of income and expenses. This also assists the Board with expectations of income and expenses received and to be received in the future.

Finding 3-1 Compliance with Grant Agreement:

As forementioned, the Company made multiple changes to their processes and internal controls with the implementation of the new Board in 2024. The Board is actively reviewing and updating policies along with their internal controls. As changes are being made, the Board communicates with their members in their Board meetings.

Conclusion:

Over the past couple of years, the Company has taken multiple strides in becoming self-aware of their prior flaws. The changes have improved transparency, accountability, segregation of duties and their integrity. The Company is constantly looking into new technology to ensure improving efficiency and making their financial statements more reliable.



Preston Greenwalt

President

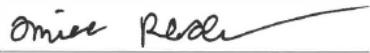
Memorial Volunteer Fire Company



Kent Glasco

Fire Chief

Memorial Volunteer Fire Company



Michael Pfaffenhauser

Treasurer

Memorial Volunteer Fire Company

APPENDIX 1 - OBJECTIVE, SCOPE, APPROACH, METHODOLOGY & CRITERIA**Objectives and Scope**

The scope of this performance audit was for the period of January 1, 2021, through December 31, 2023. AOA audited the books, records, and bank account activity for the period under review, our performance audit addressed the following objectives in accordance with 29 Del. C. §2906 of the Delaware Code.

- Verify the design and operational effectiveness of internal controls over financial activities and reporting.
- Assess the effectiveness of the entity's financial governance framework and daily financial operations, including oversight, decision-making, roles, policies, record-keeping, budgeting, compliance, and transparency.
- Determine Memorial VFC's compliance with the Sussex County Grant agreement for the period under review.

During the audit, AOA requested documentation that was the responsibility of the previous Company Treasurer. The current Treasurer did not have access to some of the documentation for transactions made during the period under review.

Audit Approach

Our approach consisted of the following procedures:

A. Planning Phases: Understanding and documenting processes, risks, and control design:

This phase consisted primarily of inquiry, observation, and walkthroughs to obtain an understanding of the current operating processes, risks, and control design structures as they relate to our objectives and scope. AOA performed the following as part of this phase:

- Conducted interviews and walkthroughs with key personnel to obtain an understanding of the function and operating process, performed a risk assessment, and assessed the design of the operating process and key controls.
- Obtained financial information, reviewed applicable federal and state laws and regulations, reviewed the Company bylaws, reviewed policies and procedures, and reviewed any other supporting documentation related to critical processes.

B. Evaluation of financial processes, control design/implementation, and testing of operating effectiveness of controls:

This phase was designed to evaluate key processes and control implementation, as well as to test compliance and internal control effectiveness based on our understanding obtained during the initial planning phase. We utilized sampling and other auditing techniques to achieve the audit objectives. Procedures included, but were not limited to:

- Assessing the design of critical processes and controls.
- Evaluating the adequacy of relevant policies, procedures, and guidelines for audited process areas, and reviewing adherence to the policies and procedures in the design and control structure.
- Evaluating the sufficiency of records and documentation to establish an audit trail and historical record.
- Reviewing source documents related to audit objectives and scope.
- Assessing the organizational structure, with a particular focus on conflicts of interest and the segregation of essential functions. Evaluating the sufficiency and effectiveness of segregation of duties related to audited process areas.

Refer to the Methodology section below for detailed procedure information.

C. Reporting

At the conclusion of this performance audit, we summarized our findings into this report. We have reviewed the results with Memorial VFC's Board and have incorporated the management responses into this report.

Methodology

AOA's testing was conducted using sampling and other auditing techniques and methodologies. Methodologies included, but were not limited to:

- Interviewed the following individuals/positions:
 - Company President – Preston Greenwalt
 - Company Treasurer – Michael Pfaffenhauser
 - Company Secretary – Walt Reynolds Jr.
 - Company Director 1 – Bill Smith
 - Company Director 2 – Keith Knotts
 - Company Vice President – Barry Betts
 - Company Fire Chief – Kent Glasco
- Performed site visits at the Company Hall.
- Reviewed and analyzed the following information:
 - A list and description of the pertinent information systems used by Memorial VFC for accounting and financial reporting (QuickBooks, Bill.com).
 - Prior agreed-upon procedures engagement performed by Marshall, Wagner & Associates, P.A.
 - Prior Independent Financial Statement Audit performed by Bacheler & Company.
 - The Company's methods for storing hard copy documents and other historic records as well as any digital records.
 - The Company's website and information provided to the public.
- Performed sampling and testing against criteria for the following areas:
 - Board Oversight

- Obtain the company bylaws to document financial responsibilities of officers. Review bylaws for any amendments and compared revision dates to Board minutes to see if the proposed changes were voted on and passed.
- Obtained and reviewed Board/Membership minutes to determine if the Company's budget, new hire salary approvals, bank reconciliations, and the AUP and annual financial audit were reviewed and approved by the Board members.
- Obtain policies and procedures to identify to what degree internal controls have been implemented and whether the policies cover all aspects of Memorial VFC's financial activities.
- Reviewed and tested the operating account reconciliation for year end 2021 and 2022 by agreeing bank statement balance to reconciled bank balance on the reconciliation for accuracy. Compared AOA reconciliation and Memorial VFC to identify any discrepancies.
- Obtain and discuss the budget with the Treasurer. Review methodology to forecasting and reports of budget to actual variances. Review the Board/Company minutes to see if budget was discussed and approved.
- Reviewed Board minutes to determine whether the Treasurer's Report and any supporting documentation were detailed, transparent and easy to understand.
- Reviewed and discussed the banking structure of Memorial VFC. Discuss including the purpose of each account, status of each account, and authorized signers and credit card holders. Obtain corresponding bank statements, closing documentation, associated signature cards of the account holders and credit card holders.
- Cash Receipts
 - Discussed with the Treasurer what is considered as a deposit such as State and County appropriations, ambulance sponsor fees, grant revenue, ambulance membership dues, capital campaign fund raising solicitations and other fund-raising event proceeds.
 - Discussed with the Treasurer the process of accepting cash, depositing it, and recording it in the general ledger to identify key steps, segregation of duties, record retention and other internal controls used to safeguard the process. Discussed ACHs and ambulance billings.
 - Extracted a list of all deposits from the general ledger to pick a sample for each fiscal year. Randomly selected a sample of 60 deposits from the operating account (excluding transfers between company accounts) and vouched them to supporting documentation to determine whether receipts were properly recorded and supported by documentation.
 - Reviewed a sample of deposited checks to confirm official rubber stamp has been used for deposits.
- Expenses (excluding Credit Cards)
 - Discussed the type of expenses the Company incurs, any spending limitations, and ordering processes with the Treasurer.

- Extracted a list of all expenses from the general ledger to pick a sample for each fiscal year. Randomly selected a sample of 60 expenses from the operating account and vouched them to supporting documentation to determine whether expenses were properly recorded and supported by documentation.
- Reviewed supporting documentation to determine if purchase orders were used for any transaction over \$50.00
- Reviewed Board minutes to determine if any transaction above \$500.00 was approved by the Board and Membership.
- Credit Card Testing
 - Discussed the type of expenses the Cardholders usually incur, any spending limitations, ordering processes, and travel/reimbursement processes with the Treasurer.
 - Extracted a list of all credit card expenses from the general ledger to pick a sample for each fiscal year. Randomly selected a sample of 60 expenses from the operating account and vouched them to supporting documentation to determine whether expenses were properly recorded and supported by documentation.
 - Reviewed supporting documentation to determine if purchase orders were used for any transaction over \$50.00
 - Reviewed Board minutes to determine if any transaction above \$500.00 was approved by the Board and Membership.
 - For any transaction identified as a travel expense, request and inspect any supporting expenditure reports.
 - Reviewed bank statements for any cash advances. Request supporting documentation for the cash advance. Review Board/Membership meeting minutes to determine if the cash advance was approved prior to execution.
- Payroll
 - Requested a list of paid employees and paystubs for the fiscal year. Randomly select 3 months per year and agree the list of employees to the paystubs provided by Memorial for those months and report any discrepancies. Confirm that all individuals were valid employees during the period under review.
 - Determine if management has implemented pay scales including salaries, wages and overtime calculations for all employees. Inquire that management has reviewed and approved compensation for all employees.
 - Obtain QuickBooks payroll ledger. Evaluate the Board's oversight over payroll by randomly selecting 2 pay periods per year from the QuickBooks payroll ledger, and conducting the following:
 - a) Obtain the timesheets and paystubs for the aforementioned pay periods. Agree the timesheets to the paystubs to determine accuracy of hours worked.
 - Compare and agree the payroll ledger total pay for each fiscal year to the Payroll Bank account statements and report any discrepancies.

Sampling Methodology

AOA uses the AICPA Sampling guidance for this engagement. For certain audit areas, AOA used a non-statistical sampling methodology. The specific sampling plan and size were influenced by the auditors' risk assessment. Since the sample was not selected randomly, the findings are limited to the items tested and do not provide a basis for projecting the results to the population as a whole. Conclusions drawn are limited to the specific items tested.

For this engagement, the AOA determined that judgmental sampling methodology was the most appropriate and effective approach. A statistical method was not used because the audit objective was centered on high-risk items and specific factors such as control weaknesses rather than a statistically projected estimate of the overall population. The resulting evidence from this approach was considered sufficient and appropriate to form and support the audit conclusions.

Expenditure Sampling: Bank Expenses**Bank Expenses Testing Population:**

- Overall population: Total expenditures made by Memorial Fire Company through company bank accounts was \$4,025,428.53 (2021 - \$1,732,700.88 / 2022 - \$612,991.64 / 2023 - \$1,679,736.01)
- Sampling frame: All expenses from bank accounts held by Memorial Fire Company during 2021, 2022, and 2023.

Sampling Method:

- Initial selection: Due to the nature and volume of the bank transactions, the materiality limit was set as 3% of the total population being tested. Items were decided to be individually significant items if they are larger than or equal to 1/3 of the materiality. Individually significant items were then selected for testing. Any expenses that were related to travel or insurance were also selected for testing. Travel items were selected due to issues mentioned by MVFC in the planning stage, and insurance items were selected based on recommendations received by AOA from Sussex County. Additional items from the population were judgmentally selected. This method focuses on specific transactions based on the auditor's judgment and experience rather than mathematical probability.

Sample Selection/Sample Size:

- Initial selection: Items were selected to total 60 items for each year tested (180 total 2021-2023)
 - o Individually significant items:
 - 2021 – 12 (\$1,366,476.69)
 - 2022 – 13 (\$320,720.86)

- 2023 – 8 (\$1,293,806.42)
- Travel/Insurance items:
 - 2021 – 8 (\$11,393.69)
 - 2022 – 8 (\$10,057.17)
 - 2023 – 10 (\$11,337.13)
- Judgmentally selected items:
 - 2021 – 40 (\$98,508.42)
 - 2022 – 39 (\$37,911.69)
 - 2023 – 42 (\$163,409.30)

Rationale: The population of bank expenses was exported from MVFC QuickBooks and sorted by amounts to determine individually significant items. We reviewed the population for any large or unusual items that were not selected in our sample. No such items were identified. We concluded that, based on our sample results and these additional procedures, the non-statistical sample provides sufficient appropriate evidence to support our conclusion.

Expenditure Sampling: Credit Card Expenses

Credit Card Expenses Testing Population:

- Overall population: Total expenditures made by Memorial Fire Company through company credit cards was \$190,265.80 (2021 - \$78,244.83 / 2022 - \$66,119.06 / 2023 - \$45,901.91)
- Sampling frame: All expenses from credit card accounts held by Memorial Fire Company during 2021, 2022, and 2023.

Sampling Method:

- Initial selection: Due to the nature and volume of the credit card transactions, the materiality limit was set as 3% of the total population being tested. Items were decided to be individually significant items if they are larger than or equal to 1/3 of the materiality limit, consistent with AOA standard sampling practices. Individually significant items were then selected for testing. Any expenses that were related to travel or insurance were also selected for testing. Travel items were selected due to issues mentioned by MVFC in the planning stage, and insurance items were selected based on recommendations received by AOA from Sussex County. Additional items from the population were judgmentally selected. This method focuses on specific transactions based on the auditor's judgment and experience rather than mathematical probability.

Sample Selection/Sample Size:

- Initial selection: Items were selected to total 60 items for each year tested (180 total 2021-2023)
 - o Individually significant items:
 - 2021 – 21 (\$28,268.29)
 - 2022 – 18 (\$25,762.61)
 - 2023 – 20 (\$22,058.83)
 - o Travel/Insurance items:
 - 2021 – 15 (\$1,750.85)
 - 2022 – 5 (\$1,889.27)
 - 2023 – 16 (\$1,587.22)
 - o Judgmentally selected items:
 - 2021 – 24 (\$8,681.49)
 - 2022 – 37 (\$9,797.45)
 - 2023 – 24 (\$3,568.57)

Rationale: The population of credit card expenses was exported from MVFC QuickBooks and sorted by amounts to determine individually significant items. We reviewed the population for any large or unusual items that were not selected in our sample. No such items were identified. We concluded that, based on our sample results and these additional procedures, the non-statistical sample provides sufficient appropriate evidence to support our conclusion.

Deposit Sampling

Deposit Testing Population:

- Overall population: Total deposits made by Memorial Fire Company to company bank accounts were \$9,940,575.33 (2021 - \$3,234,654.64 / 2022 - \$2,806,843.36 / 2023 - \$3,899,077.33)
- Sampling frame: All deposits to accounts held by Memorial Fire Company during 2021, 2022, and 2023, excluding interest income and grants into the MVFC Money Market Account which were unable to provide support.

Sampling Method:

- Initial selection: Due to the nature and the volume of the deposits, the materiality limit was set as 3% of the total population being tested. Items were decided to be individually significant items if they are larger than or equal to 1/3 of the materiality limit. Individually significant items were then selected for testing. Additional items from the population were randomly selected using randomly assigned numbers for each item. This method allows for an unbiased selection of items to be tested by auditors.

Sample Selection/Sample Size:

- Initial selection: Individually significant items were selected for testing. Additionally, 60 Items were randomly selected for each year (2021-2023)
 - o Individually significant items:
 - 2021 – 19 (\$2,857,997.34)
 - 2022 – 13 (\$2,218,439.02)
 - 2023 – 18 (\$3,375,622.14)
 - o Randomly selected items:
 - 2021 – 60 (\$229,137.49)
 - 2022 – 60 (\$20,068.97)
 - 2023 – 60 (\$272,655.04)

Rationale: The population of bank deposits was exported from MVFC QuickBooks and sorted by amounts to determine individually significant items. We reviewed the population for any large or unusual items that were not selected in our sample. No such items were identified. Auditors applied a random statistical sampling. This ensured that each transaction had an equal chance of selection. We concluded that, based on our sample results and the additional procedure, the statistical sample provides sufficient appropriate evidence to support our conclusion.

Payroll Expenditures Sampling**Payroll Population:**

- Overall population: Total payroll expenditures charged by Memorial VFC during the audit period (January 1, 2021 – December 31, 2023). The exact total payroll expenditures for the period could not be reconciled due to missing and inconsistent documentation.
- Sampling frame for salaries and wages: All payroll spreadsheets, timesheets, and related payroll documentation maintained by the EMS Supervisor for the audit period (2021–2023).

Sampling Method:

- Initial Selection: Judgmental sampling was used to identify key payroll-related risks based on findings in payroll records. Because payroll is one of the most significant and high-risk expenditure areas, testing was directed at pay rates, timesheet accuracy, and reconciliation processes.
- Salaries and Wages Testing: Non-statistical (targeted review) sampling was employed. Specific pay periods were selected for detailed testing based on auditor judgment, with a focus on accuracy of pay rates, hours worked, and reconciliation processes.

Sample Selection / Sample Size:

- Initial Selection: Payroll was identified as a critical testing area due to lack of formal pay scales, inconsistent timesheet approvals, and missing reconciliations.
- Pay Rates/Pay Scales Testing:
 - o No formal pay scales or documented approvals were available for testing.
 - o The absence of a baseline policy or methodology limits the ability to validate pay rate calculations.
- Timesheets/Payroll Records Testing:
 - o Employees: Testing included multiple employees as reflected in available payroll spreadsheets.
 - o Pay Periods: Two pay periods per year (six total) were randomly selected across FY 2021, FY 2022, and FY 2023 for comparison of payroll spreadsheets against available paystubs.
 - o Payroll Transactions Sample Size: Six pay periods tested, including both underpayment and overpayment errors.
 - o Results: Errors were identified in both FY 2022 and FY 2023, including underpayment of 0.25 hours, overpayments totaling more than 42 hours, variations in employee names, inconsistent date headings, and missing documentation.
 - o Total Payroll Dollar Amount Tested: Could not be fully quantified due to incomplete documentation. Testing was limited to available timesheets and paystubs.
- Bank/General Ledger Reconciliation:
 - o Testing attempted to reconcile payroll bank statements to the general ledger and earnings summaries.
 - o No complete reconciliations were possible due to lack of supporting documentation.

Rationale:

This methodology emphasized areas of highest risk including pay scales, payroll accuracy, and reconciliations using targeted, judgmental sampling. Random selection of specific pay periods

ensured coverage across the three-year audit period. However, due to missing or inconsistent documentation, the ability to validate the full payroll population was limited. The approach provides reasonable assurance over the accuracy and reliability of payroll processing at Memorial VFC but highlights systemic weaknesses.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance. This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal control significant to our audit objectives. As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards.

Criteria: We reviewed and/or used the following criteria to conduct the performance audit:

- The U.S. Government Accountability Office’s Generally Accepted Government Auditing Standards (GAGAS/Yellow Book 2018 TU 2021)
- The U.S. Government Accountability Office’s “Standards for Internal Controls in the Federal Government” (Green Book)
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) “Internal Control- Integrated Framework”.
- Generally Accepted Accounting Principles (GAAP)
- Titles of Delaware State Law (Delaware Code)
- Delaware Code – Title 16, Chapter 66 – Fire Prevention
- Delaware Administrative code – Title 1 section 700 – Fire Department and Ambulance Company Administrative Standards
- Memorial VFC Constitution
- Memorial VFC Bylaws
- Memorial VFC policies and procedure manual
- Grant Agreement between Sussex County and Memorial VFC