

# **Investigative Report**

*Arkansas Legislative Audit*

## **Review of Selected Transactions New DeRoche Volunteer Fire Department**

January 1, 2019 through March 31, 2023



### **INTRODUCTION**

This report is issued in response to a request from the 7th Judicial District Prosecuting Attorney (PA) for Arkansas Legislative Audit (ALA) to review selected transactions of the New DeRoche Volunteer Fire Department (Department). ALA's assistance was requested after the PA received allegations that Department funds were misappropriated by the Treasurer.

### **OBJECTIVES**

Objectives of this review were to determine if:

- Department revenue was properly deposited.
- Selected disbursements were for proper Department purposes.
- Internal controls were adequate.

### **SCOPE AND METHODOLOGY**

This review was conducted primarily for the period January 1, 2019 through March 31, 2023. ALA staff reviewed relevant Department financial records, including revenue records, bank statements, deposit slips, invoices, and other documentation. In addition, various Department personnel were interviewed.

### **BACKGROUND**

The Department was established as a nonprofit corporation in August 1980. After becoming a fire protection district in 2021, membership dues were assessed and collected at the county level. The Department, which has approximately 12 volunteer firefighters, provides fire, rescue, and emergency medical services for a rural area of Hot Spring County and is governed by a five-member Board of Directors.

Funding consists primarily of state aid (Act 833) and membership dues. The Treasurer is responsible for depositing and disbursing Department funds, as well as maintaining financial records for the Department. The individual who served as Treasurer during the review period resigned in March 2023. Shortly thereafter, the Board discovered improper disbursements made by the former Treasurer.

**ARKANSAS LEGISLATIVE AUDIT**  
500 Woodlane Street, Suite 172, Little Rock, AR 72201  
Phone: 501-683-8600 • Fax: 501-683-8605  
[www.arklegaudit.gov](http://www.arklegaudit.gov)

Report ID: IRFD02322

Report Date: February 15, 2024



## RESULTS OF REVIEW

### Unaccounted for Funds

ALA staff review of available Department revenue records revealed unaccounted for funds totaling \$675. Revenue records were not available for 2022 and 2023; therefore, the amount of unaccounted for funds could be higher.

The Treasurer was custodian of these funds and was responsible for bank deposits.

### Improper/Undocumented Disbursements

Review of Department disbursement records revealed improper disbursements totaling \$28,177, which were made by the Treasurer. These improper disbursements consisted of the following:

- \$17,761 in improper transfers to personal bank account.
- \$8,133 in personal expenses.
- \$2,253 in undocumented cash withdrawals.
- \$30 in cash back on a purchase.

In addition, documentation could not be located for payments, totaling \$17,614, to various vendors, as shown in **Exhibit I**; therefore, the validity of these disbursements could not be determined. Of the 219 purchases made, 216 were made using a Department debit card assigned to the Treasurer. The other 3 were made using a Department check.

### Exhibit I

New DeRoche Volunteer Fire Department  
(Department)  
Undocumented Disbursements  
January 1, 2019 through March 31, 2023

### Reimbursements from Treasurer

On six occasions, the Treasurer transferred funds from her personal bank account to the Department's bank account. It appears that these transfers, which totaled \$17,962, were made to reimburse the Department for improper disbursements.

### Internal Control Deficiencies

ALA review revealed the following internal control deficiencies:

- Revenue records were not consistently maintained.
- Invoices were not always retained to support disbursements.
- Financial duties were not properly segregated, and the Department/Board did not implement any compensating controls.
- The Board did not provide adequate fiscal oversight.

Vendor or Type of Vendor	Amounts Paid
Undocumented Disbursements	
Wal-Mart	\$ 4,462
Office Depot	2,418
Dollar stores	2,116
Amazon	2,020
Harp's/Grocery stores	1,585
Sam's Club	1,450
Miscellaneous	1,115
Fuel/Convenience stores	928
eBay/PayPal	770
Tire stores	750
<b>Totals (Note 1)</b>	<b><u>\$ 17,614</u></b>

**Note 1:** Of the 219 purchases, 216 were made using a Department debit card assigned to the Treasurer, who resigned in March 2023. The other 3 were made using a Department check.

**Source:** Department financial records (unaudited by Arkansas Legislative Audit)

## RECOMMENDATIONS

ALA staff recommend the Department maintain adequate financial records and segregate financial duties to the extent possible. In addition, the Board should provide adequate fiscal oversight of the Department, and bank statements should be reviewed monthly by someone not involved in the bookkeeping process.

## MANAGEMENT RESPONSE

Management response is provided in its entirety in **Appendix A**.

## SUMMARY

ALA staff review revealed the following:

- Revenue totaling \$675 was not deposited in the Department's bank accounts during the period January 1, 2019 through December 31, 2021. Revenue records were not available for 2022 and 2023; therefore, the amount of unaccounted for funds could be higher.
- Improper disbursements totaled \$28,177 and consisted of transfers to the Treasurer's personal bank account, payments for personal expenses, undocumented cash withdrawals, and cash back on a purchase.
- The validity of \$17,614 in undocumented vendor payments could not be determined.
- Several internal control deficiencies contributed to funds being misappropriated and the misappropriation not being detected timely.

The Treasurer, who resigned in March 2023, made six payments, totaling \$17,962, from her personal account to apparently reimburse the Department.

This report has been forwarded to the 7th Judicial District Prosecuting Attorney and the Attorney General.

**Appendix A**  
**Management Response**

**New DeRoche Fire Department**  
**18703 Hwy 84, Bismarck, AR 71929**  
**501-865-3232**

2/19/2024

Arkansas Division of Legislative Audit  
ATTN: Jimmy Locke, CFE, Senior Auditor  
500 Woodlane St. Ste 172  
Little Rock, AR 72201

RE: Investigative Report IRFD02322  
New DeRoche Volunteer Fire Department

Dear Mr. Locke,

Please allow this letter to serve as the response regarding the New DeRoche Volunteer Fire Department to the Legislative Audit Investigative Report.

We would like to thank you for your assistance in determining the depth of the misappropriation of funds at our fire department, we agree with the report findings. Because of these findings we have implemented the following:

- At all monthly board meetings, bank and financial statements are offered to ALL members that are present for them to review.
- All invoices are presented at meetings to support all funds spent.
- All revenue is properly accounted for within the financial statements/bank statements and check register.
- The financial statements, bank statements and check register all balance with each other monthly. All transactions within these are fully documented and retained for future reference. These are kept as a hard copy as well as digital.
- Use of department debit cards has been limited to fuel use and large maintenance repairs; pre-approval is required.
- Proper paperwork and authorization are required for any reimbursements.
- ALL financial records will be examined monthly by someone not involved in the accounting process.

Regards,



Randy Greathouse  
President  
New DeRoche Fire Board

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