PREFACE

The citizens of the County of Fauquier are protected by a combined volunteer and career fire and emergency services system. Both the County, and the volunteer companies that operate the combined fire and emergency services system within the County, seek to serve the citizens by providing fire and rescue services in the most effective and efficient manner possible. To that end, all parties involved in this endeavor share a common interest in protecting and using the assets allocated toward that purpose to accomplish the mission of providing the best fire and rescue services for our citizens, whether those resources are derived from taxpayer funding or through private donations. Good internal controls and financial practices are vital to ensuring that the interests and resources of the citizens are safeguarded.

The Fauquier County Board of Supervisors expends more than $4 million from the Fire Levy annually to fund the combined service system. Of that amount, nearly $2 million is allocated directly to the volunteer fire and rescue companies. The money allocated to the volunteer companies comes from a tax levy on the citizens of the County. In addition, many volunteer companies receive donations from the County's citizens. In order to ensure that tax dollars allocated towards the fire and emergency services system are protected from fraud, embezzlement and inappropriate use, the Board of Supervisors has established financial policies governing the control and expenditures of those funds by its career service department. Likewise, in order to ensure that tax and/or donated dollars allocated to the volunteer fire and rescue companies are similarly protected from fraud, embezzlement and inappropriate use, the Board of Supervisors has established this *Volunteer Fire & Rescue Financial Management Policy* (the "Policy") in an effort to establish more consistent and effective internal controls over the financial practices of the several volunteer fire and rescue companies operating within the County. The Board has also made all future tax-supported funding for each volunteer company contingent upon compliance with the Policy.

The Policy has been developed following an assessment of current practices, both through internal review procedures conducted by the County Department of Finance, and through a special "agreed-upon procedures" engagement conducted by an external auditing firm, and is divided into the following sections:

If any Company chooses to contract with a licensed firm of Certified Public Accountants to perform administrative accounting and financial reporting functions, such an arrangement shall be construed to satisfy the requirements of certain sections (marked with "*") of the Policy, so long as the Policy is attached as an exhibit to the engagement letter, and the engagement letter includes an agreement on the part of the contractor to adhere to the provisions of the Policy.

If any Company is found to be out of compliance with any section of the Policy, the County, in cooperation with the President of the Volunteer Fire & Rescue Association ("VFRA") will begin holding all scheduled disbursements to that Company until an appropriate corrective action plan has been proposed, approved, and enacted – the hold on funding will include, but not be limited to, operating contributions and mileage reimbursements related to Ambulance Recovery Revenues.

In order to ensure that the Policy continues to be current, and addresses the relevant internal control risks faced by the volunteer companies, it shall be reviewed, revised (if necessary), and re-adopted at least biennially by the County Board of Supervisors.

I. RECEIPT OF FUNDS

RISKS:

- Funds received may be stolen or lost, or false accusations of theft may be made;
- Funds received may be deposited into the incorrect account(s);
- Donor restrictions placed on the use of funds may be neglected or ignored.

POLICY:

All funds, whether cash or check, which the Company receives must be deposited intact into the appropriate bank account, with no monies removed to make payments or for any other purpose(s). All cash receipts and checks must be deposited into a bank or investment account as soon as possible. Communications from donors that establish restrictions on the use of their contributions must be retained to ensure compliance; in the event that a donor has restricted the use of funds in a conversation, written confirmation of the donor's intent must be obtained. The Company must follow all applicable guidance from the IRS in acknowledging donations.

PROCEDURES:

A. **Receipt of Checks***
B. Receipt of Cash
C. **Deposit Slips/Supporting Documents***
D. Fundraising Events
E. **Restricted Donations***
F. **Acknowledgement of Donations***
G. **Prohibited Practices***

A. Receipt of Checks – All checks received shall be endorsed immediately upon receipt in a manner that includes the Company's name, the appropriate bank account number, and the notation "For Deposit Only" – ideally this will be accomplished through the use of an endorsement stamp. An image of the check shall be captured and shall be accompanied by any supporting documentation that was received with the check, and filed appropriately. All checks are to be deposited as soon as possible, and secured in a locked safe or filing cabinet until the time of deposit.

B. Receipt of Cash – All cash received (excluding amounts related to fundraising events) shall be counted immediately. The person accepting the cash must provide a written receipt to the payor as follows:

- The receipt must be from a pre-numbered receipt book that provides for at least two (2) duplicate copies (a three-part receipt book); one (1) duplicate copy shall be provided to the payor and one (1) duplicate copy shall be filed with the deposit slip.
- The receipt must list, at a minimum, the payor's name, the date the cash was received, the amount of cash received, and the purpose of the cash payment.

The person responsible for the receipt book shall store it in a secured location. There are never to be any pages (other than duplicates) removed from the receipt book. All cash received is to be deposited as soon as possible, and secured in a locked safe or filing cabinet until the time of deposit.

C. Deposit Slips/Supporting Documents – Deposit slips shall be prepared for each deposit, and shall list the total of all checks and currency included in the deposit. A copy of the deposit slip shall be made; copies of checks and supporting documentation (see I.A), as well as the duplicate copies of the pre-numbered receipts (see I.B) that support the total amount of currency to be deposited, shall be attached to the copy of the deposit slip and filed.

D. Fundraising Events – To the extent possible, donations made at fundraising events are to be documented and secured.

- For events where funds are collected in the form of "admission fees", pre-numbered tickets shall be distributed to all paying attendees, with each level of admission pricing coordinating with a different color ticket. The first and last ticket number of each type/color of ticket(s) issued during the event shall be documented. Donations received in excess of the "admission fee" shall be logged on a simple worksheet that lists the ticket number, the suggested fee, the actual fee, and the amount paid in excess (for certain events with high attendance levels and/or varying types of activities, this may not always be possible – however, every effort should be made to provide documentation to verify the receipt of funds).
- A minimum of two (2) people shall be assigned to safeguard the transactions into and out of each cash box. Whenever the custody of the cash box changes hands, a count shall be conducted and a receipt shall be written to prove the amount of cash turned over.
- To the extent possible, cash registers should be utilized to store and record receipts during fundraising events.
- Cash and checks should be kept in a secure cash drawer/box, and shall never be left unattended during the event.
- A separate bank bag may be funded with a small petty cash amount ($100 or less) to cover incidentals that may need to be purchased during a fundraising event (see Section II.A). At the end of the event, the receipts for all items purchased and the remaining cash balance in the bank bag should be reconciled to the starting balance of the bank bag.
- If cash donations are received through a "pass the boot" style collection in which it is impossible to document the identity and amount of the donor(s), the individual accepting the contribution(s) shall prepare a simple cash log listing their name, the date of the donations, total cash received, and shall note on the cash log that no receipts were provided to the donor(s).
- Any funds received through bingo games shall be governed by the applicable laws as set forth by the Commonwealth of Virginia (11VAC15-40, *Charitable Gaming Regulations*) which requires deposit into a separate "charitable gaming bank account" (11VAC15-40-70-A).

E. Restricted Donations – Any donation that is received with a stipulation that it be spent for a particular purpose must be noted as a restricted donation. If the restriction is received in writing (e.g. a letter accompanying a check), a copy of the letter citing the nature and amount of the restriction shall be kept on file. If a restriction is communicated verbally, the Company must make every attempt to contact the donor and obtain a written copy of the restriction.

Additionally, the Company shall maintain a spending log to substantiate the proper use of the restricted donation(s) and to determine the balance of restricted funds remaining.

F. Acknowledgment of Donations – Acknowledgement of donations shall be made in accordance with IRS Publication 1771 and/or IRS Publication 4302, or any other applicable federal or state law in effect at the time of donation.

G. Prohibited Practices:
   1. No check shall ever be endorsed as payable to any other individual or organization;
   2. No cash received shall ever be disbursed for expenses or withheld from a deposit for any reason.

II. DISBURSEMENT OF FUNDS

RISKS:

- Unauthorized expenditure of funds;
- Overpayment or underpayment of invoice amounts;
- Theft and/or other use of Company funds for personal purposes;
- Failure to properly report to the IRS amounts paid for services;
- Improper recording of transactions.

POLICY:

All disbursements of Company funds will be made by check. All checks issued will be accompanied by appropriate supporting documentation, for which payment will be authorized beforehand. All checks will require two signatures, and must be issued through the accounting software authorized by the Volunteer Fire & Rescue Association ("VFRA"). All blank checks and check stock will be kept on Company premises in a locked safe or filing cabinet. Void checks will be properly defaced and kept on file. All reporting requirements issued by the IRS related to payments for services will be followed.

PROCEDURES:

A. Check Authorization
B. Check Signers
C. **Custody of Checks and Check Stock***
D. **Void and Replacement Checks***
E. **Payment for Services***
F. Unclaimed Property
G. **Prohibited Practices***

A. Check Authorization – All invoices shall be forwarded immediately to the Treasurer, bookkeeper, or other responsible individual for review and authorization to pay. The following procedures shall be performed related to all invoices:

- The reviewer shall check all invoices for mathematical accuracy, agreement with a written bid or quote, conformity to the Company's budget, and compliance with any other requirements;
- The reviewer shall ensure that all conditions and specifications on a contract or order have been satisfactorily fulfilled, including inventorying items received against packing slip counts;
- If possible, the reviewer should review the proposed account code assigned to the invoice with the appropriate expense or chart of accounts line item number and other information as needed for accounting purposes;
- The reviewer shall approve the invoice (via signature or initials and the date), and by doing so, indicate that the invoice has been reviewed and authorize a payment by check;
- The reviewer shall be responsible for following up on any discrepancies noted during the review process and for ensuring prompt payment;
- The reviewer shall send approved invoices and all supporting documentation to the appropriate individual for payment.

In some cases, expenses may not be invoiced, such as rent or expense reimbursement. When such expenses are due, the reviewer shall:

- Ensure that the expense is correct and appropriate;
- Attach any supporting documentation that is available (e.g. a rent payment schedule showing the dates and amounts of payments due under the contract, expense reimbursement form with original receipts, etc.);
- Write a note authorizing payment of the expense and the amount of the expense, and sign/initial and date the note;
- Send the supporting documentation to the appropriate individual for payment.

Checks issued for the purpose of obtaining cash in connection with a fundraising event (see Section I.D) should be made payable to an individual other than the preparer. That individual will be responsible for accounting for the cash during the fundraising event, and remitting the remaining funds back to the Company in accordance with Section I of the Policy.

B. Check Signers – In addition to the primary signer (normally the Treasurer or Bookkeeper), checks shall also be signed by an officer of the Company other than:

- The individual who prepared them; and
- The individual responsible for account reconciliation(s).

All checks shall be signed by two authorized signers. By signing a check, an authorized signer is affirming that they have performed the following procedures:

- Compared the check to the original invoice or other supporting documentation to ensure that the amount, payee, and date of the check are supported by the invoice or other document(s) attached;
- Ensured that the reviewer has signed/initialed and dated the invoice or other supporting document(s);
- Examined the reasonableness of the check (e.g. a $50,000 check for office supplies would clearly be unreasonable).

All disbursements related to bingo games shall be governed by the applicable laws as set forth by the Commonwealth of Virginia (11VAC15-40, *Charitable Gaming Regulations*), which requires that "disbursements for expenses other than prizes and reimbursement of meal expenses shall be made by check directly from a charitable gaming account".

C. Custody of Checks and Check Stock – All unused checks and/or check stock shall be stored on Company premises in a locked safe or filing cabinet, with access limited to officers of the Company and/or the Treasurer or bookkeeper, or at the principal office of a licensed firm of Certified Public Accountants contracted to perform administrative accounting and financial reporting functions, if applicable.

D. Void and Replacement Checks – If the Company needs to void a check, the Treasurer, bookkeeper, or other responsible individual shall deface the check by writing "VOID" in large letters across the check in permanent/indelible ink. The signature block on the check shall be cut out. In the event that a payee loses a check and requests a replacement, the Treasurer, bookkeeper, or other responsible individual shall ensure that the original check has not yet cleared the bank and shall place a stop payment order at the bank. A receipt for the stop payment order shall be attached to the original supporting documentation.

E. Payment for Services – Any payment for services provided by outside vendors, must be monitored for IRS 1099 reporting requirements. The 1099-MISC Form is an Internal Revenue Service (IRS) tax form used to report miscellaneous payments for services (not goods/products) made to non-employee individuals during the calendar year. In general, a 1099-MISC Form should be filed for each outside vendor to whom the Company has paid at least $600 in rendered services, rents, prizes/awards, and other income payments.

F. Unclaimed Property – Unclaimed property is all tangible or intangible personal property that has remained unspoken for by its owner for an extended period of time. This includes, but is not limited to, savings and checking accounts, wages or commissions, underlying shares, dividends, customer deposits, refund checks, insurance proceeds, safety deposit boxes, etc. In the event that the Company becomes a holder of Unclaimed Property, it shall report and remit these types of accounts to the Unclaimed Property Division of the Virginia Department of the Treasury in accordance with "*The Uniform Disposition of Unclaimed Property Act*", Title 55, Chapter 11.1 of the Code of Virginia, and any other applicable state or federal law.

G. Prohibited Practices:

- No check shall ever be made payable to "Cash" or "Bearer";
- No check shall ever be signed unless fully completed, (must include the date, a valid payee, and the amount);
- No check shall ever be disbursed based on a bank or investment account statement;
- No check shall ever be disbursed where the payee is also an authorized signer;
- No tax-supported funds shall ever be used for the purchase of alcoholic beverages (consistent with OMB Circular A-122, Attachment B, par. 3).

III. ACCOUNT RECONCILIATION

RISKS:

- Bank errors may remain undiscovered, and unreimbursed to the Company;
- Company errors may never be detected and corrected;
- Unauthorized disbursements and/or withdrawals may never be detected;
- Potential identity theft or other bank fraud risks may never be discovered.

POLICY:

The Treasurer, Bookkeeper, or other responsible individual will regularly monitor the Company's bank and/or investment account(s), and will prepare a written reconciliation of each bank and/or investment account to prove that balances presented on financial reports match the records of the corresponding financial institution. The printed reconciliation(s) and accompanying account statement(s) will be presented to another officer of the Company for review and approval via signature.

PROCEDURES:

A. **Preparation of Account Reconciliation***
B. Review and Approval of Account Reconciliation
C. **Verification of Bank Records***
D. **Record Storage***

A. Preparation of Account Reconciliation – The Treasurer, Bookkeeper, or other responsible individual shall collect the appropriate account statement(s) from the financial institution(s) on a monthly basis (some investment account statements are distributed quarterly, and therefore, shall be reconciled accordingly). The balance reflected on the statement(s) shall be compared to the applicable balance(s) per the accounting software. Reconciling items may include:

- Disbursements which have been recorded in the accounting software which are not reflected on the account statement ("Outstanding Checks");
- Deposits which have been recorded in the accounting software which are not reflected on the account statement ("Deposits in Transit");
- Disbursements which appear on the account statement for which there is no corresponding entry in the accounting system (including fees and other charges collected directly by the financial institution);
- Deposits which appear on the account statement for which there is no corresponding entry in the accounting system (including interest and/or dividends credited directly to the account by the financial institution).

All differences due to timing ("Outstanding Checks" and "Deposits in Transit") shall be listed on the account reconciliation. Transactions appropriately reflected on the account statement (interest earnings, fees and/or other charges, etc.) which are missing from the accounting software shall be entered into the accounting software. Once complete, the account reconciliation shall be printed and attached to the account statement and any other supporting documentation, signed by the preparer, and provided to the appropriate officer of the Company for review and approval.

B. Review and Approval of Account Reconciliation – The appropriate officer of the Company shall receive the printed account reconciliation(s), the account statement(s), and all other supporting documentation, and shall review to ensure that:

- The balance(s) per bank shown on the reconciliation matches the balance(s) on the account statement(s);
- The balance(s) per the accounting software listed on the account reconciliation is correct;
- The calculations on the account reconciliation are correct and free from error;
- The amounts of all adjusting items listed on the account reconciliation appear to be correct and accurate.

Once the approving officer is satisfied that the account reconciliation is accurately presented, it shall be approved by signing and dating the reconciliation, and returning all documents to the preparer to be filed.

C. Verification of Bank Records – During the process of preparing the account reconciliation(s), the preparer shall also verify bank records as follows:

- Review cancelled checks for correct signature and number of signatures;
- Review cancelled checks (or images) to ensure that the name of the payee, the amount of the check, and the date of the check agree with the records in the accounting software;
- Review all outstanding checks and follow up on items older than 90 days.

D. Record Storage – All financial records shall be stored on the Company's premises, or at the principal office of a licensed firm of Certified Public Accountants contracted to perform administrative accounting and financial reporting functions, if applicable.

IV. CREDIT CARDS AND OTHER CARDS

RISKS:

- Undocumented or unauthorized purchases may be made without the opportunity for prior review or approval;
- Identity theft or fraudulent charges may occur with the Company credit card, either by a member or by an unknown third party;
- Interest charges or late fees may be unnecessarily incurred;
- Unauthorized cash withdrawals or unprotected purchases may occur;
- Gift cards could be lost or stolen.

POLICY:

The Company may obtain one or more credit cards if needed, and will assign cards directly to specific responsible individuals. All cardholders will sign a "Cardholder Agreement" prior to being issued a card. The authorized cardholder will only use the Company credit card for official business of the Company. The Company will not use debit cards for any reason. The Company will keep and reconcile an inventory of any gift cards purchased and distributed.

PROCEDURES:

A. Card Issuance
B. Advance Approval
C. Credit Card Purchases
D. Debit Cards
E. **Gift Cards***
F. Prohibited Purchases

A. Card Issuance – Company credit cards shall be issued in the name of the Company as well as in the name of the individual to whom the card is issued. All cardholders shall sign a cardholder agreement prior to being issued a credit card by the Company. At a minimum, the cardholder agreement shall stipulate that the cardholder has read and understood the Policy, agrees to abide by the Policy in the use of the Company credit card, agrees that the Company credit card will not be used to circumvent the Procurement Section or any other section of the Policy, and agrees to become personally liable for any unauthorized purchases on the Company credit card. The issuance of company credit cards shall be evaluated at least annually, or whenever there are changes in personnel.

B. Advance Approval – The President and/or Vice President of the Company shall, whenever practical, be given the opportunity to provide approval for the use of the Company credit card prior to its use. Such approval shall be written, and shall describe the requested purchase and the estimated or actual cost.

C. Credit Card Purchases – The cardholder shall retain the original receipt(s) from each credit card purchase. Upon making a credit card purchase, the cardholder shall notify the Treasurer, bookkeeper, or other responsible individual of the purchase, and shall include in the notification the following information:

- The date of purchase;
- The vendor with whom the transaction was made;
- For meals, the names of all persons attending the meal and a description of the business purpose in accordance with IRS regulations;
- The amount of each credit card purchase.

The Treasurer, bookkeeper, or other responsible individual shall utilize this information to monitor future cash requirements, as well as potential extraneous use of the Company credit card(s).

Within ten (10) business days after the purchase, the cardholder shall prepare, sign, and date documentation with details of the credit card purchase and attach the original receipt(s), as well as evidence of advance approval (if applicable), and remit the documents to the Treasurer, bookkeeper, or other responsible individual for future payment of the credit card statement.

The Treasurer, bookkeeper, or other responsible individual shall reconcile the credit card statement to all expense documentation received, and shall pay the credit card bill prior to the due date in order to avoid unnecessary interest charges and late fees.

D. Debit Cards – The Company shall not issue or use debit cards for any reason.

E. Gift Cards – If the Company purchases gift cards, the Treasurer, bookkeeper, or other responsible individual shall keep an inventory of all gift cards that includes the following information:

- The name of the vendor issuing the gift card;
- The face value of the gift card;
- The serial number of the gift card;
- The date of purchase;
- The recipient of the gift card;
- The date the gift card was given to the recipient;
- The reason for giving the gift card.

The Company shall keep all gift cards in a locked safe or filing cabinet, and shall reconcile the gift card inventory log to the undistributed gift cards on a monthly basis.

F. Prohibited Purchases:

- Personal purchases;
- Cash advances or loans;
- Payroll advances;
- Purchases for other organizations (outside of Fauquier County public safety);
- Purchases which circumvent the Disbursement of Funds Section or the Procurement Section of the Policy.

V. PROCUREMENT

RISKS:

- Unauthorized or irresponsible purchases may be made without the opportunity for prior review;
- Purchases may be made in a manner which lacks transparency and raises suspicions about the legitimacy of an expenditure of public/donated funds;
- False accusations of favoritism or discrimination in the purchasing process may be made.

POLICY:

The Company will follow sound procurement practices that require increased scrutiny for larger purchases, will ensure that legitimate business is conducted with responsible and responsive providers of goods or services, and will seek to utilize allocated resources in the most effective and efficient way possible. The Company will exercise caution when considering the purchase of goods or services from a vendor with whom a member or a member's relative is affiliated, and will not give preferential treatment to any vendor on the basis of their affiliation with a member of the Company or for any other reason prohibited by law.

PROCEDURES:

A. Competitive Bidding
B. Sole Source Purchases
C. Emergency Purchases
D. Receipt of Goods or Services
E. Conflict of Interest
F. Prohibited Practices

A. Competitive Bidding – The Company shall engage in a competitive bidding process that is appropriate for the amount of funds to be expended, based upon the following chart:

Purchase Amount	Procurement Method
$0 - $5,000	One (1) verbal or written price quote.[1]
$5,000 - $24,999	Minimum documentation of three (3) verbal or written quotes. [1]
$25,000 or more	Minimum documentation of four (4) written quotes.

[1]At least two (2) written quotes are required if a competing vendor is, or is related to, a member.

A prospective vendor who has submitted a quote that conforms to the specifications communicated by the Company in all material respects shall be deemed "responsive". A prospective vendor who possesses the capability and capacity to fully satisfy and perform the requirements set forth by the Company shall be deemed "responsible". The provision of goods or services shall be awarded to the lowest responsive and responsible bidder.

The Company may ride eligible contracts of other jurisdictions which have been competitively bid.

B. Sole Source Purchases – If the Company believes that a product or service is available from only one practicable source, a quote from that source shall be provided and supplemented with a

written justification that provides factual data to justify the purchase. Factual data must include the following:

1. A determination as to why a particular product or service is the only product or service that will meet the Company's needs;
2. Documentation/memorandum from the vendor on the vendor's official letterhead to support that there is only one source practically available which can provide the product or service; and
3. Documentation that the price is determined fair and reasonable.

C. Emergency Purchases – If the Company must make an immediate purchase that is required in order to protect personal safety, life, or property, and which therefore, cannot follow normal purchasing procedures, it may be deemed to be an "emergency purchase", and shall be accompanied by a written justification prepared and signed by an officer of the Company (other than the party making the purchase).

D. Receipt of Goods or Services – The Company shall ensure that goods received and/or services provided are in accordance with the specifications and requirements set forth during the bidding process. Goods must be delivered to a valid address of the Company.

E. Conflict of Interest – The Company is generally discouraged from contracting with related parties (e.g. a Company member or a relative of a Company member). However, whenever purchasing goods or services from a vendor with whom a member, or a member's relative, is affiliated, the Company shall obtain at least two (2) written quotes, one of which shall be from a vendor with whom the Company has no related-party affiliation.

F. Prohibited Practices:
1. No purchase shall ever be intentionally split into smaller lots in order to circumvent bidding requirements;
2. No provision of goods or services shall ever be awarded to a vendor based upon preferential treatment or unlawful discrimination.
3. No Company member shall be a participant on a selection committee or in any way be responsible for awarding a contract to a vendor with which he/she has a related-party affiliation.

VI. FIXED ASSETS

RISKS:

- Expensive property and equipment could be lost, stolen, or unnecessarily damaged;
- Cost of property and equipment may be reported incorrectly on financial statements;
- Insurance coverage may not adequately address all property and equipment owned.

POLICY:

The Company will capitalize long-lived property and equipment. The Company will conduct an annual inventory of capitalized fixed assets, and will report the results to their insurance carrier(s) as appropriate. The Company will depreciate all fixed assets on a straight-line basis using an appropriate estimated useful life based on the nature of the property or equipment. Purchases of real property shall require advance approval of the Volunteer Fire & Rescue Association (VFRA) and the Fauquier County Board of Supervisors.

PROCEDURES:

A. **Fixed Asset Capitalization***
B. **Fixed Asset Inventory***
C. **Fixed Asset Depreciation***

A. Fixed Asset Capitalization – Purchases of property and equipment with a cost greater than $5,000 and an estimated useful life greater than one (1) year shall be capitalized as fixed assets. The Company shall identify and track assets utilizing asset tags, serial numbers, or some other identifying characteristic. A listing of all fixed assets owned by the Company shall be kept by the Treasurer, bookkeeper, or other responsible individual, and shall include the following information:

- Asset tag number, serial number, and/or other identifying characteristic;
- Date of purchase;
- Purchase price;
- Description of fixed asset;
- Estimated useful life (in years);

Assets sold or otherwise disposed during the year shall be properly removed from the fixed asset listing and the accounting software at the time of the disposition.

B. Fixed Asset Inventory – As close to fiscal year-end as possible, the Company shall conduct an annual physical inventory count of all fixed assets to determine whether items capitalized are still in the possession and use of the Company, or whether they have been disposed, lost, or stolen. The results of the physical inventory count shall be compared and reconciled to the fixed asset listing and the accounting software, and communicated to the Company's insurance carrier(s) as appropriate.

C. Fixed Asset Depreciation – The Company shall calculate and record depreciation expense on all fixed assets at least annually in connection with the preparation of financial statements.

VII. FINANCIAL REPORTING AND OVERSIGHT

RISKS:

- Adverse financial conditions at the Company may go undetected and uncorrected;
- Financial records and reports may be misstated or incomplete and therefore, lack the appropriate level of accountability and transparency due to donors and taxpayers;
- Internal control risks may be undetected and/or uncorrected, and could expose the Company to a higher risk of waste, fraud, or abuse;
- Proposed corrective action may not be appropriate to fully address control weaknesses which are detected.

POLICY:

The Company will provide regular financial reports to the Volunteer Fire & Rescue Association ("VFRA"). Annually, the Company will provide audited financial reports and a completed and signed copy of IRS Form 990 to the VFRA and the County Department of Finance. The Company will be subject to internal review procedures at the request of the County Department of Finance or the VFRA, and to other procedures requested by the BOS, and will take appropriate corrective action on any findings resulting from any of the aforementioned engagements.

PROCEDURES:

A. **Financial Reporting***
B. Annual Audit and Preparation of IRS Form 990
C. Internal Reviews and Other Procedures

A. Financial Reporting – The Company shall provide unaudited financial reports to the VFRA on at least a quarterly basis. The Company shall transmit electronic financial data to the VFRA from the accounting software approved by the VFRA at least quarterly.

B. Annual Audit and Preparation of IRS Form 990 – The Company shall be subject to an annual financial statement audit by a licensed firm of Certified Public Accountants (at the County's expense), and shall annually prepare and file, or have prepared and filed, IRS Form 990 (at the Company's expense). The Company shall annually remit copies of the audited financial statements and a completed and signed copy of IRS Form 990 to the VFRA and the County Department of Finance no later than June 30th for the preceding fiscal year (or six months following the end of the preceding fiscal year). The Company shall take corrective action on any findings resulting from the financial statement audit, and shall communicate to the VFRA and the County Department of Finance the nature, timing, and responsibility of those corrective actions.

C. Internal Reviews and Other Procedures – The Company shall be subject to internal review procedures conducted by the County Department of Finance, at least every other year. During the internal review procedures, the Company shall fully cooperate with Finance Department staff and shall provide all requested documents and information, and shall answer all inquiries in an expeditious manner. The Company and the VFRA shall be provided a written report from the County Department of Finance detailing any internal control findings. The Company shall respond to the written report within thirty (30) days by communicating to the VFRA and the

County Department of Finance the nature, timing, and responsibility of the corrective actions planned to alleviate the internal control finding(s).