



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

Contact: Mary Mosiman
515/281-5835
or Tami Kusian
515/281-5834

FOR RELEASE _____ September 22, 2015 _____

Auditor of State Mary Mosiman today released a report on a review of certain accounts and transactions of the City of Solon Volunteer Fire Department, the Tri-Township Fire Department, and the Solon Firefighters Benevolent Association for the period January 1, 2011 through May 6, 2014. The review was requested by citizens of the City of Solon who expressed concerns regarding bank accounts and financial transactions of the Solon Volunteer Fire Department.

Mosiman reported the review identified \$67,557.54 of improper and unsupported disbursements from several bank accounts reviewed. The procedures also identified \$1,167.00 of collections which were not deposited to the bank. Mosiman also reported it was not possible to determine if any additional collections from fundraisers or contributions were not properly deposited during the period reviewed because adequate records were not available.

The \$1,374.37 of improper disbursements identified consist of payments related to “stag parties,” alcohol, gift cards, and interest and late fees incurred on a credit card account established for the Department. The \$66,183.17 of unsupported disbursements identified includes payments to vendors.

Mosiman also reported \$69,741.11 of disbursements were identified for which the public benefit to be derived was not clearly documented. The disbursements included donations, flower purchases, member appreciation events, and food purchases.

Mosiman reported the City entered into a 28E agreement (agreement) with the townships of Big Grove, Cedar, and Newport in August 1999 for joint and mutual fire protection. The agreement specifies the City’s Fire Chief is responsible for the “administration of the Fire Departments of the City of Solon and the Tri-Township Fire Department.” The agreement also states personnel necessary to maintain and operate the fire equipment and to fight fires include “members of the Solon Volunteer Fire Department and any volunteers from the townships.”

According to officials, the 2 fire departments are considered to be a single operational organization which is generally referred to as the Solon-Tri-Township Fire Department (Department).

Mosiman reported the Department is also closely associated with the Solon Firefighters Benevolent Association (Benevolent Association), a nonprofit corporation. According to the Benevolent Association's amended Articles of Incorporation, it is organized "exclusively for charitable, religious, educational and scientific purposes." Mosiman reported the Department and the Benevolent Association share a number of members and a number of disbursements were identified from the Benevolent Association's checking account which benefited members of the Department or their family members.

Mosiman also reported a number of collections deposited to the Benevolent Association's checking account were collected in the name of and for the benefit of the Department. Because funds collected for the benefit of the Department are public funds, they should have been deposited with the City. The \$1,167.00 of collections not deposited were proceeds from a fundraiser held in November 2010 which were recorded in the Benevolent Association's check register for its checking account but were not deposited to the bank.

Mosiman reported sufficient documentation was not available to determine the propriety of \$66,183.17 of disbursements from the Solon Firefighters and Benevolent Association's checking accounts. The disbursements included payments to convenience stores and various retail vendors, such as Best Buy.

Mosiman recommended proceeds of fundraisers sponsored on behalf of the Department and other donations made in the name of the Department be deposited with the City in accordance with section 384.20 of the *Code of Iowa*. Mosiman also recommended establishing procedures which ensure all financial transactions are deposited to or issued from the proper accounts between the City and Benevolent Association.

A copy of the report has been filed with the Johnson County Attorney and is available for review on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1220-0488-T000.pdf> and in the Office of Auditor of State.

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**REPORT ON A REVIEW
OF THE
SOLON VOLUNTEER FIRE DEPARTMENT,
THE TRI-TOWNSHIP FIRE DEPARTMENT,
AND THE SOLON FIREFIGHTERS BENEVOLENT ASSOCIATION**

**FOR THE PERIOD
JANUARY 1, 2011 THROUGH MAY 6, 2014**

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Telephone (515) 281-5834 Facsimile (515) 242-6134

Auditor of State's Report

To the Honorable Mayor, Members
of the City Council and the Fire Chief:

As a result of citizen concerns regarding activities of certain organizations associated with the Solon Volunteer Fire Department, we conducted a review of the Solon Volunteer Fire Department, the Tri-Township Fire Department, and the Solon Firefighters Benevolent Association. We have applied certain tests and procedures to selected financial transactions of these organizations for the period January 1, 2011 through May 6, 2014, unless otherwise noted. Based on discussions with personnel of these organizations and a review of relevant information, we performed the following procedures for the periods specified:

- (1) Reviewed available documents, including City Ordinances, 28E agreements, and articles of incorporation to determine the legal status of the Solon Volunteer Fire Department, the Tri-Township Fire Department, the Solon Firefighters, and the Solon Firefighters Benevolent Association.
- (2) Interviewed certain individuals to obtain additional information regarding the organizations represented by each and each organization's relationship to the City of Solon Volunteer Fire Department, including:
 - Dan Smith, former Fire Chief of the Solon and Tri-Township Fire Departments;
 - Jerry Serbousek, Treasurer of the Tri-Township Fire Department;
 - Greg Morris, Treasurer of the Solon Firefighters Benevolent Association; and
 - Bob Siddell, current Fire Chief of the Solon and Tri-Township Fire Departments.

We also requested information for the various bank accounts the organizations held.

- (3) Reviewed documentation establishing objectives, eligibility, and funding for the Solon Fire Department Benevolent Association scholarship program.
- (4) Interviewed Mr. Smith to determine the existence, if any, of a separate scholarship account.
- (5) Interviewed Mr. Smith to obtain an explanation of annual fundraisers held for the benefit of the Solon and Tri-Township Fire Departments, including which organization is responsible for the fundraisers and how the fundraisers are advertised.
- (6) Reviewed available advertisements for fundraisers to determine for which organization the fundraiser proceeds were intended.
- (7) Reviewed bank statement activity for bank accounts in the name of the Solon Firefighters, Tri-Township Fire Fund, and the Solon Firefighters Benevolent Association to determine the nature of the activity in the accounts.

- (8) Reviewed deposits recorded in the Solon Firefighters Benevolent Association's account check register, traced deposits to bank account statements, and summarized deposit activity based on descriptions in the check register.
- (9) Reviewed deposit details for selected deposits to the Solon Firefighters Benevolent Association's account and 2 accounts bearing the name "Solon Firefighters" for the period January 1, 2011 through December 31, 2012 to determine the source of the deposits to these accounts.
- (10) Reviewed disbursements from the Solon Firefighters Benevolent Association's account to determine the types of disbursements made from the account and whether the disbursements were appropriate and were supported by adequate documentation. We also traced disbursements recorded in the check register to the redeemed check images from the bank to determine they agreed.
- (11) Scanned disbursements from the bank account bearing the name "Solon Firefighters" to determine the types of disbursements made from the account and whether the disbursements were reasonable.
- (12) Scanned activity from a bank account bearing the name "Tri-Township Fire Fund" to determine the types of activity and whether it was reasonable.
- (13) Examined monthly credit card statements issued to the Solon Fire Department for the period February 4, 2011 through November 5, 2013 and December 5, 2013 through February 5, 2014 (periods for which statements were available) and reviewed available supporting documentation for purchases made with the credit card to determine for which organization the purchases were made and if the purchases were appropriate and supported by adequate documentation.

These procedures identified \$67,557.54 of improper and unsupported disbursements. The procedures also identified \$1,167.00 of collections which were not deposited to the bank. We were unable to determine if any additional collections from fundraisers or contributions were not properly deposited during the period reviewed because adequate records were not available. Our detailed findings and recommendations are presented in this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Solon Volunteer Fire Department, the Tri-Township Fire Department, and the Solon Firefighters Benevolent Association, other matters might have come to our attention that would have been reported to you.

A copy of the report has been filed with the Johnson County Attorney. We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Solon Volunteer Fire Department, the Tri-Township Fire Department, and the Solon Firefighters Benevolent Association during the course of our review.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 31, 2015

Report on a Review of the
Solon Volunteer Fire Department,
the Tri Township Fire Department,
and the Solon Firefighters Benevolent Association

Background Information

The City of Solon (City) is located in Johnson County. The Solon Volunteer Fire Department (Department) was established pursuant to Chapter 35 of the City's Code of Ordinances to protect lives and property against fires, to promote fire prevention and fire safety, and to answer all emergency calls for which there is no other established agency. The Department consists of a volunteer fire company of not less than sixteen or more than thirty-five members. The Department is governed by the City Council and administered by the Fire Chief who is elected from the members, subject to approval of the City Council.

While the Solon Volunteer Fire Department was established pursuant to the City's Code of Ordinances, it is closely associated with the Tri-Township Fire Department and the Solon Firefighters Benevolent Association. These organizations and their relationship to the Solon Volunteer Fire Department are described in the following paragraphs.

Tri-Township Fire Department – The City entered into a 28E agreement (Agreement) with the townships of Big Grove, Cedar, and Newport in August 1999 for joint and mutual fire protection. Pursuant to the Agreement, the City is responsible for building maintenance, insurance, utilities, and other costs associated with maintaining the fire station. The City is also responsible for costs associated with vehicle maintenance, telephone service, and operating supplies. These costs are paid directly by the City.

The Agreement also requires the City to pay an annual amount to the townships representing the City's share of "all other expenses for the maintenance of the Solon-Tri-Township Fire Department, including its vehicles and costs of personnel".

According to the Agreement, all new purchases of fire trucks and fire engines are made by the Tri-Township Fire Department and the City has no financial responsibility for the purchase of the fire trucks and fire engines. However, the Agreement provides the City the right of first refusal to purchase the used equipment of the Tri-Township Fire Department at a mutually agreed upon price. The Agreement also states the Tri-Township Fire Department is allowed to store its vehicles and equipment in the Solon Fire Department station. Insurance for the trucks and equipment is paid for from a bank account held in the name of the Tri-Township Fire Department. Insurance for the station is paid for by the City.

The Agreement states the City's Fire Chief is responsible for the "administration of the Fire Departments of the City of Solon and the Tri-Township Fire Department." According to the Agreement, the Fire Chief shall be appointed or elected and is subject to the approval of the Tri-Township Fire Department. The Agreement also states personnel necessary to maintain and operate the fire equipment and to fight fires include "members of the Solon Volunteer Fire Department and any volunteers from the townships, all of whom shall be under the authority and direction of the Fire Chief."

Jerry Serbousek serves as Treasurer of the Tri-Township Department. While named and operated as the "Tri-Township Fire Department", there is no evidence the Tri-Township Fire Department was ever officially established in any manner as a body corporate.

Based on our discussions with Mr. Serbousek, the Solon Volunteer Fire Department is non-existent as an individual entity. According to individuals we spoke with, the Solon Volunteer Fire Department, the Tri-Township Fire Department, the Solon Fire Chief, and

other City personnel operate as a single joint organization which the firefighters refer to as the Solon-Tri-Township Fire Department. The Agreement also specifies the members of the Solon Volunteer Fire Department and any volunteers from the townships shall be under the authority and direction of the Fire Chief.

Solon Firefighters Benevolent Association (Benevolent Association) - The Benevolent Association was established as an Iowa nonprofit corporation pursuant to Chapter 504A of the *Code of Iowa*. According to the amended Articles of Incorporation, the Benevolent Association is organized “exclusively for charitable, religious, educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code.” The Benevolent Association’s Bylaws state, “The Solon Firefighters Benevolent Association is organized for charitable, educational purposes, to help promote firefighter safety and fire prevention.” The Benevolent Association is governed by a Board of Directors. Membership consists of the active members of the Solon Volunteer Fire Department.

Greg Morris serves as the Benevolent Association’s Treasurer. Deposits into the checking account held by the Benevolent Association primarily consist of donations and fundraising proceeds generated from an annual breakfast and dance fundraisers hosted by the Solon Volunteer Fire Department. Disbursements from the account include funeral expenses/donations, scholarships to firefighters and their family members, fundraiser expenses, member appreciation, firefighter expenses for education, equipment, and clothing, and food and groceries.

Mr. Morris also holds and administers a savings account and a checking account which bear the name “Solon Firefighters.” According to individuals we spoke with, the “Solon Firefighters” are generally understood to be the volunteer firefighters who maintain and operate the fire equipment and fight fires for the Solon-Tri-Township Fire Department. The bank statements for the accounts in the name “Solon Firefighters” were sent to the same address as the bank statements for the accounts held by the Benevolent Association, which is the address of the fire station.

The Secretary of State’s online database of businesses and other organizations does not include an organization referred to as “Solon Firefighters”, but does include a listing for “Solon Firemen, Incorporated.” The database shows Articles of Incorporation were filed for Solon Firemen, Incorporated on August 9, 1957 and the organization was statutorily terminated on July 1, 1997. As a result, Solon Firefighters is not a legally established organization.

Deposits to the “Solon Firefighters” accounts consist primarily of contributions from the Tri-Township Fire Department and the City. Disbursements from the checking account are for personnel training, meals, payments to firefighters for fire calls, and other costs associated with operating the fire department. There was limited activity in the savings account.

The Solon Volunteer Fire Department has a credit card account for which several credit cards were issued in the name of specific firefighters. Charges to the account are paid monthly from both the Solon Firefighters’ checking account and the Benevolent Association’s checking account. According to individuals we spoke with, the Solon Volunteer Fire Department does not have written policies governing the use of the credit cards and it is unclear how charges to the account are allocated between the Solon Firefighters and the Benevolent Association.

As a result of concerns regarding bank accounts and financial transactions of the Solon Volunteer Fire Department, the Office of Auditor of State conducted a review of the accounts maintained by the Department. As a result, we performed the procedures detailed in the Auditor of State’s Report for the period January 1, 2011 through May 6, 2014, unless otherwise noted.

Detailed Findings

The procedures performed identified \$67,557.54 of improper and unsupported disbursements. The procedures also identified \$1,167.00 of collections which were not deposited to the bank. We were unable to determine if any additional collections from fundraisers or contributions were not properly deposited during the period reviewed because adequate records were not available. All findings are summarized in **Table 1** and a detailed explanation of each finding follows.

Table 1				
Description	Table/ Page Number	Improper	Unsupported	Total
Benevolent Association account:				
Unsupported disbursements	Page 9	\$ -	57,198.96	57,198.96
“Stag” parties	Table 3	959.11	-	959.11
Subtotal		959.11	57,198.96	58,158.07
Solon Firefighters account:				
Improper disbursements	Table 4	415.26	-	415.26
Unsupported disbursements	Page 11	-	8,984.21	8,984.21
Subtotal		415.26	8,984.21	9,399.47
Total		\$ 1,374.37	66,183.17	67,557.54

(A) Benevolent Association Deposit Activity – We reviewed the deposits recorded in the Benevolent Association’s check register for the period January 1, 2011 through May 6, 2014 to determine the primary funding sources for the Benevolent Association. The deposits recorded in the check register for this period total \$150,968.26. We identified the following sources based on the descriptions in the check register:

- \$73,296.26 from breakfast fundraisers,
- \$47,754.00 from dance fundraisers,
- \$2,080.00 from reimbursements, and
- \$27,838.00 of deposits from unidentified sources.

We judgmentally selected 12 deposits during the period January 1, 2011 through December 31, 2012 to determine the specific make up of each deposit. For the 12 deposits selected, we obtained copies of each check included in the deposit and reviewed the payee to determine to whom the checks were issued. The 12 deposits reviewed included 439 checks totaling \$18,255.00. Based on our review, we determined 436 of the 439 checks included in the 12 deposits were issued to “Solon Firefighters,” “Solon Volunteer Fire Department,” “Solon Fire Department,” or “Solon Fire.” The remaining 3 checks, which total \$1,350.00, were issued to the “Solon Firefighters Benevolent Association.”

According to the former Fire Chief, the Benevolent Association holds 2 annual fundraisers, including a breakfast in May and a dance in November.

We reviewed a notice in the May 21, 2014 Iowa City Press Citizen which stated, in part, “The Solon Firefighters Benevolent Association will host their 51st annual breakfast...” However, an article on Solon Economist.com in 2012 describes the Solon Volunteer Fire Department as the sponsor on the annual breakfast fundraiser. Specifically, the article stated:

“SOLON VOLUNTEER FIRE DEPARTMENT: The 30-member Solon Volunteer Fire Department responded to 350 calls in Big Grove, Newport, Cedar and Graham Townships, as well as the City of Solon (among other mutual aid responses) in 2011. The Fire Department hosts an annual pancake breakfast at the end of May which has become a local tradition, and also sponsors a firefighter’s dance as its two major fundraising activities (emphasis added). The Department is also involved with fire safety and prevention education in a variety of functions. Department members annually teach students how to safely exit their homes in case of a fire during Fire Prevention Week. Equipment is demonstrated and displayed for students and many groups receive station tours and fire safety talks annually. The members are also required to attend training on a monthly basis to keep their skills and knowledge base at an acceptable level.”

We reviewed flyers from 3 annual breakfast fundraisers and determined the fundraisers were advertised to the public as “Solon Firefighter Annual Breakfast.” The flyers did not specify the proceeds from the fundraisers were for the Benevolent Association. The flyers reviewed did not include a date, so we were unable to determine which year they were for.

Information on how dances prior to November 2013 were advertised was not readily available. However, we reviewed an advertisement on Solon Economist.com for the November 2013 dance fundraiser which stated the Solon Firefighters hosted the annual event and the proceeds for the 2013 event were to benefit the Benevolent Association. Specifically, the article stated:

“The Solon Firefighters will host their 21st annual Firefighters Dance on Saturday, Nov. 30, at Lake MacBride Golf Club. The featured band is “Eight Seconds” and raffle prizes will be given away throughout the night. The grand prize is an overnight stay at Riverside Hotel and Casino. A University of Iowa No. 44 football helmet will also be given away. All proceeds from this year’s dance will go to the Solon Firefighters Benevolent Association (emphasis added). The benevolent funds allow the department to purchase items that are not budgeted through taxation, and to supplement projects such as the department’s new training facility.”

Because information on how dances prior to November 2013 were advertised was not readily available, we are unable to determine for what additional years, if any, proceeds were intended to benefit the Benevolent Association.

Based on the documentation available, we determined the majority of donations and fundraising proceeds deposited to the Benevolent Association’s account during the period reviewed were collected in the name of and for the benefit of the Solon Volunteer Fire Department. The funds collected for the benefit of the Solon Volunteer Fire Department are public funds which should have been deposited with the City.

The account is not held or currently administered by a City official. In addition, transactions and resulting balances have not been reported to the City Council and disbursements from the account are not reviewed or approved by the City Council.

Recommendation – Section 384.20 of the *Code of Iowa* states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property.”

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 of the Constitution of the State of Iowa states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.”

Proceeds of fundraisers sponsored by the Solon Volunteer Fire Department (or Solon Firefighters) and other donations given in the name of the Solon Volunteer Fire Department (or “Solon Firefighters”) are City funds which should be deposited and accounted for by the City in accordance with section 384.20 of the *Code of Iowa* and Article III, Section 31 of the Constitution of the State of Iowa. Funds currently held by the Benevolent Association collected in the name of, or for the benefit of, the Solon Volunteer Fire Department or its firefighters should be immediately turned over to the City.

- (B) Benevolent Association Disbursement Activity – We reviewed disbursements from the Benevolent Association’s account for the period January 1, 2011 through May 6, 2014 and any available supporting documentation to determine propriety. Using the descriptions recorded in the check register and/or any available supporting documentation, we categorized the disbursements as summarized in **Table 2**.

Category	Amount
Donations, memorials and flowers	\$ 7,970.95
Scholarships to firefighters, their spouse and their children	12,600.00
Fundraiser expenses	29,329.07
Member appreciation^	13,885.11
Fire station/firefighter expenses	48,485.21
Food/grocery	35,285.05
Non-food items	6,505.72
Total	\$ 154,061.11

^ - Includes \$959.11 identified as “stag” parties, which included purchases of alcohol.

Invoices or other supporting documentation was not available for \$57,198.96 of the \$154,061.11 of disbursements summarized in the **Table**. The \$57,198.96 of unsupported disbursements includes purchases made at Sam’s Market for which invoices were available, but the invoices were not itemized. As a result, we are unable to determine the items purchased. Because we are unable to verify the accuracy of the check register description used to categorize the purchases in **Table 2** or determine the propriety of the purchases, the \$57,198.96 of transactions are included in **Table 1** as unsupported disbursements.

To determine the propriety of the disbursements summarized in **Table 2**, we considered the source of funds deposited to the account and the vendors to which payments were made. We also considered the amount and frequency of the payments to the vendors. As stated in (A) above, the majority of collections deposited to the Benevolent Association’s account are public funds belonging to the City.

An Attorney General’s Opinion dated April 25, 1979 states, “The key is ‘public purpose’; public monies may only be spent for the public benefit.” Because the public benefit to be derived from the disbursements summarized in **Table 2** has not been clearly documented, the disbursements for donations, funerals, flowers, member appreciation, and food do not appear to meet the requirements of public purpose. In addition, because the deposits to the

Benevolent Association's account were not collected for the purpose of benefiting firefighters and their families, the scholarships also do not appear to meet the requirements of public purpose. The disbursements for donations, funerals, flowers, member appreciation, food, and scholarships identified and summarized in **Table 2** total \$69,741.11.

According to the Attorney General's Opinion, it is possible for disbursements which are meant to show appreciation to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The Opinion also states the line to be drawn between a proper and an improper purpose is very thin.

The disbursements for member appreciation shown in **Table 2** include \$959.11 of purchases for "stag" parties, which include alcohol purchases. The checks identified for "stag" parties are listed in **Table 3**.

Table 3

Check Date	Check Number	Payee	Description per Check Register or Invoice	Amount
01/15/11	5076	Johncy's Liquor Store	Stag	\$ 81.92
02/18/13	5296	Aero Rental	10 decks playing cards	18.73
02/18/13	5297	The Ruzicka's	Meat/cheese tray, shrimp, chicken wings, little smokies, 63 BBQ pork patties, 24 smoked brats	463.46
02/26/14	5409	The Ruzicka's	Salami/cheese tray, shrimp, chicken wrap	395.00
Total				<u>\$ 959.11</u>

The check register also included a notation for check number 5085 which stated "Stag c [with] meeting." The check was for \$1,275.00 and was dated February 17, 2011. Because we are unable to determine the portion of the payment which was for the "stag" party, an amount is not included in **Table 3**.

It is not unusual for a City to periodically recognize the service provided by volunteer firefighters. However, recognitions typically take the form of awards ceremonies, recognition dinners, plaques, or other tokens of appreciation. The costs of a "stag" party may not meet the test of serving a public purpose because the nature of the "stag" party was not identified. Because the funds deposited in the Benevolent Association's account are public funds belonging to the City, and the disbursements in **Table 3** are for parties, the \$959.11 is included in **Table 1** as improper disbursements.

Recommendation – The City Council and the Fire Chief should determine and document the public purpose served by disbursements for which the public purpose of the disbursement is not evident before authorizing any further such payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation. In addition, all disbursements should be supported by vendor receipts.

- (C) Solon Fire Department Credit Card – As previously stated, the Solon Volunteer Fire Department has a credit card account for which several credit cards were issued in the name of specific firefighters. Monthly credit card bills are paid from the Solon Firefighters' checking account and/or the Benevolent Association's account.

We reviewed credit card transactions from monthly statements for the Solon Fire Department's account for the period February 4, 2011 through November 5, 2013 and December 5, 2013 through February 5, 2014. Statements outside these periods were not available. The statements available included 322 charges which total \$44,491.52. The charges listed on the statements include purchases made from:

- convenience stores, retail vendors, and restaurants,
- travel costs, including air fare, vehicle rentals, lodging, and training costs,
- fire safety equipment,
- professional organizations,
- computer sales and services, and
- postage.

Payments from the Solon Firefighters' checking account total \$40,527.29 and payments from the Benevolent Association's account total \$3,964.23. The payments made by the Benevolent Association are categorized in **Table 2** based on the vendor listed in the statements.

To determine the propriety of the \$40,527.29 of payments from the Solon Firefighters' checking account, we reviewed each transaction and considered the vendor, amount, and frequency of purchases. We also reviewed any available supporting documentation. During our review, we identified the charges listed in **Table 4**.

Transaction Date	Vendor	Description	Amount
03/02/12	Hy-Vee, Iowa City	Spirits: Captain Morgan, Dr. McGillicuddy's, bottle deposit, Collins Cocktail, plastic shot glasses	\$ 61.90
06/21/12	Riverside Casino & Golf Resort Gift Shop	Gift card	180.00
Various	<i>None</i>	Late fees and interest	173.36
Total			<u>\$ 415.26</u>

Because these purchases are not an appropriate use of public funds, the \$415.26 total is included in **Table 1** as improper disbursements.

We also identified 168 transactions for which supporting documentation, such as a store receipt or vendor invoice, was not available. However, based on the vendor, amount of the charge, and/or the frequency of the charges, we were able to determine 77 of the transactions were reasonable for the Department's operations. These purchases included purchases of fire safety equipment, payments to Firefighter organizations, and training costs, such as airfare, lodging and rental car fees. Because we were unable to determine the propriety of the remaining 91 transactions, the \$8,984.21 total of those transactions is included in **Table 1** as unsupported disbursements.

Recommendation - The City Council and the Fire Chief should determine and document the public purpose served by disbursements for which the public purpose is not evident before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation. In addition, all disbursements should be supported by vendor receipts.

- (D) Benevolent Association's Name – Based on the activities of the Benevolent Association, the organization's name is misleading. The term "benevolent" is generally understood to mean philanthropic giving, showing good will, or providing financial support to others. Benevolent Associations generally exist to support members and their families in times of crisis or need, not social activities.

The financial activity of the Benevolent Association appears to be similar to that more often associated with an auxiliary organization. It is not unusual for local fire departments to establish auxiliary organizations which raise funds used to support the department. Proceeds raised by auxiliary organizations (in the name of the auxiliary) are typically from fundraisers and similar events. As a result, the proceeds are not considered public funds and may be maintained separate from the City's accounts. These funds may be used for purchases which are not in the City's budget, for which the City Council does not deem the purchase to be an appropriate use of City funds, or for items which may not clearly meet the test of public purpose. The use of the funds should be limited to disbursements which support the purpose or goals of the organization, not for events such as "stag" parties. Disbursements from auxiliary accounts typically include equipment not budgeted for by the City, annual membership recognition dinners for firefighters and their spouses, and beverages to be available to firefighters during calls lasting for an extended period of time in order to avoid having the firefighters become dehydrated.

Recommendation – The Benevolent Association should consult with legal counsel and City officials to establish a clear understanding of the organization's purpose, funding sources, and the planned use of its resources. Procedures should then be established and implemented to ensure any financial transactions are deposited to or issued from the proper accounts of the City and the organization. In addition, the organization, after consulting legal counsel, should consider the advisability of properly establishing the organization as an auxiliary rather than a benevolent association.

Also, City officials should ensure members of both the Solon-Tri-Township Fire Department and the Benevolent Association have a clear understanding of the distinctions between the transactions of the organizations. It is essential the members understand which types of transactions are the responsibility of the City and which are not an allowable use of public funds.

- (E) Undeposited Collection – We identified a \$1,167.00 deposit for "fire dance" recorded in the Benevolent Association's check register in January 2011. The deposit appears to be related to the dance held in November 2010. However, the proceeds could not be traced to a bank deposit. We were unable to determine the disposition of this discrepancy.

Recommendation – The Benevolent Association should review this recorded deposit for accuracy and proper deposit to the bank.

In addition, bank statements should be delivered to an official who does not collect or disburse funds. The bank statements should be reviewed in a timely manner for unusual activity. Bank reconciliations should be performed monthly and should be reviewed by someone independent of other financial responsibilities. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

- (F) Benevolent Association's Scholarship Program – On July 2, 2001, the Benevolent Association adopted a scholarship program to provide up to 5 years of college aid to firefighters, their spouses, or children attending any 2 or 4-year college. To qualify for the program, an individual must be a current member of the Solon Volunteer Fire Department, a spouse, a son or daughter of a current member, or a son or daughter of a retired member who served at least 20 years. On July 2, 2007, the plan was amended to include grandchildren of current members or retired members with at least 20 years of service. Eligible recipients are approved to receive \$100.00 per semester of college aid.

During the period reviewed, we identified \$12,600.00 of scholarships paid to various firefighters and/or their family. The scholarships totaled \$200.00 per semester, which exceeds the approved scholarship amount by \$100.00 per semester. We identified 59 payments of \$200.00 and 2 payments of \$400 per semester. The \$400.00 payments included a notation of 2 semesters.

Recommendation – The Benevolent Association should ensure scholarships are awarded in amounts consistent with the approved plan.

- (G) Separately Maintained Records – There are 2 bank accounts maintained bearing the name “Solon Firefighters”. Deposits to these accounts consist primarily of collections from the Tri-Township Fire Department and the City. Disbursements from the checking account are for personnel training, meals, payments to firefighters for fire calls, and other costs associated with operating the fire department. The activity in these accounts appears to be part of the operations of the Solon Volunteer Fire Department, but the accounts are maintained separately from the City Clerk’s accounting records. The transactions and the resulting balances are not included in the City’s accounting records, annual budget, monthly financial reports or Annual Financial Reports.

Recommendation – Section 384.20 of the *Code of Iowa* states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, and to the comply with section 384.20 of the *Code of Iowa*, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis. In addition, payments from the accounts should be approved by the City Council, as are all other payments by the City.

- (H) City Fire Protection – As previously stated, the City entered into a 28E agreement (Agreement) with the townships of Big Grove, Cedar, and Newport in August 1999 for joint and mutual fire protection. Pursuant to the Agreement, the City is responsible for maintenance, insurance, utilities, and other costs associated with maintaining the fire station, as well as vehicle maintenance, telephone service and operating supplies. These costs are paid directly by the City. The Agreement also requires the City to pay an annual amount to the Department representing the City’s share of “all other expenses for the maintenance of the Solon-Tri-Township Fire Department, including its vehicles and personnel costs.”

We were unable to determine how the Tri-Township Fire Department was established. The Department does not appear to be organized as a non-profit organization and no documents could be located to indicate its establishment as a 28E organization. The City does not provide oversight to ensure the funds provided to the Department are properly used to accomplish the purposes set out in the agreement, including ensuring all funds are spent only for the public benefit.

Pursuant to the agreement, “Expenditures made under this agreement shall be administered by the City Treasurer”. However, all financial activity is administered by the Tri-Township Treasurer.

Recommendation – Because the City has joined with and provides funding to the Tri-Township Fire Department, the City should determine how the Department was organized, including whether a separate entity exists or whether activity for the Department should be accounted for and recorded by the City.

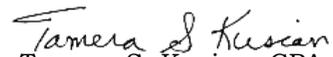
The City should establish procedures to ensure public funds provided to the Department are properly used to accomplish the purposes set out in the Agreement.

Report on a Review of the
Solon Volunteer Fire Department
the Tri Township Fire Department,
and the Solon Firefighters Benevolent Association

Staff

This review was performed by:

Annette K. Campbell, CPA, Director
Marlys K. Gaston, CPA, Director
Gwen Fangman, CPA, Senior Auditor II


Tamera S. Kusian, CPA
Deputy Auditor of State