



COLLIN COUNTY

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Date: February 24, 2011
To: Jimmy Knipp, President, Collin County Firefighter's Association
From: Jeff May, County Auditor 
Subject: First Quarter FY08 to Third Quarter FY10 Audit Results - Final

Internal Audit personnel began an examination of the books and records of the Collin County Firefighter's Association on July 28, 2010. The audit objectives were to confirm Collin County payments to the Collin County Firefighter's Association were promptly accounted for, accurately recorded, safeguarded and disbursed properly.

The time period reviewed was October 1, 2007 through June 30, 2010. The scope of the audit entailed performing a review of bank reconciliations, deposits and disbursements and related documents.

During the review, we identified certain practices and procedures we believe could be enhanced to strengthen internal controls and increase efficiencies. The review was not intended to be a comprehensive examination of every procedure or activity. Accordingly, the findings and recommendations presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

Steve Deffibaugh, Collin County Firefighter's Association Treasurer, was extremely helpful and courteous in assisting with this review. An exit conference was held with you on November 5, 2010.

Please feel free to contact us with any questions or desired assistance.

1. Report Summary

This audit for the Collin County Firefighter's Association (CCFA) was conducted to meet contractual requirements as stated in the contract between Collin County and the CCFA. The CCFA is considered the trustee for the member Fire Departments of the Collin County Association, Inc. The audit time period was from October 1, 2007 to June 30, 2010. As this is the first audit conducted of the CCFA, the time period was selected to encompass historical activity. This permitted us to establish a balance that allowed the account to be reconciled to present day activities. The audit began on July 28, 2010, with intermittent audit activity occurring through October 19, 2010; the audit was completed on October 21, 2010.

The CCFA audit report is divided into six major sections:

- Report Summary
- Introduction
- Purpose and Scope
- Methodology
- Findings and Recommendations
- Attachments

The following areas related to the CCFA were examined:

- Association Performance
- County Performance
- Miscellaneous Reports

The purpose of the audit was to determine the key areas above were in compliance with the FY09 CCFA Contract Agreement. A summary of findings is listed below.

2. Introduction

The Collin County Firemen's Association was established on June 29, 1966; the Collin County Firefighters Association (CCFA) was incorporated November 1, 2004 and holds meetings with member Fire Departments on a quarterly basis. The CCFA receives quarterly payments from Collin County for FY10 under the Agreement for Provision of Fire Protection Services approved on October 12, 2009 by Commissioner's Court. The agreement stipulates that Collin County will pay the CCFA equal quarterly payments of \$250,000 (totaling \$1,000,000) per Local Government Code (LGC) Chapter 352 (shown below) beginning October 1, 2009 through and including September 30, 2010. The CCFA distributes \$950,000 to the member Fire Departments based upon the number of runs and \$50,000 to the Excellence Training Plan-College Fire Training Division. The contractual agreement serves to permit Collin County to meet the statutory obligation, as shown below:

LGC Sec. 352.001 Fire Protection of County Residents

- (a) The commissioners court of a county may furnish fire protection or fire-fighting equipment to the residents of the county or of an adjoining county who live outside municipalities.
- (b) The commissioners court may:
 - (1) purchase fire trucks or other fire-fighting equipment;
 - (2) issue time warrants and levy and collect taxes to pay the principal of and interest on the time warrants as provided by law; and
 - (3) contract with the governing body of a municipality located within the county or within an adjoining county to use fire trucks or other fire-fighting equipment that belongs to the municipality.
- (c) The commissioners court of a county may contract with an incorporated volunteer fire department that is located within the county to provide fire protection to an area of the county that is located outside the municipalities in the county. The court may pay for that protection from the general fund of the county.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

LGC Sec. 352.019 Cooperation with Other Fire Protection Agencies

- (a) The county fire marshal shall enforce all state and county regulations that relate to fires, explosions, or damages of any kind caused by a fire or explosion.
- (b) The county fire marshal shall coordinate the work of the various fire-fighting and fire prevention units in the county. On request, the county fire marshal may assist a rural fire prevention district or emergency services district located wholly or partially in the county to accomplish its powers and duties.
- (f) The commissioners court and county fire marshal may jointly adopt voluntary guidelines, including voluntary funding guidelines, for fire departments located in unincorporated areas of the county, including fire departments located within rural fire prevention districts or emergency services districts, regarding participation in the Texas Fire Incident Reporting System (TXFIRS) or the National Fire Incident Reporting System (NFIRS), or both. The commissioners court may establish model procedures for voluntary use by the various fire departments in the county with respect to:
 - (1) emergency incident management;
 - (2) firefighter certification; and
 - (3) automatic mutual aid.
- g) If a commissioners court authorizes a fire marshal to provide training programs and operate a training facility under Subsection (e), the fire marshal must ensure that the training programs and operation of the training facility are at least as stringent as the minimum qualifications set by the Texas Commission on Fire Protection under Section 419.032, Government Code. This subsection does not apply to a volunteer firefighter as defined by Section 419.001, Government Code.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 2003, 78th Leg., ch. 371, Sec. 3, eff. Sept. 1, 2003.

3. Purpose and Scope

The audit was limited to certain areas addressed in the CCFA contract for FY07, FY08 and FY09 and to the CCFA guidelines. The purpose of this annual audit is to examine the aforementioned key areas in CCFA to determine compliance with the CCFA contract for FY09.

4. Methodology

- Reviewed quarterly reports, checkbook and bank reconciliations generated by the CCFA Treasurer.

5. Findings and Recommendations

Objectives:

- To review the agreement between Collin County and CCFA to verify that payments paid to the CCFA complied with the FY09 contract.
- To verify that the CCFA has assigned fire districts for all unincorporated areas outside of Local Government Entities.
- To verify the monies remitted by the county to the CCFA were disbursed per the agreement.

Procedures:

- Verified payments were made by Collin County as stipulated in the agreement.
- Reviewed assigned unincorporated area assignments.
- Reviewed payments to member Fire Department using the checkbook, bank reconciliations and quarterly reports.

Findings:

- The CCFA was not providing quarterly reports to the Auditor's Office as required in 'Section V. Reports' of the agreement.
- There is no 'bank reconciliation' report available to review. The CCFA Treasurer reconciles on the quarterly reports and prepares a Treasurer's Report for quarterly meetings.
- Financials
 - Bank Accounts
 - CCFA currently maintains one (1) bank account at American National Bank (ANB). Prior to opening this account in December, 2009, CCFA had one interest bearing bank account and one money market account at Bank One/Chase Bank.

- A Collin County check in the amount of \$250,000 was the first deposit made to this account on December 12, 2009.
- The \$7159.99 from the two Chase accounts was deposited into this account on January 8, 2010.
- CCFA had one interest bearing bank account and one money market account at Bank One prior to moving to ANB. The bank account and the money market account were closed and the monies were transferred to the ANB account currently in use. A reason for the change was that Chase held a \$250,000 check deposited on October 26, 2009 and two checks were returned on October 29, 2009 and others showed insufficient funds for a total cost to the CCFA of \$100.
- \$2710.27 was withdrawn from the Chase Business Classic With Interest Account on December 31, 2009
- \$4449.72 was withdrawn from the Chase Business Money Market Savings Account on December 31, 2009.
- Checkbooks
 - There are basically no entries made on the checkbook register except the check information.
 - Dual signatures are required for each check; this was verified on the checks.
 - Chase
 - Check #'s 1699-1720 were pre-signed by one of the signers, but not filled out or voided; check #'s 1701-1702 are included in work papers. The checks require duplicate signatures, so one signature is applied until the check is filled out with the second individual signing at that point.
 - Voided account checks 1590, 1591 & 1599 do not have the signature block removed.
 - Voided checks are not attached to the register; example checks #: 1399, 1440, 1519, 1531, 1552, 1660
 - American National Bank
 - Check #'s 1061-1084 are signed, but not filled out or voided. The checks require duplicate signatures, so one signature is applied until the check is filled out with the second individual signing at that point.
 - Voided checks are not attached to the register; example check: #1021.

Recommendations:

- Send CCFA reports to the Auditor's Office on quarterly basis as required by the contract.
- Prepare the bank reconciliation each month and enclose a copy of each month with the quarterly report you send to the Auditor's Office.
- Voided checks should have the signature block removed; the voided check should be attached to the check register.
- Checks should not be signed by anyone prior to the check being filled out, at which time both signatures may be applied.

Responses:

- We will send the quarterly reports timelier, such that you will have the past quarter's report in your possession prior to the release of the next quarter's funding. For example, you will have the first quarter report before you release the second quarters funding.
- We will start sending you the bank reconciliation with the quarterly reports.
- Voided checks will have the signature block removed and attached to the check register.
- We would request to continue with one signature being placed on checks prior to them being filled out for disbursement. The officers live in three different parts of the county; it could possibly delay disbursement of funds to the area fire departments.

Auditor's Response

Requiring dual signatures on checks is an adequate and sound internal control. It provides a measure of protection against erroneous or unauthorized withdrawals of cash. If one signature is placed on the check prior to the check being filled out for disbursement; the control has been circumvented and does not provide protection against loss.