



**Auditor of State
Betty Montgomery**

TABLE OF CONTENTS

TITLE	PAGE
Schedule of Board of Trustees and Fire Association Officers	1
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Background	5
Issue No. 1 Review of Township Payments	6
Issue No. 2 Review Fire Association Expenditures	7
Issue No. 3 Fundraising Events	11

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SCHEDULE OF GUSTAVUS TOWNSHIP BOARD OF TRUSTEES

AND

FIRE ASSOCIATION OFFICERS

As of June 30, 2004

Board of Trustees:

Jay Logan Chairman

Robert Phillips Vice-Chairman

Steve Ragalyi Trustee

Fire Association Officers:

Rusty Miller President

Alan Bradford Vice-President

Tangi Day Kopp Treasurer

Dolly Davis Secretary

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Gustavus Township Trustees
P.O. Box 14
Farmdale, Ohio 44417

At your request, we have conducted a special audit of the Gustavus Volunteer Firefighters' Association, Inc. (Fire Association) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2002 through June 30, 2004 ("the Period"), solely to:

- Determine whether payments from the Township to the Fire Association, and payments to vendors on behalf of the Fire Association were authorized and in accordance with the contract and/or grant agreements.
- Determine whether Fire Association expenditures made were authorized and in accordance with the contract and grant agreement and they were for a purpose related to the operations of a fire company.
- Attempt to identify fundraising events and donors for which monies would have been collected related to these events and determine whether these monies were collected and deposited into the Fire Association's bank account.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (March 1993). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We reviewed payments from the Township to the Fire Association, and payments to vendors on behalf of the Fire Association and determined whether these payments were authorized and in accordance with the contract and/or grant agreements.

Significant Results – We identified payments to the Fire Association during the period totaling \$52,588 and determined that the payments were deposited into the Fire Association's operating bank account. These payments were authorized and in accordance with the Township and Fire Association. With the exception of workers compensation insurance premiums, utility bills, and firehouse insurance, no payments were made by the Township directly to vendors on behalf of the Fire Association.

2. We reviewed the Fire Association expenditures made for the period and determined whether they were authorized and in accordance with the fire services contract and grant agreement and were for a purpose related to the operations of a fire company.

Significant Results – We issued findings for recovery of \$1,161 against the former Fire Association Treasurer, Tangi Day-Kopp because on May 20, 2002, a check was made payable to Tangi Day-Kopp for \$1,000. The check was endorsed and cashed by her. The memo line on the canceled check indicated it was for a “cash deposit”, and the check register indicated that it was for “clothing”. The check was for jackets purchased for the firefighters, and the vendor provided us with a copy of the invoice totaling \$1,526. A cash deposit totaling \$700 was received on May 24, 2002 from Tangi Day-Kopp. On June 17, 2002, the Fire Association issued a check for \$800 to the vendor, and the remaining balance of \$26 was paid with a personal check from Tangi Day-Kopp when the jackets were picked up. The total cost for the purchase of the jackets was \$1,526; whereby, the Fire Association paid \$1,800. The remaining \$274 was due back to the Fire Association from Tangi Day-Kopp.

On May 9, 2003, a check was made payable to Tangi Day-Kopp for \$1,000. This check was endorsed and cashed by her. The memo line on the canceled check indicated it was for “auction money”, and the check register indicated the check was for fire equipment. As an attachment to the Trumbull County Prosecutor’s letter requesting a special audit, copies of receipts totaling \$113 for the purchase of used fire equipment from a public auction were attached. There was a notation that the remaining balance of \$615 was deposited on June 24, 2003. Neither the township nor the Fire Association was able to provide documentation as to the remaining \$273. A review of the deposits into the Fire Association’s bank accounts and disbursements from Kenneth and Tangi Day-Kopp’s personal bank account revealed that amounts totaling \$615 or \$887 were not deposited into the Fire Association’s bank accounts.

3. We attempted to identify fundraising events and donors for which monies would have been collected related to these events and review bank deposit detail and bank statements to determine whether monies were collected and deposited into the Fire Association’s bank account.

Significant Results – We issued findings for recovery for \$5,794 because deposit items (i.e. currency, coin, checks) listed on the deposit slips prepared by Tangi Day-Kopp on February 26, 2003, June 27, 2003, July 28, 2003, and November 25, 2003 did not agree with copies of deposit detail received from the bank for those days.

Comparisons of these deposit slips indicated that for these four days’ checks collected were substituted for cash funds resulting in \$5,794 which was not deposited into the Fire Association’s bank account. We will issue a finding for recovery against the former Fire Association treasurer, Tangi Day-Kopp for this amount.

4. On November 3, 2005 we held an exit conference with the following individuals representing Gustavus Township:

Jay Logan, Township Trustee
Robert Phillips, Township Trustee
Steve Ragalyi, Township Trustee
Laura Hall, Township Clerk

The Township was advised that they had an opportunity to respond to the Special Audit Report. The Township declined to provide a formal response to the Special Audit Report.



Betty Montgomery
Auditor of State

April 8, 2005

Supplement to the Special Audit Report

Background

On May 25, 2004, through its legal counsel, the Trumbull County Prosecutor's Office, Gustavus Township requested a special audit of the Gustavus Volunteer Firefighters' Association, Inc. for the period January 1, 2002 through June 30, 2004. The Fire Association is a private not-for profit-corporation organized in the State of Ohio, and Gustavus Township contracted with the Fire Association through December 31, 2003 for fire protective services. A 2.8 mills fire protection levy commencing in 2002 was used to pay for fire protection services for the Township. In addition to the fire protection levy, the Fire Association, Township, and community sponsored fundraising events to offset the Fire Association's operational costs and purchase of fire equipment.

The Township and its legal counsel questioned the propriety of some of the expenditures made with fire levy monies by the Fire Association. In addition, the township clerk identified instances whereby; the amounts collected from certain fundraising activities including checks and cash did not agree to actual amounts deposited into the Fire Association's operating bank account.

On September 7, 2004 the Auditor of State initiated a special audit of the Fire Association.

Supplement to the Special Audit Report

Issue No. 1 – Review of Township Payments

We reviewed payments from the Township to the Fire Association, and payments to vendors on behalf of the Fire Association and determined whether these payments were authorized and in accordance with the contract and/or grant agreements.

Procedures

1. From the Township's check registers for the period, we scheduled payments from the Township to the Fire Association, and made inquiries of payments made to vendors on behalf of the Fire Association.
2. We reviewed copies of canceled checks for payments made to the Fire Association and determined whether these payments were deposited into a Fire Association bank account.

Results

1. From the Township's check registers for the period, we identified the following payments to the Fire Association for fire protective services.

<u>Date</u>	<u>Amount</u>
8/31/02	\$12,433
10/31/02	9,661
2/28/03	1,365
4/30/03	14,840
10/27/03	<u>14,289</u>
Total	<u>\$52,588</u>

These payments were authorized in accordance with the contract between the Township and Fire Association. The Township did not make any payments to the Fire Association for the period January 1, 2004 through June 30, 2004 because the contract for fire protective services terminated on December 31, 2003. Also, we spoke with the township clerk and she asserted that with the exceptions of paying workers' compensation insurance, utility bills, and insurance for the firehouse, there were no payments made directly to vendors for goods and services on behalf of the Fire Association.

2. We obtained copies of the Fire Association's bank statements, canceled checks, and deposit detail via a subpoena issued to Second National Bank and Sky Bank. We reviewed copies of Township canceled checks for payments made for fire protective services and determined that the payments referenced in the table above were deposited into the Fire Association's operating bank account.

Supplement to the Special Audit Report

Issue No. 2 – Review Fire Association Expenditures

We reviewed Fire Association expenditures made for the period and determined whether they were authorized and in accordance with the fire services contract and grant agreement and were for a purpose related to the operations of a fire company.

Procedures

1. We obtained check registers; canceled checks; deposit slips; bank statements; copies of invoices; and other supporting documentation for expenditures identified, and verified whether these payments were in accordance with the fire services contract and grant agreement and for a purpose related to the operations of a fire company.

Results

1. There were 394 expenditures totaling \$106,085 made from the Fire Association's operating account, and four expenditures totaling \$24,530 from the Fire Association's investment account.

Of the 398 expenditures totaling \$130,615, there were 89 expenditures totaling \$38,084 which were unsupported. We reviewed these expenditures and identified six payments in which we contacted and verified that payments totaling \$21,822 were received by vendors for which the Fire Association made purchases for equipment and training which were in accordance with the fire contracts, grant agreements and were for a purpose related to the operations of a fire company. The remaining 83 expenditures totaling \$16,262 ranged from seven dollars to two thousand dollars, and a review of the Fire Association's cash disbursement journal indicated that these expenditures were for medical supplies, training, telephone, and utilities.

The 2002 and 2003 Fire Protective Services Contract between Gustavus Township and Gustavus Volunteer Firefighters Association, Inc., and Article VIII states "the Fire Department shall provide the Trustees with a year end financial accounting of receipts and expenditures of the Fire Department." The Fire Association did not provide the Gustavus Township Trustees with a year end report accounting for all the receipts and expenditures of the Fire Association for those years. We will issue a management comment related to this matter.

The Fire Association had no employees during the period, and all personnel were considered volunteer firefighters. However, in addition to the 89 payments made to vendors, our review of copies of canceled checks revealed that there were 28 checks to an officer, board member, or firefighter totaling \$4,953 which were unsupported, and we were not provided upon request with documentation required to determine whether payments were in accordance with the fire contracts, grant agreements, or for a purpose related to the operations of a fire company. A review of the Fire Association check registers and a review of the memo line on the canceled checks revealed that these payments were for reimbursements for items such as office supplies, meals, fuel, and training.

Sixteen payments totaling \$3,993 were payable to the former treasurer, Tangi Day-Kopp. A review of the check register and memo line on the canceled check indicated that the payments were reimbursements for such items as office supplies, meals, fuel, and fundraising supplies with the exception of the following two payments totaling \$2,000.

Supplement to the Special Audit Report

On May 20, 2002, check number 1912 was made payable to Tangi Day-Kopp for \$1,000. The check was endorsed and cashed by her. The memo line on the canceled check indicated it was for a "cash deposit", and the check register indicated that it was for "clothing". When we spoke with the township clerk, she asserted the check was for jackets purchased for the firefighters. We contacted the vendor, Western Reserve Computer Stitch in Cortland, Ohio, who provided us with a copy of the invoice totaling \$1,526. A representative from the company asserted that a cash deposit totaling \$700 was received on May 24, 2002 from Tangi Day-Kopp for the purchase and lettering of 20 firefighter jackets. On June 17, 2002, the Fire Association issued check number 1922 for \$800, and the remaining balance of \$26 was paid with a personal check from Tangi Day-Kopp when the jackets were picked up. The total cost for the purchase of the jackets was \$1,526; whereby, the Fire Association paid \$1,800. The remaining \$274 was due back to the Fire Association from Tangi Day-Kopp. A review of the Fire Association's deposits and disbursements from Kenneth and Tangi Day-Kopp's personal bank accounts revealed that a check for this amount was not deposited into the Fire Association's bank account. We will issue a finding for recovery against Tangi Day-Kopp in the amount of \$274 for public monies collected but unaccounted for.

On May 9, 2003, check number 2085 made payable to Tangi Day-Kopp for \$1,000 was issued from the Gustavus Volunteer Firefighters' Association, Inc. operating account. This check was endorsed and cashed by her. The memo line on the canceled check indicated it was for "auction money", and the check register indicated the check was for fire equipment. As an attachment to the Trumbull County Prosecutor's letter requesting a special audit, copies of receipts totaling \$113 for the purchase of used fire equipment from a public auction were attached. There was a notation that the remaining balance of \$615 was deposited on June 24, 2003. Neither the township nor the Fire Association was able to provide documentation as to the remaining \$273. A review of the deposits into the Fire Association's bank accounts and disbursements from Kenneth and Tangi Day-Kopp's personal bank account revealed that amounts totaling \$615 or \$887 were not deposited into the Fire Association's bank accounts. We will issue a finding for recovery against the former Fire Association Treasurer, Tangi Day-Kopp in the amount of \$887 for public monies collected but unaccounted for.

For the years 2002 and 2003, the Fire Association applied and received grants from the Ohio Department of Highway Safety and Ohio Department of Commerce totaling \$15,274 and \$8,600, respectively. Neither the township nor Fire Association were able to provide copies of grant applications, grant agreements, grant expenditure reports, or any other supporting documentation for expenditures of grant monies; therefore, we contacted the grant administrators, Alan Boster of the Ohio Department of Highway Safety and Kimberly Hodnett of the Ohio Department of Commerce Fire Prevention Bureau. Both asserted that for both years these were reimbursement type grants and the Fire Association submitted invoices and other documentation to support expenditures of grant monies. We reviewed bank deposit detail and were able to trace all grant monies into the Fire Association's bank account.

Supplement to the Special Audit Report

Finding for Recovery

On May 20, 2002, check number 1912 payable to Tangi Day-Kopp for \$1,000 was issued from the Gustavus Volunteer Fire Association's, Inc. operating account. The check was endorsed and cashed by her. The memo line on the canceled check indicated it was for a "cash deposit", and the check register indicated that it was for "clothing". When we spoke with the township clerk, she asserted the check was for jackets purchased for the firefighters. We contacted the vendor, Western Reserve Computer Stitch in Cortland, Ohio, who provided us with a copy of the invoice totaling \$1,526. A representative from the company asserted that a cash deposit totaling \$700 was received on May 24, 2002 from Tangi Day-Kopp for the purchase and lettering of 20 firefighter jackets. On June 17, 2002, the Fire Association issued check number 1922 for \$800, and the remaining balance of \$26 was paid with a personal check from Tangi Day-Kopp when the jackets were picked up. The total cost for the purchase of the jackets was \$1,526; whereby, the Fire Association paid \$1,800. The remaining \$274 was due back to the Fire Association from Tangi Day-Kopp. A review of the Fire Association's deposits and disbursements from Kenneth and Tangi Day-Kopp's personal bank accounts revealed that a check for this amount was not deposited into the Fire Association's bank account.

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In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against the former Fire Association Treasurer, Tangi Day-Kopp, in the amount of one thousand one hundred sixty one dollars (\$1,161), and in favor of Gustavus Township.

Management Comments

Year End Accounting Reports

Article VIII of the 2002 and 2003 Fire Protective Services Contract between Gustavus Township and Gustavus Volunteer Firefighters Association, Inc. states, "the Fire Department shall provide the Trustees with a year end financial accounting for receipts and expenditures of the Fire Department."

The Fire Association did not provide the Gustavus Township Trustees with a year end report accounting for all the receipts and expenditures of the Fire Association for those years. Because there was no accounting records provided and there was no monitoring of the fiscal operations, a condition exists that there are no internal controls over financial accountability of the Fire Association which increases the risk of theft or misappropriation of assets.

We recommend the Township require the Fire Association to provide a year end accounting of receipts and expenditures in order monitor its fiscal operations and determine whether Fire Association expenditures are authorized and in accordance with the contract and grant agreements. Compliance with the provisions of the contract by the Fire Association should be performed in order to maintain funding.

Supplement to the Special Audit Report

Cash Disbursements and Supporting Documentation

There were 117 expenditures totaling \$43,037 which were unsupported, and we requested supporting documentation for these expenditures; however, we were not provided with supporting documentation to support the validity of these expenditures. There was no documentation or evidence that expenditures and reimbursements were authorized before payment and no requirement for or approval of expenditures and reimbursements. By not having a formal approval process for expenditures and reimbursements, a condition exists which increases the risk of expenditures and reimbursements being made that are not for a purpose related to the operations of the fire company.

We recommend the Township require the Fire Association to implement a formal approval process for expenditures of public monies in order to maintain funding.

Supplement to the Special Audit Report

Issue No. 3 – Fundraising Events

We attempted to identify fundraising events and donors for which monies would have been collected related to these events and reviewed bank deposit detail and bank statements to determine whether these monies were collected and deposited into a Fire Association bank account.

Procedures

1. We identified all Fire Association bank accounts and subpoenaed all bank deposit detail and canceled checks for all accounts.
2. We obtained Fire Association cash receipts journals, bank deposit slips, and attempted to identify monies which were collected from fundraising events and determined whether all funds were deposited into a Fire Association bank account.

Results

1. We met with Gustavus Township Trustee Jay Logan and Clerk Treasurer Laura Hall who identified the following fundraising activities which were to directly benefit the Fire Association during the years ended 2002 and 2003.
 - March 2002 Pancake Breakfast
 - April 2002 Pancake Breakfast
 - July 2002 Independence Day Dinner
 - October 2002 Haunted Hayride
 - November 2002 Engine Raffle
 - December 2002 Spaghetti Dinner
 - January 2003 Boot Drive
 - March 2003 Chili Dinner
 - July 2003 Independence Day Dinner
 - October 2003 Halloween Maze

From board minutes and inquiries of the township clerk and trustees, the Fire Association collected \$2,464 from these fundraising activities. A review of the Fire Association's bank deposit slips prepared by the Fire Association's treasurer, Tangi Day-Kopp, and the deposit slips and deposit items obtained from Cortland Bank via subpoena noted the following.

- Deposit items (i.e. currency, coin, checks) listed on the deposit slips prepared by Tangi Day-Kopp on February 26, 2003, June 27, 2003, July 28, 2003, and November 25, 2003 did not agree with copies of deposit detail received from the bank for those days.
- Comparisons of these deposit slips indicated that for these four days' checks collected were substituted for cash funds resulting in \$5,794 which was not deposited into the Fire Association's bank account. We will issue a finding for recovery against the former Fire Association treasurer, Tangi Day-Kopp for this amount.

Supplement to the Special Audit Report

Finding for Recovery

Deposit items (i.e. currency, coin, checks) listed on the deposit slips prepared by Tangi Day-Kopp on February 26, 2003, June 27, 2003, July 28, 2003, and November 25, 2003 did not agree with copies of deposit detail received from the bank for those days.

Comparisons of these deposit slips indicated that for these four days' checks collected were substituted for cash funds resulting in \$5,794 which was not deposited into the Fire Association's bank account. We will issue a finding for recovery against the former Fire Association treasurer, Tangi Day-Kopp for this amount.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued against former Fire Association Treasurer, Tangi Day-Kopp, in the amount of five thousand seven hundred ninety four dollars (\$5,794), and in favor of Gustavus Township.



**Auditor of State
Betty Montgomery**

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GUSTAVUS VOLUNTEER FIRE ASSOCIATION

TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 1 , 2005**