

**BOARD OF SUPERVISORS  
FINANCE/GOVERNMENT OPERATIONS AND  
ECONOMIC DEVELOPMENT COMMITTEE  
INFORMATION ITEM**

**SUBJECT:** Volunteer Fire and Rescue Companies Financial Assessment Update

**ELECTION DISTRICT:** Countywide

**STAFF CONTACTS:** Janet Romanchyk, Finance and Procurement  
John Sandy, Assistant County Administrator

**PURPOSE:** To provide an update on FY 2016 Volunteer Fire and Rescue Control Maturity Financial Assessments.

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**BACKGROUND:** On July 1, 2014, the Board of Supervisors enacted Chapter 258 of the Codified Ordinances of Loudoun County establishing the Loudoun County Combined Fire and Rescue System (LC-CFRS). Chapter 258.08 provides the following:

*“FINANCIAL AUDITS: This hereby establishes that there shall be regular financial audits of all volunteer companies using appropriate audit procedures as prescribed by the Loudoun County government with full cooperation of the companies, the LC-CFRS governance structure and the System Chief.”*

To assist the companies to prepare for these financial assessments, and to raise awareness of potential fraud risks given prior financial irregularities in two companies, staff implemented a phased approach.

The County first engaged Cherry Bekaert, L.L.P., to conduct a Financial/Fraud workshop for volunteers responsible for managing the company’s financial assets to discuss ways to detect and avoid fraud, and methods of establishing and maintaining strong internal controls for good governance. This workshop was conducted on September 25, 2013.

On February 18, 2014, Cherry Bekaert conducted a kickoff meeting for the next phase - the Accounting Controls Project. This stage involved performing site visits to walk through existing procedures involving cash management, assessing fire station practices compared to best practice, and identifying gaps in internal control procedures. The results of this project produced the Accounting Controls Project Risk Advisory Report. This report outlines the results of Cherry

Bekaert's review of existing financial policies, procedures and governance; procedures around cash transactions and other uses of cash (i.e. inventory and equipment); financial reporting documents; and internal controls. The report, shared with the Administrative Operations Committee (AOC) (i.e., elected volunteer company presidents) and all companies, serves as the baseline for the auditors, AOC and Finance/Government Operations and Economic Development Committee (FGOEDC) to evaluate progress made towards meeting recommended best practices during their upcoming financial review at each company.

To further assist each station in understanding these best practices, the third phase of implementation was the creation of the Financial Policies and Procedures manual which describes the accounting policies and procedures recommended to be used by the Volunteer Fire and Rescue Companies taking into consideration "Best Practices" for larger and smaller companies. This manual was shared with all volunteer companies during the AOC Meeting on November 13, 2014, and serves as a foundation and guidance to ensure continuity as newly elected Treasurers assume responsibility.

**ISSUES:** Over the past six months, Cherry Bekaert met with five volunteer companies selected for the FY 2016 financial assessment by the AOC. These volunteer companies include:

- Hamilton Volunteer Rescue Squad,
- Lovettsville Volunteer Fire & Rescue Company,
- Lucketts Volunteer Fire Department,
- Purcellville Volunteer Rescue Squad, and
- Sterling Volunteer Fire Department.

Meetings were held with the representatives of the five companies to draft a plan of internal control procedures to be conducted, and to tailor these procedures to account for the size and complexity of each Company. An internal control maturity assessment was conducted, which included meeting with management at each company to review financial roles and responsibilities, policies covering conflicts of interest, budgeting, financial reporting and suspected fraud. The auditors also conducted an inspection of evidence and tested a sample of transactions and procedures covering cash receipts, cash disbursements, purchasing, member reimbursements and credit/debit card usage.

Attached (Attachment 2 - 6) are the final Internal Control Maturity Assessments for each of the five Companies participating in the FY 2016 review. Three levels of Internal Control Maturity are used to assess the level of formalized policies, processes and procedures.

- Formal: Procedures consistently performed, performance is evidenced and formally documented
- Defined: Procedures consistently performed, performance evidenced, but not documented
- Informal: Not consistently performed, performance is not evidenced or documented

Each report was shared with the Company's leadership, and the Chair of the AOC in August. The attached reports include comments by the Companies in response to the auditor's findings.

Additionally, Cherry Bekaert has prepared a Summary of Observations by Company which outlines the current Maturity Assessment compared with the findings from the Accounting Controls Project reports issued on July 30, 2014.

As requested during the October 13, 2015 FGOEDC meeting, a process to address financial assessments that fail to meet minimum standards has been developed (Attachment 7).

As a result of the 2016 Financial Control Maturity Assessments, one Company has been identified as having internal control weaknesses increasing the risk of inaccurate reporting, loss of assets and fraud. Staff is working with that Company to develop and implement policies to address these control weaknesses within a ninety day timeframe. Additionally, to further mitigate risk, the County has placed a hold on future contributions to that Company only until financial policies and procedures have been implemented. During this time, the County will ensure that financial obligations requiring access to county contributions are paid. Additionally, one Company from the 2015 assessments has been identified as having internal control weaknesses that have not been fully addressed. Staff is working with that Company to implement new policies and procedures within ninety days.

To address the continuity of financial operations with new Presidents and Treasurers, staff is developing an annual fraud training and information on the internal control maturity assessment process to be shared during the Orientation of new Volunteer Fire & Rescue Administrative Officers.

**FISCAL IMPACT:** There is no fiscal impact as the assessments are part of the approved internal audit function authorized by the Board of Supervisors.

**ATTACHMENTS:**

1. Internal Controls Maturity Assessment Summary of Observations by Company
2. Loudoun County Fire and Rescue Companies Internal Control Maturity Assessments for Hamilton Volunteer Rescue Squad
3. Loudoun County Fire and Rescue Companies Internal Control Maturity Assessments for Lovettsville Volunteer Fire & Rescue Department
4. Loudoun County Fire and Rescue Companies Internal Control Maturity Assessments for Lucketts Volunteer Fire Department
5. Loudoun County Fire and Rescue Companies Internal Control Maturity Assessments for Purcellville Volunteer Rescue Squad
6. Loudoun County Fire and Rescue Companies Internal Control Maturity Assessments for Sterling Volunteer Fire Department
7. Financial Controls Maturity Assessment Follow-up Policy

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME:** Lovettsville Volunteer Fire and Rescue

**Objectives:**

The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls are using the levels defined in the table below:

Level	Control Maturity Definitions
Formal	Consistently performed, performance is evidenced and formally documented
Defined	Consistently performed, performance is evidenced, but not documented.
Informal	Not consistently performed, performance is not evidenced or documented

The below shows the summary of control maturity and recommendations noted for the Company.

Area	Control Maturity Rating
Financial Reporting	Defined
Control Environment	Formal
Cash Receipts	Informal-Defined
Cash Disbursements	Informal
New Vendor Setup	Informal
Major Contracts/Purchases	Informal
Loans	Formal
Bank Reconciliations	Informal
Petty Cash	N/A
Credit/Debit Cards	Formal

Prior Audit Followup:								
The report from the Accounting Controls Project issued on 7/30/2014 included recommendations for the following areas:								
<table> <tr> <td>Corporate Governance</td> <td>Loans</td> </tr> <tr> <td>Cash In Banks</td> <td>Equipment</td> </tr> <tr> <td>Cash Transfers</td> <td>Conflict of Interest</td> </tr> <tr> <td>Monthly Bank Statement Reconciliations</td> <td>Fraud</td> </tr> </table>	Corporate Governance	Loans	Cash In Banks	Equipment	Cash Transfers	Conflict of Interest	Monthly Bank Statement Reconciliations	Fraud
Corporate Governance	Loans							
Cash In Banks	Equipment							
Cash Transfers	Conflict of Interest							
Monthly Bank Statement Reconciliations	Fraud							
It appears that the Company has taken corrective action on all recommendations from the prior review. The Company finalized written policies and procedures in March 2016.								

**Observations and Recommendations**

**Documented Reviews and Approvals in Accordance with Company Policies**

The Company finalized written policies and procedures in March 2016. Therefore, in our testing for the following areas, the reviews and approvals were not evidenced according to policy as the policies may not have been implemented.

- Financial Reporting
- Cash Receipts – Timeliness of Deposits
- Cash Disbursements
- Approval of New Vendors
- Major Contracts or Purchases
- Bank Reconciliations

Going forward we recommend the Company formalize their processes to evidence reviews, approvals, etc. in accordance with Company Policies and Procedures. Documentation of approval is a key component to evidencing internal controls are operating effectively. Additionally, supporting documentation for all transactions should also be maintained in accordance with Company Policies and Procedures.

**Periodic Review of Vendors**

In order continue maturing its internal controls, we recommend the Company implement a procedure to review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. Documentation of the review should be retained.

**Company's Response**

**Documented Reviews and Approvals in Accordance with Company Policies**

The Company formalized a majority of their financial processes and policies very recently. As a consequence, some of the items tested by Cherry Bekaert were documented as they occurred prior to the Company's implementation of the policy. The recommendations from Cherry Bekaert are in process.

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME: Lovettsville Volunteer Fire and Rescue**

**Company's Response (continued)**

***Periodic Review of Vendors***

The Company formalized a majority of their financial processes and policies very recently. As a consequence, some of the items tested by Cherry Bekaert were documented as they occurred prior to the Company's implementation of the policy. The recommendations from Cherry Bekaert are in process.

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME:** Hamilton Rescue

**Objectives:**

The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls are using the levels defined in the table below:

Level	Control Maturity Definitions
Formal	Consistently performed, performance is evidenced and formally documented
Defined	Consistently performed, performance is evidenced, but not documented.
Informal	Not consistently performed, performance is not evidenced or documented

The below shows the summary of control maturity and recommendations noted for the Company.

Area	Control Maturity Rating
Financial Reporting	Defined
Control Environment	Informal
Cash Receipts	Informal
Cash Disbursements	Informal
New Vendor Setup	N/A
Major Contracts/Purchases	Informal
Loans	N/A
Bank Reconciliations	Informal
Petty Cash	N/A
Credit/Debit Cards	Informal

Prior Audit Followup:								
The report from the Accounting Controls Project issued on 7/30/2014 included recommendations for the following areas:								
<table> <tr> <td>Corporate Governance</td> <td>Equipment</td> </tr> <tr> <td>Cash Transfers</td> <td>Conflict of Interest</td> </tr> <tr> <td>Monthly Bank Statement Reconciliations</td> <td>Fraud Inquiries</td> </tr> <tr> <td>Program Receipts and Expenditures</td> <td></td> </tr> </table>	Corporate Governance	Equipment	Cash Transfers	Conflict of Interest	Monthly Bank Statement Reconciliations	Fraud Inquiries	Program Receipts and Expenditures	
Corporate Governance	Equipment							
Cash Transfers	Conflict of Interest							
Monthly Bank Statement Reconciliations	Fraud Inquiries							
Program Receipts and Expenditures								
The Company has taken corrective action in the following areas:								
Equipment								

**Observations and Recommendations**

**Policies and Procedures**

In order to strengthen governance controls, we recommend the Company formally adopt in writing comprehensive financial policies, procedures, and appropriate controls including but not limited to the following areas:

- a. Fraud reporting
- b. Financial roles and responsibilities
- c. Specific financial reporting
- d. Cash receipts, deposits, and disbursements
- e. Major contracts and purchases
- f. Bank reconciliations
- g. Credit Cards

**New Vendor Setup Policies**

We recommend the Company implement policies and procedures (including the use of a controlled vendor authorization and set up form) for vendor due diligence and acceptance for establishing new vendors. The controlled form should include relevant approvals and documentation required (such as Form W-9 and related party disclosure) before purchasing goods and services from the vendor. We also recommend the Company review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. These policies and procedures should reduce the risks of conflicts of interest and billing schemes.

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME: Hamilton Rescue**

**Observations and Recommendations (continued)**

***Conflict of Interest Policy***

We recommend that the Company implement a conflict of interest policy for all Company members. The policy should include at a minimum the following elements:

- a) Address how conflicts of interest should be reported and addressed (including authorization and identification in Company books and records);
- b) Include the process to be followed if violations of the policy occur;
- c) Annual distribution of the policy to Company members;
- d) Annual acknowledgement in writing by members that understand and agree to follow the policy; and
- e) Annual training on the policy, including examples such as related-party vendors and remind Company members of what they are required to do when a conflict occurs.

***Cash Receipts, Deposits and Disbursements***

The Company's bylaws grant the Treasurer broad authority to deposit and withdraw funds as needed without approval from the Company. The Treasurer currently approves invoices for payment, maintains check stock and signs checks. In order to strengthen controls over segregation of duties, we recommend prior to payment someone other than the Treasurer review and approve cash disbursements (e.g. invoices) for payment.

Further, we recommend that the Company bylaws be amended to allow for appropriate Company approval levels, that such approvals be properly evidenced, and that such evidence and supporting documentation be retained. We further recommend that supporting documentation for all cash receipts and disbursement transactions be retained. We also recommend that related general ledger transactions be reviewed, approved and evidenced on appropriate levels.

***Financial Reporting***

During our procedures, we noted the presence of transactions in the financial statements involving depreciation of fixed assets and the valuation of marketable securities. As a best practice, we recommend that the Company document the review of financial transactions and associated reporting by the external CPA to ensure these transactions are properly recorded and supported with investment statements and depreciation schedules. Such action may further mature controls, and manage the risk of inaccurate reporting to Members, taxpayers, and other constituencies.

***Major Contracts and Purchases***

All major contract and purchases of the Company should be properly approved. Such approvals should be evidenced and appropriate documentation retained.

***Review, Approval, and Timeliness of Bank Reconciliations***

We recommend that the Company improve consistency of recordkeeping for the approval of bank reconciliations. This should include retaining adequate supporting documentation as evidence of the review and approval of bank reconciliations. This approval can be documented in the form of signatures, emails, etc. We understand that the Company implemented a new approval process regarding bank reconciliations in April 2016.

***Review and Approval of Credit Card Transactions***

In order to strengthen controls over cash disbursements and mitigate the risk of fraud, we recommend that the Company update their procedures for reviewing and approving credit card transactions, including retaining evidence of that review and approval. The documentation should also include a clear trail of how credit card transactions are recorded as expenses in the general ledger. These policies and procedures should not allow personal purchases and include a formal written cardholder agreement. This agreement should, in the event of personal purchases, provide for garnishment of any amounts owed by the Company to the cardholder. The policies and procedures should detail an appropriate approval path and require such approval to be evidenced and documentation to be retained. The Company should then ensure that transactions are processed and approved in accordance with the policy.

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME: Hamilton Rescue**

**Company's Response**

***Policies and Procedures***

The Company concurs with the observations and recommendations noted.

***New Vendor Setup Policies***

The Company concurs with the observations and recommendations noted.

***Conflict of Interest Policy***

The Company concurs with the observations and recommendations noted.

***Cash Receipts, Deposits, and Disbursements***

The Company's preference is to improve the review of disbursements rather than insert an approval requirement. Given the time constraints on our members, requiring an approval for all disbursements would be too burdensome and could lead to late payments. The Company agrees that large or non-recurring payments should require approval.

The Company discussed the recommendation regarding deposits and does not see the value in establishing a limit on deposits. The Company's preference would be to include a review of deposits in the monthly board meeting. Approving each deposit will become too burdensome for Company volunteers.

***Financial Reporting***

The Company uses a CPA to process its tax returns. In the process, the CPA reviews the complex transactions mentioned.

***Major Contracts and Purchases***

The Company concurs with the observations and recommendations noted.

***Review, Approval and Timeliness of Bank Reconciliations***

The Company concurs with the observations and recommendations noted.

***Review and Approval of Credit Card Transactions***

The Company concurs with the observations and recommendations noted.



**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME:** Lucketts Fire Department

**Observations and Recommendations (continued)**

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

In order to strengthen controls over both cash receipts and cash disbursements, we recommend that the Company ensure that cash receipts are processed and approved in accordance to Company procedures and retain adequate supporting documentation for those transactions. The Treasurer currently approves invoices for payment, maintains check stock and signs checks and reconciles the bank statement. In order to strengthen controls over segregation of duties, we recommend prior to payment someone other than the Treasurer review and approve cash disbursements (e.g. invoices) for payment and review and approve bank reconciliations.

**Company's Response**

***Policies and Procedures***

The Company will update written policies and procedures. The Company will be updating Standard Operating Procedure (SOP) 31 to state the following: All disbursements shall be brought to the monthly membership meeting by the Treasurer for all non-recurring budget items.

***New Vendor Setup Policies***

The Company will update written policies and procedures.

***Review and Approval of Bank Reconciliations***

The Company will update their Standard Operating Procedures to include retaining adequate supporting documentation as evidence of the review and approval of bank reconciliations.

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

A representative of the Company will be reaching out to the insurance company for recommendations for handling cash receipts.

In the future, the Treasurer and the President will sign off on all checks where the amount is over \$5,000. The President will sign all checks for reimbursement to the Treasurer or related parties.

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME:** Purcellville Rescue

**Objectives:**  
The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls are using the levels defined in the table below:

Level	Control Maturity Definitions
Formal	Consistently performed, performance is evidenced and formally documented
Defined	Consistently performed, performance is evidenced, but not documented.
Informal	Not consistently performed, performance is not evidenced or documented

The below shows the summary of control maturity and recommendations noted for the Company.

Area	Control Maturity Rating
Financial Reporting	Formal
Control Environment	Formal
Cash Receipts	Defined
Cash Disbursements	Defined
New Vendor Setup	Formal
Major Contracts/Purchases	Defined
Loans	N/A
Bank Reconciliations	Defined
Petty Cash	Defined
Credit/Debit Cards	Informal-Defined

Prior Audit Followup:	
The report from the Accounting Controls Project issued on 7/30/2014 included recommendations for the following areas:	
Corporate Governance	Program Receipts and Expenditures
Cash In Banks	Equipment
Cash on Hand	Conflict of Interest
Loans	Fraud Inquiries
It appears that the Company has taken corrective action on two of the eight recommendations from the prior review. Recommendations are still outstanding in the other six areas.	

**Observations and Recommendations**

**Policies and Procedures**  
In order to strengthen governance controls, we recommend the Company update their policies and procedures and controls related to the following areas:

- Cash Receipts
- Cash Disbursements
- Bank Reconciliations
- Petty Cash
- Company Credit/Debit Cards

**Recordkeeping, Review, and Approval of Cash Receipts and Disbursements**  
In order to strengthen controls over both cash receipts and cash disbursements, we recommend the Company implement formal policies and procedures for cash receipts and disbursements. Policies and procedures should include a formal documentation step within the policies and procedures to evidence that review and approval occurred.

Additionally, the Company should include in procedures, process for logging and disposition of voided checks as they occur in the normal course of business.

**Review and Approval of Major Purchases**  
We recommend that the Company ensure that major purchases/contracts are processed and approved in accordance with Company procedures.

**Review and Approval of Bank Reconciliations**  
We recommend the Company implement formal policies and procedures over bank reconciliations. Policies and Procedures should include process over un-cleared transaction to help ensure un-cleared transactions are resolved timely.

LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016

COMPANY NAME: Purcellville Rescue

**Observations and Recommendations (continued)**

***Recordkeeping of Petty Cash***

While the amount of petty cash is small, we recommend the Company formally document in writing policies and procedures related to the authorized use and safeguarding of petty cash.

***Review and Approval of Credit Card Transactions***

We recommend the Company formally document in writing, policies and procedures for Company credit/debit cards. This includes defining the types of transactions/expenses to be paid by credit card, as well as any prior approvals and subsequent approvals required. The Company should then ensure that all credit card transactions are processed and approved in accordance with the Company procedures, includes retaining adequate supporting documentation for transactions.

**Company's Response**

***Policies and Procedures***

See responses below regarding documentation of policies and procedures.

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

PVRS agrees that it has no written policies for cash receipts and will put a written policy in place by no later than September 30, 2016. All cash and checks received at fundraising events is counted by two members and then placed in a secured location before being deposited the next business day. Likewise, checks received in the mail are deposited no later than the next business day after receipt.

PVRS agrees that it has no formal written policy for cash disbursements. PVRS will put a written policy in place by September 30, 2016. PVRS has established policies for cash disbursements which includes that all disbursements must be approved by the President or his designee (who must be an Officer). PVRS also has a policy that all reimbursements to the President must be verified by another Officer before submittal to the Treasurer for reimbursement. PVRS apologizes that this policy was not followed in a minimal number of cases and will redouble our efforts in the future to see that this does not happen again.

***Review and Approval of Major Purchases***

PVRS' Board discusses all relevant financial items and all purchases are discussed and approved by the President. PVRS admits that the Board minutes do not reflect financial discussions. Beginning with the August 2016 Board meeting PVRS will make sure Board minutes are more comprehensive.

***Review and Approval of Bank Reconciliations***

PVRS agrees that it has no formal written policy for Bank Reconciliations. That said, PVRS wishes to make absolutely clear that policies are in place and followed. All bank statements are reviewed by PVRS' accounting firm and then reviewed and signed-off on by PVRS' President. PVRS will implement a formal written policy by September 30, 2016.

***Recordkeeping of Petty Cash***

PVRS only uses Petty Cash for 3-4 fundraising events per year and even then the petty cash is only to be used as change for donations and is never used to make purchases or reimburse members. The cash is only on-site from a business day before the event until the first business day after the event and is kept secure while on site. All cash receipts at an event are counted by two members, who prepare the deposit before securing the funds. PVRS will implement a formal written policy by September 30, 2016.

***Review and Approval of Credit Card Transactions***

PVRS does have policies in place, which are known to credit card holders, albeit not formally reduced to writing. Credit Card holders are not allowed to make any personal purchases using a Company Credit Card. Credit Card holders are also aware that they must provide receipts for every transaction. Transactions must also be approved by the President or his designee. PVRS will implement formal written policies by September 30, 2016.

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME:** Sterling Fire

**Objectives:**

The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls are using the levels defined in the table below:

Level	Control Maturity Definitions
Formal	Consistently performed, performance is evidenced and formally documented
Defined	Consistently performed, performance is evidenced, but not documented.
Informal	Not consistently performed, performance is not evidenced or documented

The below shows the summary of control maturity and recommendations noted for the Company.

Area	Control Maturity Rating
Financial Reporting	Defined
Control Environment	Defined
Cash Receipts	Informal
Cash Disbursements	Informal-Defined
New Vendor Setup	Informal
Major Contracts/Purchases	N/A
Loans	N/A
Bank Reconciliations	Defined
Petty Cash	N/A
Credit/Debit Cards	Informal

Prior Audit Followup:	
The report from the Accounting Controls Project issued on 7/30/2014 included recommendations for the following areas:	
Corporate Governance	Program Receipts and Expenditures
Cash in Banks	Equipment
Cash Transfers	Conflict of Interest
Monthly Bank Statement Reconciliations	Fraud Inquiries
It appears that the Company has taken corrective action on one of the nine recommendations from the prior review. Recommendations are still outstanding in the other eight areas.	

**Observations and Recommendations**

**Policies and Procedures**

In order to strengthen governance controls, we recommend the Company formally document in writing financial policies and procedures, so they accurately reflect current practices, including descriptions of any related internal controls. The financial policies and procedures should cover all of the following areas:

- Financial Reporting
- Cash Receipts
- Cash Disbursements
- New Vendor Setup
- Bank reconciliations
- Company Credit/Debit Cards
- Major purchases and contracts

We also recommend that a copy of all policies and procedures be provided to the Treasurer and kept in a central location.

We recommend that the Company perform annual training of their Company members to remind them of the conflict of interest policy, including examples such as related party vendors and what they are required to do when a conflict occurs.

We recommend the Company provide the whistleblower policy as well as training to the Company members so everyone is aware of what to do in the event fraud is suspected or occurs. This will reduce the risk of fraud and sometimes more importantly reputational damage in the event fraud occurs

**Review of Financial Statements**

We recommend the Company have the financial records audited annually in accordance with their Bylaws. The financial statements should be discussed during the Board meetings and the Board's approval documented in the board minutes.

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME: Sterling Fire**

**Observations and Recommendations (continued)**

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

In order to strengthen controls over both cash receipts and cash disbursements, we recommend the Company implement policies and procedures for cash receipts and disbursements. Policies and procedures should include a formal documentation step within the policies and procedures to evidence that review and approval occurred.

We also recommend that in order to strengthen controls over cash collections and deposits from fundraising events, the Company formalize evidence of 2 people counting cash received from fundraisers to verify the deposit totals. Additionally, the Company should develop a policy and procedure for logging and disposition of voided checks as they occur in the normal course of business.

***New Vendor Setup Policy***

We recommend the Company implement policies and procedures for vendor due diligence and acceptance for establishing new vendors. A best practice would be the use of a controlled form that should include relevant approvals and documentation required (such as, Form W-9 and related party disclosure) before purchasing goods and services from the vendor.

We also recommend the Company review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. These policies and procedures should reduce the risks of conflicts of interest and billing schemes.

***Review and Approval of Bank Reconciliations***

We recommend the Company implement policies and procedures over bank reconciliations.

We also recommend that at a minimum, the President or other Company personnel should review the reconciliations on a monthly basis and formally evidence the review and approval to help ensure appropriate segregation of duties and timely detect any unusual activity. This approval can be documented in the form of signatures, emails, etc.

Additionally, we recommend the Company establish criteria related to the dollar threshold at which funds must be transferred from the PayPal account to the operating account and document criteria in a standard operating procedure and reconcile the PayPal account to the operating account on a monthly basis or at least annually.

***Review and Approval of Credit Card Transactions***

In order to strengthen controls over cash disbursements and mitigate the risk of fraud, we recommend that the Company implement policies and procedures over credit/debit cards. Policies and procedures should include a formal documentation step within the policies and procedures to evidence that review and approval occurred. These policies and procedures should not allow personal purchases and include a formal written cardholder agreement. This agreement should, in the event of personal purchases, provide for garnishment of any amounts owed by the Company to the cardholder. The Company should then ensure that transactions are processed and approved in accordance with the policy.

**Company's Response**

***Policies and Procedures***

The Company's current policies and procedures are currently available to the Treasurer and all members of the Company through the Company's internal web servers. The Company will update and/or document any undocumented procedures via their Bylaws or Standard Operating Procedures, as appropriate.

The Company will look into a method to provide annual training and review of conflict of interest policies and whistleblower policies.

***Review of Financial Statements***

The Company will ensure that a financial audit is performed in accordance with the Company's Bylaws.

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

The Company will document procedures for cash receipts and cash disbursements via their Bylaws or Standard Operating Procedures, as appropriate. The Company currently retains scanned images of all donated checks and they record the entered values.

**LOUDOUN COUNTY FIRE AND RESCUE  
INTERNAL CONTROLS MATURITY ASSESSMENT  
SUMMARY OF OBSERVATIONS BY COMPANY  
June 2016**

**COMPANY NAME: Sterling Fire**

**Company's Response (continued)**

***New Vendor Setup Policy***

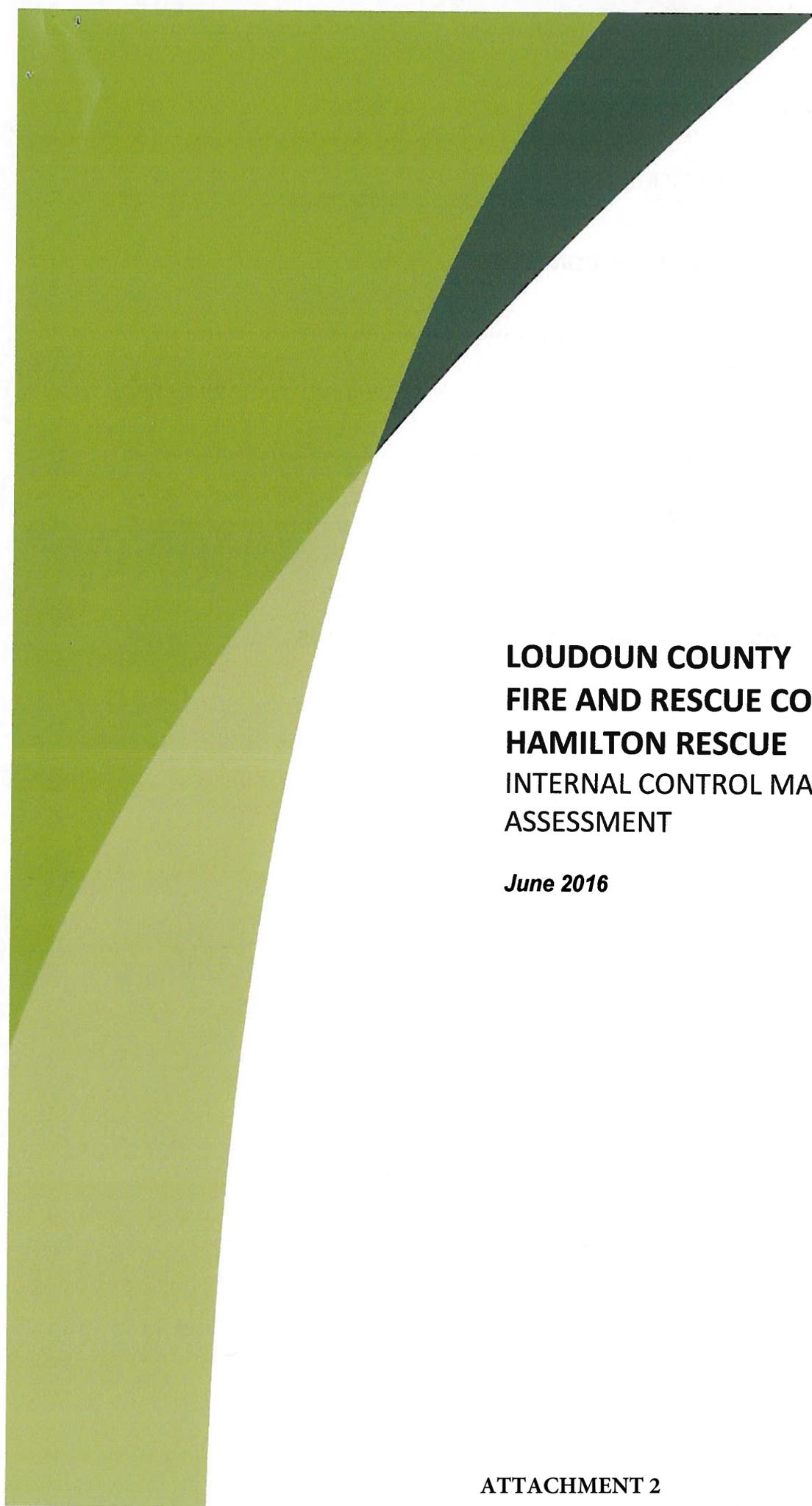
The Company will document procedures for new vendors via their Bylaws or Standard Operating Procedures, as appropriate. The Company will develop procedures for new vendors in accordance with the nature of the vendor. For example the vetting process for Amazon, Home Depot, Walmart will differ from the process for local vendors.

***Review and Approval of Bank Reconciliations***

The Company will document procedures for bank reconciliations via their Bylaws or Standard Operating Procedures, as appropriate. Currently, the Company's Financial Committee performs "audits" of their internal finances, including reviews of reconciliations. The Company will ensure these reviews and reviews performed by the Company President, are formally recorded in Board of Directors and General Membership Meeting minutes.

***Review and Approval of Credit Card Transactions***

The Company will document procedures for credit card transactions via their Bylaws or Standard Operating Procedures, as appropriate. Currently, all credit card transactions are reviewed by the Treasurer and the President on a monthly basis. The Company will ensure these reviews are formally recorded in the Board of Directors and General Membership Meeting minutes.



**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
HAMILTON RESCUE  
INTERNAL CONTROL MATURITY  
ASSESSMENT**

*June 2016*

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
HAMLITON RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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**TABLE OF CONTENTS**

**CONSULTING REPORT .....1**

**EXECUTIVE SUMMARY .....2**

**OBJECTIVES AND SCOPE.....5**

**RESULTS OF PROCEDURES PERFORMED .....7**

**APPENDIX:**

**COMPANY’S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS ..... A-1**

Jamil Smith  
President, Hamilton Volunteer Rescue Squad  
39071 E Colonial Highway  
Hamilton, VA 20158

Dear Jamil,

We respectfully submit our report of observations and recommendations related to our consulting procedures for the County of Loudoun, Virginia (the County) and the Loudoun County Volunteer Fire and Rescue Companies (the Companies) related to Hamilton Volunteer Rescue Squad (Hamilton or the Company). The objective of our procedures was to assess internal controls over financial procedures to determine Hamilton's level of internal control maturity.

The consulting procedures we performed and our observations and recommendations are described in Executive Summary, Objectives and Scope, and Results of Procedures Performed sections of this report.

Our services are limited in nature and are not designed to attest to the effectiveness of Hamilton's system of internal control. As such, we would not be able to identify all current and potential weaknesses in the system of internal control over financial reporting, compliance and/or safeguarding of Hamilton's assets, as well as evaluating the effectiveness of those controls. Please note internal control is a process affected by management and subject to deterioration over time, management override and collusion, which are known limitations of any system of internal control. Implementation and monitoring of any recommendations made as a result of this engagement are also the responsibility of management.

This engagement to perform consulting services was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA).

We were not engaged to, and did not perform an audit of the financial information of the County or Companies or Hamilton, the objective of which would be the expression of an opinion on any of the elements, accounts, or items of Hamilton's financial statements. Nor did we perform an examination of the County or Companies system of internal control over financial reporting, the objective of which would be the expression of an opinion of effectiveness of internal control over financial reporting under established standards and selected criteria such as, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") *Internal Control-Integrated Framework*, the COSO criteria. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County, the Companies and Hamilton management and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

*Cherry Bekaert LLP*

Tysons Corner, Virginia  
June 30, 2016

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**EXECUTIVE SUMMARY**

Cherry Bekaert LLP (Cherry Bekaert) conducted internal control maturity assessments of the Hamilton Volunteer Rescue Squad (Company). These assessments included inquiries with management, observation of control activities, inspection of evidence, and testing a sample of transactions for re-performance for each of the areas specified below:

- Financial Roles and Responsibilities
- Conflicts of Interest
- Reporting Suspected Fraud
- Budgeting
- Financial Reporting
- Cash Receipt/Handling - Procedures for handling, depositing and recording the receipt of cash through the mail, in person, online, direct deposit
- Cash Disbursement - Procedures for the payment of company expenses and member reimbursements using paper checks, online checks, and credit/debit cards
- Purchasing - Procedures for the review and approval of procurement and purchases for the Company
- Credit/Debit Card Usage - Requirements for the use of the credit/debit card by Company members

**Summary of Control Maturity Assessment:**

Based on the procedures performed, we assessed the control maturity for each area as shown below. See the Objectives and Scope section of this report for the definitions of control maturity and the Results of Procedures Performed section of this report for observations and recommendations around each assessed area.

Area/Procedure	Control Maturity
A. Financial Reporting	Defined
B. Control Environment	Informal
C. Cash Receipts Testing	Informal
D. Cash Disbursement Testing	Informal
E. New Vendor	N/A
F. Major Contract or Purchase	Informal
G. Loans	N/A
H. Bank Reconciliations	Informal
I. Petty Cash	N/A
J. Credit/Debit Cards	Informal

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
HAMILTON RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

**Summary Recommendations:**

During our procedures, we noted the following recommendations:

***Policies and Procedures***

In order to strengthen governance controls, we recommend the Company formally adopt in writing comprehensive financial policies, procedures, and appropriate controls including but not limited to the following areas:

- Fraud reporting
- Financial roles and responsibilities
- Specific financial reporting
- Cash receipts, deposits, and disbursements
- Major contracts and purchases
- Bank reconciliations
- Credit Cards

***New Vendor Setup Policies***

Additionally, we recommend the Company implement policies and procedures (including the use of a controlled vendor authorization and set up form) for vendor due diligence and acceptance for establishing new vendors. The controlled form should include relevant approvals and documentation required (such as Form W-9 and related party disclosure) before purchasing goods and services from the vendor. We also recommend the Company review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. These policies and procedures should reduce the risks of conflicts of interest and billing schemes.

***Conflict of Interest Policy***

We recommend that the Company implement a conflict of interest policy for all Company members. The policy should include at a minimum the following elements:

- a) Address how conflicts of interest should be reported and addressed (including authorization and identification in Company books and records);
- b) Include the process to be followed if violations of the policy occur;
- c) Annual distribution of the policy to Company members;
- d) Annual acknowledgement in writing by members that understand and agree to follow the policy; and
- e) Annual training on the policy, including examples such as related-party vendors and remind Company members of what they are required to do when a conflict occurs.

***Cash Receipts, Deposits, and Disbursements***

The Company's bylaws grant the Treasurer broad authority to deposit and withdraw funds as needed without approval from the Company. The Treasurer currently approves invoices for payment, maintains check stock and signs checks. In order to strengthen controls over segregation of duties, we recommend prior to payment someone other than the Treasurer review and approve cash disbursements (e.g. invoices) for payment.

Further, we recommend that the Company bylaws be amended to allow for appropriate Company approval levels, that such approvals be properly evidenced, and that such evidence and supporting documentation be retained. We further recommend that supporting documentation for all cash receipts and disbursements transactions be retained. We also recommend that related general ledger transactions be reviewed, approved, and evidenced on appropriate levels.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
HAMILTON RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

***Financial Reporting***

During our procedures, we noted the presence of transactions in the financial statements involving depreciation of fixed assets (ambulance) and the valuation of marketable securities. As a best practice, we recommend that the Company document the review of financial transactions and associated reporting by the external CPA to ensure these transactions are properly recorded and supported with investment statements and depreciation schedules. Such action may further mature controls, and manage the risk of inaccurate reporting to Members, taxpayers, and other constituencies.

***Major Contracts and Purchases***

All major contract and purchases of the Company should be properly approved. Such approvals should be evidenced and appropriate documentation retained.

***Review, Approval, and Timeliness of Bank Reconciliations***

We recommend that the Company improve consistency of recordkeeping for the approval of bank reconciliations. This should include retaining adequate supporting documentation as evidence of the review and approval of bank reconciliations. This approval can be documented in the form of signatures, emails, etc. We understand that the Company implemented a new approval process regarding bank reconciliations in April 2016.

***Review and Approval of Credit Card Transactions***

In order to strengthen controls over cash disbursements and mitigate the risk of fraud, we recommend that the Company update their procedures for reviewing and approving credit card transactions, including retaining evidence of that review and approval. The documentation should also include a clear trail of how credit card transactions are recorded as expenses in the general ledger.

These policies and procedures should not allow personal purchases and include a formal written cardholder agreement. This agreement should, in the event of personal purchases, provide for garnishment of any amounts owed by the Company to the cardholder. The policies and procedures should detail an appropriate approval path and require such approval to be evidenced and documentation to be retained. The Company should then ensure that transactions are processed and approved in accordance with the policy.

The remainder of our report contains the detailed results of our procedures, observations, and recommendations for management to consider enhancing controls over financial reporting, compliance and/or safeguarding the Company's assets. Observations are noted in the Results of Procedures Performed section of this Report. Detailed recommendations are included in the Recommendations section of this report.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**OBJECTIVES AND SCOPE**

**Objective:** The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls using the levels defined in the table below.

Level		Control Maturity
3	Formal	Consistently performed, performance is evidenced, and formally documented
2	Defined	Consistently performed, performance is evidenced, but not documented
1	Informal	Not consistently performed, performance is not evidenced and not documented

This report uses the following terminology to consistent describe our observations related to internal controls.

- I. **Internal Control Improvement:** Control is adequately designed and operating but could be further strengthened to better mitigate risk related to errors and/or fraud.
- II. **Internal Control Weakness:** Control design and/or operation is impaired and may not be as effective to prevent or detect errors and/or fraud.
- III. **Internal Control Gap:** Control is not designed is not designed in order to properly prevent or detect errors and/or fraud.

**Scope:** Our scope included activities and transactions occurring from July 1, 2015 through February 29, 2016. We reviewed and assessed Company internal controls over the areas in the table below:

Area/Procedure	Testing Performed	Not Applicable
A. Financial Reporting	✓	
B. Control Environment	✓	
C. Cash Receipts Testing	✓	
D. Cash Disbursement Testing	✓	
E. New Vendor		✓
F. Major Contract or Purchase	✓	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

Area/Procedure	Testing Performed	Not Applicable
G. Loans		✓
H. Bank Reconciliations	✓	
I. Petty Cash		✓
J. Credit/Debit Cards	✓	

For any areas that did not have any transactions during the period selected for the scope of this engagement, we noted them as "Not Applicable" above.

Per discussion with Company Leaders, we noted that Hamilton does not have financial policies and procedures separate from the Company's bylaws. Company Leaders reported that the no changes to the bylaws have been approved since our last related procedures were performed in 2014.

Company Leaders also reported that Board and certain other meetings are documented by written minutes. However, we were unable to obtain copies of those minutes, and we could not verify approval for certain transactions discussed below.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
HAMILTON RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

**RESULTS OF PROCEDURES PERFORMED**

**Prior Audit Follow-up:**

We obtained a copy of the Company Report from the prior Accounting Controls Project dated on May 29, 2014. We reviewed the recommendations and determined if the Company had done one or more of the following as corrective action:

- Created financial policies and procedures
- Implemented new forms or documents
- Implemented equipment depreciation

We noted recommendations in the following areas:

- Corporate Governance
- Cash Transfers
- Monthly Bank Statement Reconciliation
- Program Receipts and Expenditures
- Equipment
- Conflict of Interest
- Fraud Inquiries

Company Leadership has changed since the issuance of the 2014 Report, and during our procedures the current Leadership seemed unaware of the recommendations. We provided them with a copy of the 2014 Report, and tailored our procedures to assess the status of any possible implementation of our previous recommendations.

Based on our procedures performed, the Company appears to have added accumulated equipment depreciation to internally generated balance sheets. (Note we did not perform procedures to assess the appropriateness of amounts included in balance sheets or agreement of those amounts to the internally generated profit and loss statements). In regards to other recommendations, the Company has taken no corrective action, and all prior recommendations remain outstanding.

The following sections outline the procedures performed, the results of our procedures and any observations and recommendations for the Company.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**FINANCIAL REPORTING**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained Company financial statements for the most recent completed fiscal year audited, reviewed, or compiled.</p> <p>We reviewed financials to determine if any internal control issues were noted in audit, review or compilation. If we noted control issues, we inquired Company leadership regarding implementation of a corrective action plan to address and status of corrective actions.</p> <p>We obtained Company internally prepared financial statements for the last month of scope period.</p> <p>We inquired of Company Treasurer and President to determine if the Company shared or disclosed the statements in accordance to Company financial procedures and/or bylaws.</p> <p>We documented which Statements were available:</p> <ul style="list-style-type: none"> <li>▪ Balance Sheet Statement/Statement of Net Position</li> <li>▪ Income Statement/Statement of Activities</li> <li>▪ Budget to Actual</li> <li>▪ Other</li> </ul>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed and discussions with Company Leaders, we noted that internally produced balance sheets, profit to loss statements, and budget to actual profit to loss statements are generated on a regular basis. Company Leaders indicated that financial statements are regularly distributed to Company members. However, we were not provided with Board meeting minutes to verify the financial statements are regularly distributed and discussed.</p> <p>While we performed no audit, review, or compilation or other procedures to assess accuracy, we did note the presence of transactions involving depreciation of fixed assets (an ambulance) and the valuation of marketable securities. Company Leaders indicated they engage a CPA to process their tax returns and review the complex transactions in the process.</p>	
<p><b><u>Recommendations:</u></b></p> <p>As a best practice, we recommend that the Company document the review of financial transactions and associated reporting by the external CPA to ensure these transactions are properly recorded in and supported with investment statements and depreciation schedules. Such action may further mature controls, and manage the risk of inaccurate reporting to Members, taxpayers, and other constituencies.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CONTROL ENVIRONMENT**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained the Company's financial policies and procedures and inquired of Company leadership regarding the last time procedures were reviewed and/or updated.</p> <p>We determined if written procedures adequately reflect procedures being performed by Company officers and members.</p> <p>We completed a Duty Matrix to identify any segregation of duties issues.</p> <p>We obtained a copy of the Company's Conflict of Interest Policy and determine if the conflict of interest policy is being followed. If applicable, we reviewed documentation (e.g., company minutes, completed forms) to determine compliance with Company policy.</p> <p>We determined if Company members other than those who participated in the Accounting Controls Review are available for Fraud Interviews. If so, we conducted fraud interviews for a maximum of two Company members.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed and discussions with Company Leaders, we noted an internal control weakness related to policies and procedures for the control environment. The Company has not established formal written financial policies and procedures, including a fraud reporting policy. Company Leaders described the practices that are currently in place; however these practices are informal and not documented.</p> <p>We also noted an internal control weakness relate to conflicts of interest. The Company does not have a written conflict of interest policy or related ethics policy.</p> <p>The most recent IRS Form 990 for the year ending June 30, 2015 appears to been filed.</p>	
<p><b><u>Recommendations:</u></b></p> <p>In order to strengthen governance controls, we recommend the Company adopt formal, written financial policies and procedures, fraud reporting policies, officer financial roles and responsibilities, and requirements for periodic presentation of financial statements with comparison to the approved budget.</p> <p>Additionally, we recommend the Company implement policies and procedures, including the use of a controlled vendor authorization and set up form, for vendor due diligence and acceptance of new vendors. The controlled form should include relevant approvals and documentation required (such as, Form W-9 and related party disclosure) before purchasing goods and services from the vendor.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p>We also recommend the Company review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. These policies and procedures should reduce the risks of conflicts of interest and billing schemes.</p> <p>We recommend the Company implement a conflict of interest policy for all Company members. The policy should include at a minimum the following elements:</p> <ul style="list-style-type: none"> <li>a) Address how conflicts of interest should be reported and addressed (including authorization and identification in Company books and records);</li> <li>b) Include the process to be followed if violations of the policy occur;</li> <li>c) Annual distribution of the policy to Company members;</li> <li>d) Annual acknowledgement in writing by members that understand and agree to follow the policy; and</li> <li>e) Annual training on the policy, including examples such as related-party vendors and remind Company members of what they are required to do when a conflict occurs.</li> </ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CASH RECEIPTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Deposits (i.e., Cash Receipts) during the scope period.</p> <p>We selected a sample for testing and documented the sample on an associated worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., check copies/ donor acknowledgement or count sheets, deposit slip and/or receipt, and bank statement page with deposit).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to deposit slip and/or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash receipts in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed and discussions with Company Leaders, we noted an internal control weakness related to policies and procedures for cash receipts. The Company has not established formal written financial policies and procedures. Company Leaders described the practices that are currently in place; however these practices are informal and not documented.</p> <p>Additionally, we noted that the current bylaws allow the Treasurer to make "deposits and withdrawals on behalf of the Squad" without limitation or additional approval. For cash receipt items tested, we did not see supporting documentation for the cash receipt (i.e. check copies/donor acknowledgement, etc.) other than a deposit slip.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company adopt formal, written policies and procedures surrounding cash receipting. These policies and procedures should include, at minimum, requirement for review and approval of deposits with verifiable evidence of such approval. We also recommend that appropriate Company approval limits be placed on the authority of the Treasurer to make deposits and withdrawals. Also, any copies of checks should be maintained as well.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CASH DISBURSEMENTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Payments to Vendors (i.e., Cash Disbursements) during the scope period.</p> <p>We selected a sample for testing and documented the sample on an appropriate worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., copies of invoice/statements/bills, voucher /check request and bank statement page with check (if, applicable check image)).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to check copy or image /or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash disbursements in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• Based on the documentation reviewed and discussions with Company Leaders, we noted an internal control weakness related to policies and procedures for cash disbursement. The Company has not established formal written financial policies and procedures. Company Leaders described the practices that are currently in place; however these practices are informal and not documented.</li> <li>• We also noted an internal control weakness related to approvals of cash disbursements. From the 25 disbursements selected, none of the documentation contained evidence of approvals such as signatures or initials of Company Leaders. Of those 25, 10 appear to have required no approval beyond the Treasurer's authority to issue checks, unapproved, for certain items. Additionally, there is a lack of segregation of duties as the Treasury has the ability to approve the payment of invoices, maintain the check stock, prepare the checks, sign the checks and mail the checks. The only signature on any check is that of the Treasurer.</li> </ul> <p>We noted the following additional internal control weakness related to cash disbursements within the 25 disbursements selected:</p> <ul style="list-style-type: none"> <li>▪ One disbursement was incorrectly recorded in the general ledger</li> <li>▪ Two disbursements' documentation contained no check copy, receipt or other support</li> <li>▪ One disbursement's documentation contained no receipt or other support</li> </ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company adopt formal, written policies and procedures surrounding cash disbursements. We also recommend that the Company retain adequate records to substantiate cash disbursements, and that resulting general ledger transaction be review by leadership. Reviews should be properly evidence, and appropriate documentation retained.</p> <p>Additionally, in order to strengthen controls over segregation of duties, we recommend prior to payment someone other than the Treasurer review and approve cash disbursements (e.g. invoices) for payment.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**MAJOR CONTACTS OR PURCHASES**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of the Company's major purchases during the scope period.</p> <p>We selected a sample of purchases for testing (can combine with new vendor and/or loan testing).</p> <p>For each sample item, we obtained documentation supporting the review and approval of the purchase (e.g., executed contract/agreement, meeting minutes, quotes).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company obtained approval for purchases or contracts in accordance to Company procedures, if applicable.</p> <p>If an asset was purchased, we determined if properly recorded in Company records</p>	
<p><b><u>Observations:</u></b></p> <p>The Company made one major purchase of an ambulance chassis during the period. We were unable to confirm that major purchases of the Company during the assessment period were properly authorized because we did not have access to Board minutes or other appropriate records.</p> <p>Based on the documentation reviewed and discussions with Company Leaders, we noted an internal control weakness related to major contracts or purchases. The Company has not established formal written financial policies and procedures. Company Leaders described the practices that are currently in place; however these practices are informal and not documented.</p> <p>We also noted an internal control gap related to approvals of major purchases. Documentation did not contain evidence of approvals such as signatures or initials of Company Leaders, or attachment of minutes documenting authorization of the purchase.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company adopt formal, written policies and procedures surrounding major purchases and contracts. We also recommend that the Company retain adequate records to substantiate cash disbursements, evidencing proper approval.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**BANK RECONCILIATIONS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of all Company Bank Accounts open during the scope period.</p> <p>We select a sample of months to review Bank Reconciliations for each bank account.</p> <p>For each sample item, we obtained copies of completed bank reconciliations and bank statements together with copies of cancelled checks, deposit slips, wire transfer orders and other supporting documentation (state dollar scope if applicable).</p> <p>We determined whether the Company performed, reviewed and approved the bank reconciliations in accordance to Company procedures, if applicable.</p> <p>We determined if reconciling items are resolved timely and if applicable, whether the Company properly records any adjustments.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed and discussions with Company Leaders, we noted an internal control weakness related to bank reconciliations. The Company has not established formal written financial policies and procedures. Company Leaders described the practices that are currently in place; however these practices are informal and not documented.</p> <p>One reconciliation sampled appeared to have been conducted less timely that typical Company practice and was not evidence as reconciled in the manner of other items tested. While during the period of this assessment reconciliations may not have been properly approved, Company Leaders report that a new process of review and approval has been implemented as of April 2016.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company adopt formal, written policies and procedures surrounding bank reconciliations. Additionally, we recommend the Company improve consistency of recordkeeping for the approval of bank reconciliations. This should include retaining adequate supporting documentation as evidence of the review and approval of bank reconciliations. This approval can be documented in the form of signatures, emails, etc. We understand the Company implemented a new approval process in April 2016.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 HAMILTON RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**CREDIT/DEBIT CARDS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of holders of Company credit, debit or store card open during the scope period.</p> <p>We selected a sample of Company cardholders for testing.</p> <p>For each sample item, we obtained copies of card statements. (Obtained bank statements for debit cards or cards tied to bank account).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed credit cards transactions in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>We noted the Company has three card holders, the Treasurer, the Secretary, and the Operations Chief. Credit card transactions appeared to include charges for food, travel, and supplies. Based on the documentation we were able to review and discussions with Company Leaders, we noted an internal control weakness related to credit cards as follows:</p> <ul style="list-style-type: none"> <li>• We obtained credit card statements for the periods selected, along with receipts for a selection of twelve transactions. We noted one transaction for which we were unable to obtain a copy of the supporting receipt.</li> <li>• Additionally, we noted that none of the twelve transactions selected included any evidence of review and approval for transactions.</li> <li>• The statements also did not have a clear path indicating how credit card transactions were grouped and recorded as expenses in the general ledger. For example, all transactions on a credit card statement related to food or banquet expenses should be clearly identified as such so the total on the statement agrees to the amount recorded in the general ledger.</li> </ul> <p>The Company has not established formal written financial policies and procedures. Company Leaders described the practices that are currently in place; however these practices are informal and not documented.</p>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
HAMILTON RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Recommendations:</u></b> In order to strengthen controls over cash disbursements and mitigate the risk of fraud, we recommend that the Company update their procedures for reviewing and approving credit card transactions, including retaining evidence of that review and approval. The documentation should also include a clear trail of how credit card transactions are recorded as expenses in the general ledger.</p> <p>These policies and procedures should not allow personal purchases and include a formal written cardholder agreement. This agreement should, in the event of personal purchases, provide for garnishment of any amounts owed by the Company to the cardholder. The policies and procedures should detail an appropriate approval path and require such approval to be evidenced and documentation to be retained. The Company should then ensure that transactions are processed and approved in accordance with the policy.</p>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
HAMILTON RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT- APPENDIX**

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**COMPANY'S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS**

***Policies and Procedures***

The Company concurs with the observations and recommendations noted.

***New Vendor Setup Policies***

The Company concurs with the observations and recommendations noted.

***Conflict of Interest Policy***

The Company concurs with the observations and recommendations noted.

***Cash Receipts, Deposits, and Disbursements***

The Company's preference is to improve the review of disbursements rather than insert an approval requirement. Given the time constraints on our members, requiring an approval for all disbursements would be too burdensome and could lead to late payments. The Company agrees that large or non-recurring payments should require approval.

The Company discussed the recommendation regarding deposits and does not see the value in establishing a limit on deposits. The Company's preference would be to include a review of deposits in the monthly board meeting. Approving each deposit will become too burdensome for Company volunteers.

***Financial Reporting***

The Company uses a CPA to process its tax returns. In the process, the CPA reviews the complex transactions mentioned.

***Major Contracts and Purchases***

The Company concurs with the observations and recommendations noted.

***Review, Approval, and Timeliness of Bank Reconciliations***

The Company concurs with the observations and recommendations noted.

***Review and Approval of Credit Card Transactions***

The Company concurs with the observations and recommendations noted.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LOVETTSVILLE VOLUNTEER FIRE  
AND RESCUE  
INTERNAL CONTROL MATURITY  
ASSESSMENT**

*June 2016*

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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**TABLE OF CONTENTS**

**CONSULTING REPORT .....1**

**EXECUTIVE SUMMARY .....2**

**OBJECTIVES AND SCOPE.....4**

**RESULTS OF PROCEDURES PERFORMED .....6**

**APPENDIX:**

**COMPANY’S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS ..... A-1**

Karen Deli  
President, Lovettsville Volunteer Fire and Rescue  
12837 Berlin Turnpike  
Lovettsville, VA 20180

Dear Karen,

We respectfully submit our report of observations and recommendations related to our consulting procedures for the County of Loudoun, Virginia (the County) and the Loudoun County Volunteer Fire and Rescue Companies (the Companies) related to Lovettsville Volunteer Fire and Rescue (Lovettsville or the Company). The objective of our procedures was to assess internal controls over financial procedures to determine Lovettsville's level of internal control maturity.

The consulting procedures we performed and our observations and recommendations are described in Executive Summary, Objectives and Scope, and Results of Procedures Performed sections of this report.

Our services are limited in nature and are not designed to attest to the effectiveness of Lovettsville's system of internal control. As such, we would not be able to identify all current and potential weaknesses in the system of internal control over financial reporting, compliance and/or safeguarding of Lovettsville's assets, as well as evaluating the effectiveness of those controls. Please note internal control is a process affected by management and subject to deterioration over time, management override and collusion, which are known limitations of any system of internal control. Implementation and monitoring of any recommendations made as a result of this engagement are also the responsibility of management.

This engagement to perform consulting services was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA).

We were not engaged to, and did not perform an audit of the financial information of the County or Companies or Lovettsville, the objective of which would be the expression of an opinion on any of the elements, accounts, or items of Ashburn's financial statements. Nor did we perform an examination of the County or Companies system of internal control over financial reporting, the objective of which would be the expression of an opinion of effectiveness of internal control over financial reporting under established standards and selected criteria such as, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") *Internal Control-Integrated Framework*, the COSO criteria. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County, the Companies and Lovettsville management and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Cherry Bekaert LLP

Tysons Corner, Virginia  
June 30, 2016

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**EXECUTIVE SUMMARY**

Cherry Bekaert LLP (Cherry Bekaert) conducted internal control maturity assessments of the Lovettsville Rescue Company (Company). The internal control maturity assessments included inquiry with management at the Companies, observation of control activities, inspection of evidence and testing a sample of transactions for re-performance for each of the areas specified below:

- Financial Roles and Responsibilities
- Conflicts of Interest
- Reporting Suspected Fraud
- Budgeting
- Financial Reporting
- Cash Receipt/Handling - Procedures for handling, depositing and recording the receipt of cash through the mail, in person, online, direct deposit
- Cash Disbursement - Procedures for the payment of company expenses and member reimbursements using paper checks, online checks, and credit/debit cards
- Purchasing - Procedures for the review and approval of procurement and purchases for the Company
- Member Reimbursement (Expense/Travel) - Requirements and procedures for members to be reimbursed for expenses and travel
- Credit/Debit Card Usage - Requirements for the use of the credit/debit card by Company members

**Summary of Control Maturity Assessment:**

Based on the procedures performed, we assessed the control maturity for each area as shown below. See the Objectives and Scope section of this report for the definitions of control maturity and the Results of Procedures Performed section of this report for observations and recommendations around each assessed area.

<b>Area/Procedure</b>	<b>Control Maturity</b>
A. Financial Reporting	<b>Defined</b>
B. Control Environment	<b>Formal</b>
C. Cash Receipts Testing	<b>Informal- Defined</b>
D. Cash Disbursement Testing	<b>Informal</b>
E. New Vendor	<b>Informal</b>
F. Major Contract or Purchase	<b>Informal</b>
G. Loans	<b>Formal</b>
H. Bank Reconciliations	<b>Informal</b>
I. Petty Cash	<b>N/A</b>

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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Area/Procedure	Control Maturity
J. Credit/Debit Cards	Formal

**Note:**

While we noted several areas as informal, the Company implemented updated policies and procedures as of March 2016.

**Summary Recommendations:**

During our procedures, we noted the following recommendations:

***Documented Reviews and Approvals in Accordance with Company Policies***

The Company finalized written policies and procedures in March 2016. Therefore, in our testing for the following areas, the reviews and approvals were not evidenced according to policy as the policies may not have been implemented.

- Financial Reporting
- Cash Receipts – Timeliness of Deposits
- Cash Disbursements
- Approval of New Vendors
- Major Contracts or Purchases
- Bank Reconciliations

Going forward we recommend the Company formalize their processes to evidence reviews, approvals, etc. in accordance with Company Policies and Procedures. Documentation of approval is a key component to evidencing internal controls are operating effectively.

Additionally, supporting documentation for all transactions should also be maintained in accordance with Company Policies and Procedures.

***Periodic Review of Vendors***

In order continue maturing its internal controls, we recommend the Company implement a procedure to review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. Documentation of the review should be retained.

The remainder of our report contains the detailed results of our procedures, observations, and recommendations for management to consider enhancing controls over financial reporting, compliance and/or safeguarding the Company's assets. Observations are noted in the Results of Procedures Performed section of this Report. Detailed recommendations are included in the Recommendations section of this report.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**OBJECTIVES AND SCOPE**

**Objective:** The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls using the levels defined in the table below.

Level		Control Maturity
3	Formal	Consistently performed, performance is evidenced and formally documented
2	Defined	Consistently performed, performance is evidenced, but not documented
1	Informal	Not consistently performed, performance is not evidenced and not documented

This report uses the following terminology to consistently describe our observations related to internal controls.

- I. **Internal Control Improvement:** Control is adequately designed and operating but could be further strengthened to better mitigate risk related to errors and/or fraud.
- II. **Internal Control Weakness:** Control design and/or operation is impaired and may not be as effective to prevent or detect errors and/or fraud.
- III. **Internal Control Gap:** Control is not designed in order to properly prevent or detect errors and/or fraud.

**Scope:** Our scope included activities and transactions occurring from July 1, 2015 through March 31, 2016. We reviewed and assessed Company internal controls over the areas in the table below:

Area/Procedure	Testing Performed	Not Applicable
A. Financial Reporting	✓	
B. Control Environment	✓	
C. Cash Receipts Testing	✓	
D. Cash Disbursement Testing	✓	
E. New Vendor	✓	
F. Major Contract or Purchase	✓	
G. Loans	✓	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

<b>Area/Procedure</b>	<b>Testing Performed</b>	<b>Not Applicable</b>
H. Bank Reconciliations	✓	
I. Petty Cash		✓
J. Credit/Debit Cards	✓	

For any areas that did not have any transactions during the period selected for the scope of this engagement, we noted them as "Not Applicable" above. We developed testing criteria based on discussion with Company Leaders regarding the practices currently used by Company.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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**RESULTS OF PROCEDURES PERFORMED**

**Prior Audit Follow-up:**

We obtained a copy of the Company Report from the prior Accounting Controls Project issued on July 30, 2014. We reviewed the recommendations and determined if the Company had done one or more of the following as corrective action:

- Implement an annual budget process
- Implement formal policies and procedures
- Maintain copies of voided checks
- Remove former treasurer's access regarding check signing
- Implement procedures requiring Board or President approval when transferring cash between accounts
- Formalize the monthly bank reconciliation process, and establish an independent reviewer/approver
- Formalize policies and procedures to obtain financing
- Implement a process to calculate and record depreciation to align financial reporting with Form 990 reporting
- Implement a formal review of all equipment the Company holds
- Implement a conflict of interest policy
- Formalize its policy and procedures for reporting suspected fraudulent activity

We noted recommendations in the following areas:

- Corporate Governance
- Cash in Banks
- Cash Transfers
- Monthly Bank Statement Reconciliations
- Loans
- Equipment
- Conflict of Interest
- Fraud

We inquired of Company Leadership regarding the status of each recommendation and if applicable noted any actions taken for any recommendations not fully addressed. Based on the procedures performed, it appears that the Company has taken corrective action on all recommendations from the prior review. The Company finalized written policies and procedures in March 2016.

The following sections outline the procedures performed, the results of our procedures and any observations and recommendations for the Company.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**FINANCIAL REPORTING**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained Company financial statements for the most recent completed fiscal year audited, reviewed, or compiled.</p> <p>We reviewed financials to determine if any internal control issues were noted in audit, review or compilation. If we noted control issues, we inquired Company leadership regarding implementation of a corrective action plan to address and status of corrective actions.</p> <p>We obtained the most recently completed internally prepared financial statements for the Company.</p> <p>We inquired of Company Treasurer and President to determine if the Company shared or disclosed the statements in accordance to Company financial procedures and/or bylaws.</p> <p>We documented which Statements were available:</p> <ul style="list-style-type: none"> <li>• Balance Sheet Statement/Statement of Net Position</li> <li>• Income Statement/Statement of Activities</li> <li>• Budget to Actual</li> <li>• Other</li> </ul>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• We obtained copies of the internally developed Balance Sheet and Profit &amp; Loss statements as of and for the year ending December 31, 2015. However, we were unable to obtain a copy of the Budget to Actual analysis performed. Additionally, we were unable to review Board minutes to evidence the presentation of the financial statements to the Board.</li> <li>• We noted the Company does not currently receive reviewed or audited financial statements by an independent CPA firm.</li> </ul> <p>The Company implemented a policy regarding financial reporting in March 2016. The policy states financial reports should be periodically prepared and presented to the Board of Directors and members. The reports should include a balance sheet, statement of income and expenses, budget versus actual and any other reports requested by the President and/or Board of Directors. Financial reports should be prepared by the Treasurer or designee no later than 30 days after the end of each month, quarter and/or year end.</p>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend to management that they formalize their financial reporting process to evidence the preparation of financial statements in accordance with the Company's policies and procedures.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CONTROL ENVIRONMENT**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Formal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained the Company's financial policies and procedures and inquired of Company leadership regarding the last time procedures were reviewed and/or updated.</p> <p>We determined if written procedures adequately reflect procedures being performed by Company officers and members.</p> <p>We completed a Duty Matrix to identify any segregation of duties issues</p> <p>We obtained a copy of the Company's Conflict of Interest Policy and determine if the conflict of interest policy is being followed. If applicable, we reviewed documentation (e.g., company minutes, completed forms) to determine compliance with Company policy.</p> <p>We determined if Company members other than those who participated in the Accounting Controls Review are available for Fraud Interviews. If so, we conducted fraud interviews for a maximum of two Company members.</p>	
<p><b><u>Observations:</u></b></p> <p>We obtained copies of the Company's Financial Policies and Procedures, noting they had been finalized in March 2016. We observed that the Company's Conflict of Interest Policy is included in the overarching Financial Policies and Procedures. The Financial Policies and Procedures and Conflict of Interest Policy appear to adequately address procedures performed by the Company officers and its members. We also completed a Roles and Responsibilities Matrix, based on roles established by the Financial Policies and Procedures. Finally, we conducted 2 fraud risk interviews with Company members who did not otherwise participate in the Accounting Controls Review</p>	
<p><b><u>Recommendations:</u></b></p> <p>No recommendations noted.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**CASH RECEIPTS**

CONTROL MATURITY ASSESSMENT:	Defined
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Deposits (i.e., Cash Receipts) during the scope period.</p> <p>We selected a sample for testing and documented the sample on a Sample Summary worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., check copies/ donor acknowledgement/count sheets, deposit slip and/or receipt, and bank statement page with deposit).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to deposit slip and/or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash receipts in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>We selected a sample of 25 cash receipts from the period. From our testing procedures, we have observed that adequate supporting documentation appears to be retained and agrees with the amount recorded per the Company Records.</p> <p>We did observe, however, that 2 deposits were not made within the specified time period required by the Company's Policies and Procedures (24 hours for Bingo, 48 hours for all other), and we could not obtain copies of deposit slips to confirm timeliness for an additional 3 selections.</p> <p>The Company finalized a policy regarding cash receipts in March 2016. The policy states all Bingo deposits will be transported and deposited to the bank lockbox within 24 hours using the lockbox key from the safe and the Lockbox Key Sign Out/In sheet. All other funds totaling over \$100 will be deposited at the bank within 48 hours.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend the Company formalize its cash receipts procedures to ensure that all receipts are deposited within the time period specified by their Policies and Procedures and that documentation is retained to evidence the deposits.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CASH DISBURSEMENTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Payments to Vendors (i.e., Cash Disbursements) during the scope period.</p> <p>We selected a sample for testing and documented the sample on a Sample Summary worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., copies of invoice/statements/bills, voucher /check request and bank statement page with check (if, applicable check image)).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to check copy or image /or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash disbursements in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>We selected a sample of 25 cash disbursements from the period, and through our testing procedures have observed that disbursements appear to be supported by appropriate documentation and agree with amounts recorded in the Company's records. However, we were not able to observe documentation of approval for the disbursement for 22 of 25 selections. Additionally, we observed that supporting documentation for 1 bank transfer selected did not evidence approval.</p> <p>The Company finalized a policy regarding cash disbursements in March 2016. The policy states the following related to approvals for purchases:</p> <ul style="list-style-type: none"> <li>• For budgeted purchases, up to \$500, Committee Chairs and Engineers are authorized to purchase. Purchases greater than \$500 should be presented to the Board of Directors for approval. In case of emergency, the President can approve any budgeted purchase.</li> <li>• For purchases outside the budget, regardless of dollar amount, a verbal or written quote or estimate is required. Amounts less than \$250 must be presented to the President for approval. Amounts \$250- \$500 must be presented to the Board of Directors for selection and approval. Amounts greater than \$500 must be presented to the Membership for approval. In an emergency the BOD may approve up to \$1000. All non-budgeted purchases and expenditures must be reported to the Treasurer prior to payment.</li> </ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<ul style="list-style-type: none"> <li>• Engineers are authorized to spend up to \$2500 for budgeted apparatus maintenance and repair expenditures. Amounts greater than \$500 must be approved by the Chief. The Treasurer should be notified prior to payment. The Board of Directors should be informed of all expenditures greater than \$500.</li> </ul> <p>Disbursements shall be reviewed with committee chairs monthly at the BOD meeting.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company formalize its cash disbursement processes to evidence approval of cash disbursements and transfers in accordance with the Company's Policies and Procedures.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**NEW VENDORS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of the Company's new vendors during the scope period.</p> <p>We selected a sample of new vendor(s) for testing.</p> <p>We obtained documentation supporting the approval of the new vendor.</p> <p>We determined whether the Company obtained approval to use vendor(s) in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>The Company had 2 new vendors during the period of review. We obtained documentation to evidence the Company's new vendor set up processes; however, we did not obtain evidence that the vendors were approved.</p> <p>The Company implemented a policy regarding new vendors in March 2016. According to the policy, all vendors should be approved and set up in the accounting system using a controlled form (e.g., W9). Additionally, the Treasurer should ensure that vendors approved for conducting business with the Company are assessed to identify any existing or potential conflict of interest with the Company, the disbarment or suspension of the vendor to do business with the federal government, and viability of the vendor to provide the requested goods and services.</p> <p>We did note the policy did not address the formal review of vendors on a periodic basis.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend management to formalize its new vendor setup process to evidence approval of all new vendors in accordance with the Company's Financial Policies and Procedures. We also recommend the Company review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**MAJOR CONTRACTS OR PURCHASES**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of the Company's major purchases during the scope period.</p> <p>We selected a sample of purchases for testing.</p> <p>For each sample item, we obtained documentation supporting the review and approval of the purchase (e.g., executed contract/agreement, meeting minutes, quotes).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company obtained approval for purchases or contracts in accordance to Company procedures, if applicable.</p> <p>If an asset was purchased, we determined if properly recorded in Company records.</p>	
<p><b><u>Observations:</u></b></p> <p>We selected a sample of 5 major purchases during the reporting period. From our review, we found that the supporting documentation is not consistently retained on file since we were unable to review the related support documentation for some of the selected purchases. Additionally, we were unable to obtain Board minutes to evidence the Board's approval for the contracts.</p> <p>The Company implemented a policy for major purchases in March 2016. The policy states purchases greater than \$500 should be presented to the Board of Directors for approval.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend management ensure support documentation is retained for all purchases, including those considered as major given the fact that these are high dollar expenses, in accordance with Company's financial policies and procedures.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**LOANS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Formal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We inspected a listing of loans obtained by the Company during the reporting period.</p> <p>We selected a sample of loans for testing procedures.</p> <p>We obtained supporting documentation of the review and approval of the loans (executed agreement, meeting minutes, etc.)</p> <p>We compared amount recorded in Company records to supporting documentation.</p> <p>If proceeds used for asset purchase, we determined if the asset was properly recorded in the Company's records.</p>	
<p><b><u>Observations:</u></b></p> <p>The Company obtained 1 new loan during the reporting period and the loan was properly approved by the Board of Directors for the purchase of an asset. The loan was obtained in accordance with the Company's financial policies and procedures and was properly recorded in Company's accounting system.</p>	
<p><b><u>Recommendations:</u></b></p> <p>No recommendations noted.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**BANK RECONCILIATIONS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of all Company Bank Accounts open during the scope period.</p> <p>We select a sample of months to review Bank Reconciliations for each bank account.</p> <p>For each sample item, we obtained copies of completed bank reconciliations and bank statements together with copies of cancelled checks, deposit slips, wire transfer orders and other supporting documentation (state dollar scope if applicable).</p> <p>We determined whether the Company performed, reviewed and approved the bank reconciliations in accordance to Company procedures, if applicable.</p> <p>We determined if reconciling items are resolved timely and if applicable, whether the Company properly records any adjustments.</p>	
<p><b><u>Observations:</u></b></p> <p>We selected a sample of bank reconciliations for all open Company bank accounts. We observed that bank reconciliations were prepared and are supported by bank statements and other appropriate documentation. However, we observed that the Company's bank reconciliations did not evidence review and approval.</p> <p>The Company implemented written policies and procedures in March 2016. The policy states the activity of all bank, credit and investment accounts should be reconciled by the Treasurer or designee. The reconciliation should be reviewed by an individual independent of the Treasurer role. The performance and review of the reconciliation should be evidenced by retention of the reconciliation and signatures/initial of the reviewer and date reviewed.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company formalize its procedures to document review and approval of bank reconciliations in accordance with Company policies.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CREDIT/DEBIT CARDS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Formal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of holders of Company credit, debit or store card open during the scope period.</p> <p>We selected a sample of Company cardholders for testing.</p> <p>For each sample item, we obtained copies of card statements transaction receipts, bills, statements. (Obtained bank statements for debit cards or cards tied to bank account).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed credit cards transactions in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>For of credit card holders selected for testing, we obtained credit card statements for a sample of months. We also selected a sample of transactions from each statement obtained, and inspected supporting evidence including receipts and invoices as applicable. We observed that credit card transactions appear to be supported by adequate documentation, and agree with amounts recorded in the Company's records. Through our inquiries with management, we determined that credit card expenditures are recorded on an individual basis, which ensures that an appropriate level of monitoring can be performed.</p> <p>We did note that the Company does not require cardholders to sign a cardholder agreement to address personal purchases or garnishments for amounts owed by the Company to the cardholder. These policies and procedures should not allow personal purchases and include a formal written cardholder agreement. This agreement should, in the event of personal purchases, provide for garnishment of any amounts owed by the Company to the cardholder.</p>	
<p><b><u>Recommendations:</u></b></p> <p>A best practice would be to implement a formal cardholder agreement that is signed by cardholders acknowledging the credit card policy and agree to not use the credit card for personal purchases.</p>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LOVETTSVILLE VOLUNTEER FIRE AND RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT- APPENDIX**

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**COMPANY'S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS**

Below includes management's response to our observations and recommendations.

***Documented Reviews and Approvals in Accordance with Company Policies***

The Company formalized a majority of their financial processes and policies very recently. As a consequence, some of the items tested by Cherry Bekaert were documented as they occurred prior to the Company's implementation of the policy. The recommendations from Cherry Bekaert are in process.

***Periodic Review of Vendors***

The Company formalized a majority of their financial processes and policies very recently. As a consequence, some of the items tested by Cherry Bekaert were documented as they occurred prior to the Company's implementation of the policy. The recommendations from Cherry Bekaert are in process.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LUCKETTS FIRE DEPARTMENT  
INTERNAL CONTROL MATURITY  
ASSESSMENT**

*June 2016*

**ATTACHMENT 4**

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LUCKETTS FIRE DEPARTMENT  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

**TABLE OF CONTENTS**

**CONSULTING REPORT .....1**

**EXECUTIVE SUMMARY .....2**

**OBJECTIVES AND SCOPE.....5**

**RESULTS OF PROCEDURES PERFORMED .....7**

**APPENDIX:**

**COMPANY’S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS ..... A-1**

Bob Gant  
President, Lucketts Volunteer Fire Department  
42367 Lucketts Road  
Leesburg, VA 20167

Dear Bob,

We respectfully submit our report of observations and recommendations related to our consulting procedures for the County of Loudoun, Virginia (the County) and the Loudoun County Volunteer Fire and Rescue Companies (the Companies) related to Lucketts Volunteer Fire Department (Lucketts or the Company). The objective of our procedures was to assess internal controls over financial procedures to determine Lucketts' level of internal control maturity.

The consulting procedures we performed and our observations and recommendations are described in Executive Summary, Objectives and Scope, and Results of Procedures Performed sections of this report.

Our services are limited in nature and are not designed to attest to the effectiveness of Lucketts' system of internal control. As such, we would not be able to identify all current and potential weaknesses in the system of internal control over financial reporting, compliance and/or safeguarding of Lucketts' assets, as well as evaluating the effectiveness of those controls. Please note internal control is a process affected by management and subject to deterioration over time, management override and collusion, which are known limitations of any system of internal control. Implementation and monitoring of any recommendations made as a result of this engagement are also the responsibility of management.

This engagement to perform consulting services was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA).

We were not engaged to, and did not perform an audit of the financial information of the County or Companies or Lucketts, the objective of which would be the expression of an opinion on any of the elements, accounts, or items of Lucketts' financial statements. Nor did we perform an examination of the County or Companies system of internal control over financial reporting, the objective of which would be the expression of an opinion of effectiveness of internal control over financial reporting under established standards and selected criteria such as, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") *Internal Control-Integrated Framework*, the COSO criteria. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County, the Companies and Lucketts' management and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

*Cherry Bekaert LLP*

Tysons Corner, Virginia  
June 30, 2016

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**EXECUTIVE SUMMARY**

Cherry Bekaert LLP (Cherry Bekaert) conducted internal control maturity assessments of the Lucketts Fire Department (Lucketts or the Company). The internal control maturity assessments included inquiry with management at the Companies, observation of control activities, inspection of evidence and testing a sample of transactions for re-performance for each of the areas specified below:

- Financial Roles and Responsibilities
- Conflicts of Interest
- Reporting Suspected Fraud
- Budgeting
- Financial Reporting
- Cash Receipt/Handling - Procedures for handling, depositing and recording the receipt of cash through the mail, in person, online, direct deposit
- Cash Disbursement - Procedures for the payment of company expenses and member reimbursements using paper checks, online checks, and credit/debit cards
- Purchasing - Procedures for the review and approval of procurement and purchases for the Company
- Member Reimbursement (Expense/Travel) - Requirements and procedures for members to be reimbursed for expenses and travel
- Credit/Debit Card Usage - Requirements for the use of the credit/debit card by Company members

**Summary of Control Maturity Assessment:**

Based on the procedures performed, we assessed the control maturity for each area as shown below. See the Objectives and Scope section of this report for the definitions of control maturity and the Results of Procedures Performed section of this report for observations and recommendations around each assessed area.

Area/Procedure	Control Maturity
A. Financial Reporting	Informal
B. Control Environment	Defined
C. Cash Receipts Testing	Defined
D. Cash Disbursement Testing	Informal
E. New Vendor	N/A
F. Major Contract or Purchase	N/A
G. Loans	N/A
H. Bank Reconciliations	Defined
I. Petty Cash	N/A

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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Area/Procedure	Control Maturity
J. Credit/Debit Cards	N/A

**Summary Recommendations:**

During our procedures, we noted the following recommendations:

***Policies and Procedures***

In order to strengthen governance controls, we recommend the Company update existing written financial policies and procedures in all areas so they accurately reflect current practices, including descriptions of any related internal controls.

We also recommend the Company formally document in writing certain financial policies and procedures including the following areas:

- The Company should develop a vendor authorization set up form. The Company should review the vendor master file on a periodic basis to ensure vendors are current and compliant.
- Quarterly financial statements should be prepared and provided to the Board of Directors on a regular basis.
- The Company should draft policies and procedures specifically related to Cash Receipts.
- The Company President should review, approve and initial monthly bank reconciliations that are prepared by the Treasurer.

***New Vendor Setup Policies***

We recommend the Company implement policies and procedures for vendor due diligence and acceptance for establishing new vendors. A best practice would be the use of a controlled form that should include relevant approvals and documentation required (such as, Form W-9 and related party disclosure) before purchasing goods and services from the vendor.

We also recommend the Company review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. These policies and procedures should reduce the risks of conflicts of interest and billing schemes.

***Review and Approval of Bank Reconciliations***

We recommend that the Company improve consistency of recordkeeping for the approval of bank reconciliations. This should include retaining adequate supporting documentation as evidence of the review and approval of bank reconciliations. This approval can be documented in the form of signatures, emails, etc.

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

In order to strengthen controls over both cash receipts and cash disbursements, we recommend that the Company ensure that cash receipts are processed and approved in accordance to Company procedures and retain adequate supporting documentation for those transactions. The Treasurer currently approves invoices for payment, maintains check stock and signs checks and reconciles the bank statement. In order to strengthen controls over segregation of duties, we recommend prior to payment someone other than the Treasurer review and approve cash disbursements (e.g. invoices) for payment and review and approve bank reconciliations.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LUCKETTS FIRE DEPARTMENT  
INTERNAL CONTROL MATURITY ASSESSMENT**

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The remainder of our report contains the detailed results of our procedures, observations, and recommendations for management to consider enhancing controls over financial reporting, compliance and/or safeguarding the Company's assets. Observations are noted in the Results of Procedures Performed section of this Report. Detailed recommendations are included in the Recommendations section of this report.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**OBJECTIVES AND SCOPE**

**Objective:** The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls using the levels defined in the table below.

Level		Control Maturity
3	Formal	Consistently performed, performance is evidenced and formally documented
2	Defined	Consistently performed, performance is evidenced, but not documented
1	Informal	Not consistently performed, performance is not evidenced and not documented

This report uses the following terminology to consistent describe our observations related to internal controls.

- I. **Internal Control Improvement:** Control is adequately designed and operating but could be further strengthened to better mitigate risk related to errors and/or fraud.
- II. **Internal Control Weakness:** Control design and/or operation is impaired and may not be as effective to prevent or detect errors and/or fraud.
- III. **Internal Control Gap:** Control is not designed to properly prevent or detect errors and/or fraud.

**Scope:** Our scope included activities and transactions occurring from July 1, 2015 through February 29, 2016. We reviewed and assessed Company internal controls over the areas in the table below:

Area/Procedure	Testing Performed	Not Applicable
A. Financial Reporting	✓	
B. Control Environment	✓	
C. Cash Receipts Testing	✓	
D. Cash Disbursement Testing	✓	
E. New Vendor		✓
F. Major Contract or Purchase		✓
G. Loans		✓

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LUCKETTS FIRE DEPARTMENT  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

<b>Area/Procedure</b>	<b>Testing Performed</b>	<b>Not Applicable</b>
H. Bank Reconciliations	✓	
I. Petty Cash		✓
J. Credit/Debit Cards		✓

For any areas that did not have any transactions during the period selected for the scope of this engagement, we noted them as "Not Applicable" above.

Per discussion with Company Leaders, we noted that the Company's current financial policies and procedures do not accurately reflect current practices. We developed testing criteria based on discussion with Company Leaders regarding the practices currently used by Company.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LUCKETTS FIRE DEPARTMENT  
INTERNAL CONTROL MATURITY ASSESSMENT**

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**RESULTS OF PROCEDURES PERFORMED**

**Prior Audit Follow-up:**

We obtained a copy of the Company Report from the prior Accounting Controls Project issued on July 30, 2014. We reviewed the recommendations and determined if the Company had done one or more of the following as corrective action:

- Updated policies and procedures
- Implemented new forms or documents

We noted recommendations in the following areas:

- Corporate Governance
- Cash in Banks
- Equipment
- Conflict of Interest

We inquired of Company Leadership regarding the status of each recommendation and if applicable noted any actions taken for any recommendations not fully addressed. Based on the procedures performed, it appears that the Company has partially corrected two out of the four recommendations from the prior review, Corporate Governance and Conflict of Interest Policies. Recommendations are still outstanding in Cash in Banks and Equipment Policies.

The following sections outline the procedures performed, the results of our procedures and any observations and recommendations for the Company.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**FINANCIAL REPORTING**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained Company financial statements for the most recent completed fiscal year audited, reviewed, or complied.</p> <p>We reviewed financials to determine if any internal control issues were noted in audit, review or compilation. If we noted control issues, we inquired Company leadership regarding implementation of a corrective action plan to address and status of corrective actions.</p> <p>We obtained Company internally prepared financial statements for the scope period.</p> <p>We inquired of Company Treasurer and President to determine if the Company shared or disclosed the statements in accordance to Company financial procedures and/or bylaws.</p> <p>We documented which Statements were available:</p> <ul style="list-style-type: none"> <li>• Internal Balance Sheet Statement/Statement of Net Position</li> <li>• Internal Budget to Actual</li> <li>• External Form 990</li> </ul>	
<p><b><u>Observations:</u></b></p> <p>During our procedures, we noted that financial statements are not prepared, audited or reviewed externally. Additionally, we noted that the Treasurer had not prepared a written internal financial statement for the year end; and she had not prepared written quarterly financial statements to present to the Board of Directors as required by Company policy.</p> <p>The most recent Balance Sheet Statement (Statement of Net Position) was as of November 30, 2014.</p> <p>The Budget to Actual and the Form 990 were both current and reviewed for the scope period. However it was noted that the Company tax identification number on the Form 990 is listed as 41-2224242; and on the bank statements it is listed as 54-1489163. This matter needs to be addressed promptly to ensure that all tax documentation for the company is consistent.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company enact a corrective action plan to ensure that all required financial statements are prepared and presented as required by company policy. The Treasurer should prepare quarterly financial reports to be presented to the Board of Directors for their review. The Treasurer should also prepare yearly financial reports in a timely manner.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CONTROL ENVIRONMENT**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained the Company's financial policies and procedures and inquired of Company leadership regarding the last time procedures were reviewed and/or updated.</p> <p>We determined if written procedures adequately reflect procedures being performed by Company officers and members.</p> <p>We completed a Duty Matrix to identify any segregation of duties issues.</p> <p>We obtained a copy of the Company's Conflict of Interest Policy and determine if the conflict of interest policy is being followed. If applicable, we reviewed documentation (e.g., company minutes, completed forms) to determine compliance with Company policy.</p> <p>We conducted fraud interviews with the Treasurer and President to inquire if they were aware of any fraud, waste or abuse of company assets.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• We noted an internal control gap related to the Company's policy specifically regarding cash receipts. The Company's policies do not specify procedures when handling cash receipts.</li> <li>• We also noted that there was an internal control gap with respect to the segregation of duties of the Treasurer. The Treasurer drafts checks for disbursements, performs monthly bank reconciliations, prepares deposits, deposits cash, signs checks, maintains backup documentation for checks, voids checks, prepares and reviews financial reports, approves payment of invoices, and maintains the master vendor list. These functions need to be distributed to help reduce the risk of fraud.</li> <li>• We noted that the policy covers appropriate financial procedures including: dual signature requirements on checks greater than \$2,500, requirement of approvals for purchases, requirement of minimum 2 quotes for purchases over \$1,000, and a requirement of annual review and approval of the Financial Policy by the Board of Directors.</li> <li>• Neither the Treasurer nor the President were aware of any instances of fraud, waste or abuse of Company assets. Both indicated that if they became aware of a fraud within the Company, they would report it to the Board of Directors as well as the County. They also indicated that they felt confident that the Board of Directors would respond appropriately if fraud, waste or abuse of Company assets was brought to the Board's attention.</li> </ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Recommendations:</u></b></p> <ul style="list-style-type: none"> <li>• In order to strengthen governance controls, we recommend the Company update existing written financial policies and procedures and Company bylaws so they accurately reflect current practices, and controls, including descriptions of any related internal controls.</li> <li>• We recommend that the Company ensure that members and officers are familiar with all applicable financial policies and procedures related to their roles and responsibilities.</li> <li>• In order to strengthen controls over segregation of duties, we recommend prior to payment someone other than the Treasurer review and approve cash disbursements (e.g. invoices) for payment and review and approve bank reconciliations.</li> </ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**CASH RECEIPTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Deposits (i.e., Cash Receipts) during the scope period.</p> <p>We selected a sample for testing and documented the sample on a Sample Summary worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., check copies/ donor acknowledgement/count sheets, deposit slip and/or receipt, and bank statement page with deposit).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to deposit slip and/or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash receipts in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed we noted that the Treasurer reviewed, processed and documented all of the Company's cash receipts. However, we also noted that no one else from Company management reviews deposits or transactions recorded by the Treasurer. Additionally, the Treasurer prepares the bank reconciliations.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company ensure that cash receipts are processed and approved in accordance with documented Company procedures and retain adequate supporting documentation for those transactions. We also recommend that someone else from Company management review transactions prepared and recorded by the Treasurer.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**CASH DISBURSEMENTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<b><u>Procedures Performed:</u></b>	
<p>We obtained a listing of Company Payments to Vendors (i.e., Cash Disbursements) during the scope period.</p> <p>We selected a sample for testing and documented the sample on an appropriate worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., copies of invoice/statements/bills, voucher /check request and bank statement page with check (if, applicable check image)).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to check copy or image /or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash disbursements in accordance to Company procedures, if applicable.</p>	
<b><u>Observations:</u></b>	
<p>Based on the documentation reviewed, discussions with Company Leaders and testing performed; we noted that the Treasurer was primarily responsible for approving and processing cash disbursements for the company. However, we noted that on 2 of the 3 samples we selected for testing, the Treasurer did not follow Company policy with regards to having two signatures on disbursements over \$2,500. On these 2 samples, only the Treasurer's signature was on the respective checks and the President's signature was not on those checks.</p> <p>We also noted that in November 2015 the Treasurer wrote an \$800 check to her husband so that he could cash it and provide \$100 cash gifts to the officers of the Company for a holiday party. The transaction was approved by the President as noted in the backup documentation.</p>	
<b><u>Recommendations:</u></b>	
<p>We recommend that the Treasurer adhere to the Company policy which requires that 2 management signatures are required on disbursements where the amount is over \$2,500.</p> <p>Additionally, we recommend that any checks that are written to related parties of the Treasurer be signed by another officer of the Company that has the authority to do so. This will help ensure the segregation of duties and decrease the risk of fraud.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 LUCKETTS FIRE DEPARTMENT  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**BANK RECONCILIATIONS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of all Company Bank Accounts open during the scope period.</p> <p>We selected a sample of months to review Bank Reconciliations for each bank account.</p> <p>For each sample item, we obtained copies of completed bank reconciliations and bank statements together with copies of cancelled checks, deposit slips, wire transfer orders and other supporting documentation (state dollar scope if applicable).</p> <p>We determined whether the Company performed, reviewed and approved the bank reconciliations in accordance to Company procedures, if applicable.</p> <p>We determined if reconciling items are resolved timely and if applicable, whether the Company properly records any adjustments.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed we noted that the Treasurer performed monthly bank reconciliations for all of the bank accounts. The Treasurer also placed her initials on the bank statements for the reconciliations that she performed.</p> <p>However, Treasurer did not record the date that she performed the reconciliations; and the reconciliations were not reviewed by another officer of the Company.</p>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Treasurer record the date of the reconciliation on the bank statement. We also recommend that another officer of the Company review and initial the bank reconciliations that are performed by the Treasurer.</p>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
LUCKETTS FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT- APPENDIX**

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**COMPANY'S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS**

Below includes management's response to our observations and recommendations.

***Policies and Procedures***

The Company will update written policies and procedures. The Company will be updating Standard Operating Procedure (SOP) 31 to state the following: All disbursements shall be brought to the monthly membership meeting by the Treasurer for all non-recurring budget items.

***New Vendor Setup Policies***

The Company will update written policies and procedures.

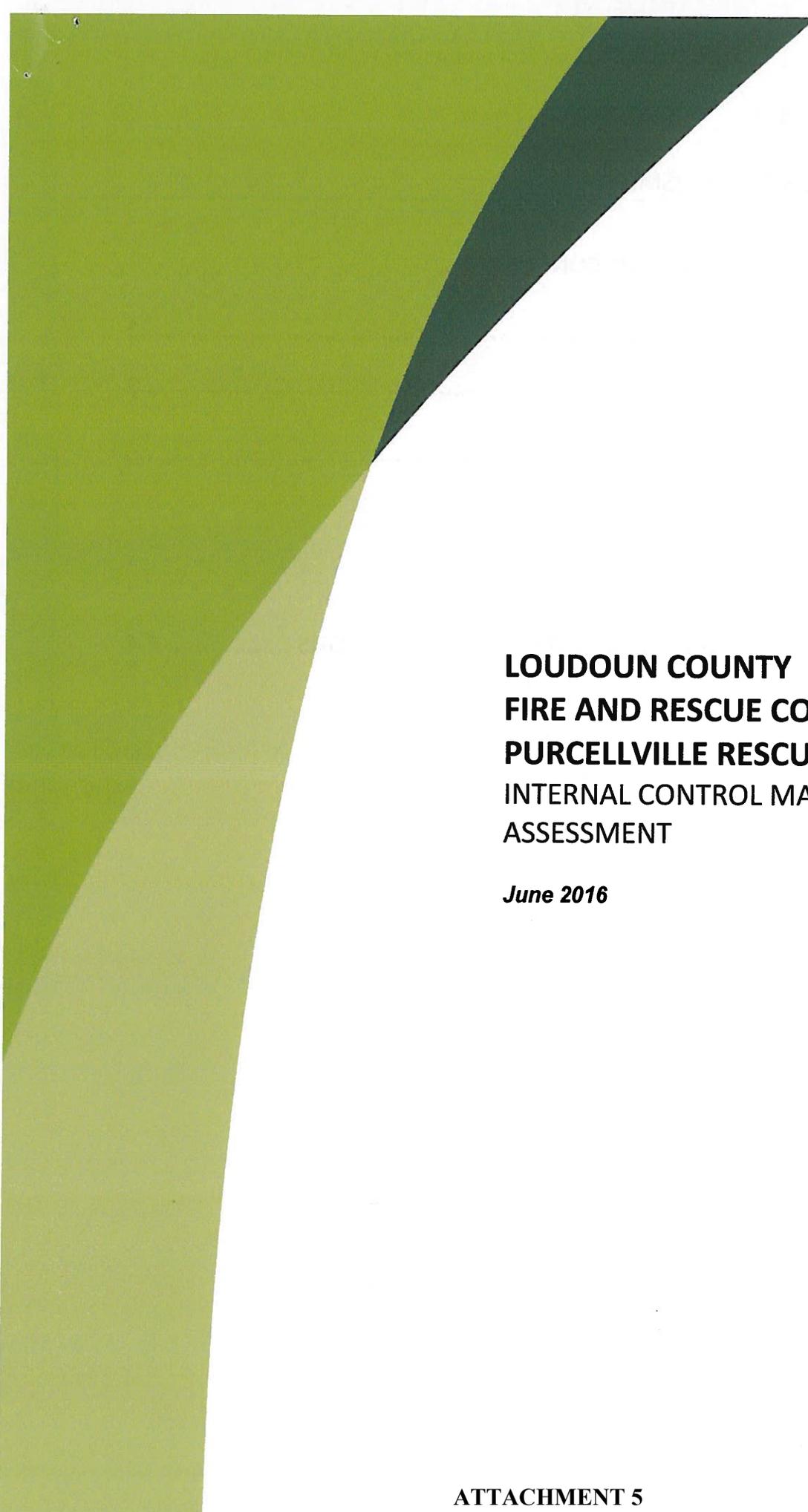
***Review and Approval of Bank Reconciliations***

The Company will update their Standard Operating Procedures to include retaining adequate supporting documentation as evidence of the review and approval of bank reconciliations.

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

A representative of the Company will be reaching out to the insurance company for recommendations for handling cash receipts.

In the future, the Treasurer and the President will sign off on all checks where the amount is over \$5,000. The President will sign all checks for reimbursement to the Treasurer or related parties.



**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
PURCELLVILLE RESCUE  
INTERNAL CONTROL MATURITY  
ASSESSMENT**

*June 2016*

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
PURCELLVILLE RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

**TABLE OF CONTENTS**

**CONSULTING REPORT .....1**

**EXECUTIVE SUMMARY .....2**

**OBJECTIVES AND SCOPE.....5**

**RESULTS OF PROCEDURES PERFORMED .....7**

**APPENDIX:**

**COMPANY’S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS ..... A-1**

Aaron Kahn  
President, Company 14 Purcellville Rescue  
500 N Maple Ave  
Purcellville, VA 20132

Dear Aaron,

We respectfully submit our report of observations and recommendations related to our consulting procedures for the County of Loudoun, Virginia (the County) and the Loudoun County Volunteer Fire and Rescue Companies (the Companies) related to Purcellville Rescue (Purcellville or the Company). The objective of our procedures was to assess internal controls over financial procedures to determine Purcellville's level of internal control maturity.

The consulting procedures we performed and our observations and recommendations are described in Executive Summary, Objectives and Scope, and Results of Procedures Performed sections of this report.

Our services are limited in nature and are not designed to attest to the effectiveness of Purcellville's system of internal control. As such, we would not be able to identify all current and potential weaknesses in the system of internal control over financial reporting, compliance and/or safeguarding of Purcellville's assets, as well as evaluating the effectiveness of those controls. Please note internal control is a process affected by management and subject to deterioration over time, management override and collusion, which are known limitations of any system of internal control. Implementation and monitoring of any recommendations made as a result of this engagement are also the responsibility of management.

This engagement to perform consulting services was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA).

We were not engaged to, and did not perform an audit of the financial information of the County or Companies or Purcellville, the objective of which would be the expression of an opinion on any of the elements, accounts, or items of Purcellville's financial statements. Nor did we perform an examination of the County or Companies system of internal control over financial reporting, the objective of which would be the expression of an opinion of effectiveness of internal control over financial reporting under established standards and selected criteria such as, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") *Internal Control-Integrated Framework*, the COSO criteria. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County, the Companies and Purcellville management and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Cherry Bekaert LLP

Tysons Corner, Virginia  
June 30, 2016

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
PURCELLVILLE RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

**EXECUTIVE SUMMARY**

Cherry Bekaert LLP (Cherry Bekaert) conducted internal control maturity assessments of the Purcellville Rescue Company (Company). The internal control maturity assessments included inquiry with management at the Companies, observation of control activities, inspection of evidence and testing a sample of transactions for re-performance for each of the areas specified below:

- Financial Roles and Responsibilities
- Conflicts of Interest
- Reporting Suspected Fraud
- Budgeting
- Financial Reporting
- Cash Receipt/Handling - Procedures for handling, depositing and recording the receipt of cash through the mail, in person, online, direct deposit
- Cash Disbursement - Procedures for the payment of company expenses and member reimbursements using paper checks, online checks, and credit/debit cards
- Purchasing - Procedures for the review and approval of procurement and purchases for the Company
- Member Reimbursement (Expense/Travel) - Requirements and procedures for members to be reimbursed for expenses and travel
- Credit/Debit Card Usage - Requirements for the use of the credit/debit card by Company members

**Summary of Control Maturity Assessment:**

Based on the procedures performed, we assessed the control maturity for each area as shown below. See the Objectives and Scope section of this report for the definitions of control maturity and the Results of Procedures Performed section of this report for observations and recommendations around each assessed area.

<b>Area/Procedure</b>	<b>Control Maturity</b>
A. Financial Reporting	Formal
B. Control Environment	Formal
C. Cash Receipts Testing	Defined
D. Cash Disbursement Testing	Defined
E. New Vendor	Formal
F. Major Contract or Purchase	Defined
G. Loans	N/A
H. Bank Reconciliations	Defined
I. Petty Cash	Defined

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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Area/Procedure	Control Maturity
J. Credit/Debit Cards	Informal - Defined

**Summary Recommendations:**

During our procedures, we noted the following recommendations:

***Policies and Procedures***

In order to strengthen governance controls, we recommend the Company update their policies and procedures and controls related to the following areas:

- Cash Receipts
- Cash Disbursements
- Bank Reconciliations
- Petty Cash
- Company Credit/Debit Cards

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

In order to strengthen controls over both cash receipts and cash disbursements, we recommend the Company implement formal policies and procedures for cash receipts and disbursements. Policies and procedures should include a formal documentation step within the policies and procedures to evidence that review and approval occurred.

Additionally, the Company should include in procedures, process for logging and disposition of voided checks as they occur in the normal course of business.

***Review and Approval of Major Purchases***

We recommend that the Company ensure that major purchases/contracts are processed and approved in accordance with Company procedures.

***Review and Approval of Bank Reconciliations***

We recommend the Company implement formal policies and procedures over bank reconciliations. Policies and Procedures should include process over un-cleared transaction to help ensure un-cleared transactions are resolved timely.

***Recordkeeping of Petty Cash***

While the amount of petty cash is small, we recommend the Company formally document in writing policies and procedures related to the authorized use and safeguarding of petty cash.

***Review and Approval of Credit Card Transactions***

We recommend the Company formally document in writing, policies and procedures for Company credit/debit cards. This includes defining the types of transactions/expenses to be paid by credit card, as well as any prior approvals and subsequent approvals required. The Company should then ensure that all credit card transactions are processed and approved in accordance with the Company procedures, includes retaining adequate supporting documentation for transactions.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
PURCELLVILLE RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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The remainder of our report contains the detailed results of our procedures, observations, and recommendations for management to consider enhancing controls over financial reporting, compliance and/or safeguarding the Company's assets. Observations are noted in the Results of Procedures Performed section of this Report. Detailed recommendations are included in the Recommendations section of this report.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**OBJECTIVES AND SCOPE**

**Objective:** The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls using the levels defined in the table below.

Level		Control Maturity
3	Formal	Consistently performed, performance is evidenced and formally documented
2	Defined	Consistently performed, performance is evidenced, but not documented
1	Informal	Not consistently performed, performance is not evidenced and not documented

This report uses the following terminology to consistent describe our observations related to internal controls.

- I. **Internal Control Improvement:** Control is adequately designed and operating but could be further strengthened to better mitigate risk related to errors and/or fraud.
- II. **Internal Control Weakness:** Control design and/or operation is impaired and may not be as effective to prevent or detect errors and/or fraud.
- III. **Internal Control Gap:** Control is not designed is not designed in order to properly prevent or detect errors and/or fraud.

**Scope:** Our scope included activities and transactions occurring from July 1, 2015 through February 29, 2016. We reviewed and assessed Company internal controls over the areas in the table below:

Area/Procedure	Testing Performed	Not Applicable
A. Financial Reporting	✓	
B. Control Environment	✓	
C. Cash Receipts Testing	✓	
D. Cash Disbursement Testing	✓	
E. New Vendor	✓	
F. Major Contract or Purchase	✓	
G. Loans		✓

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
PURCELLVILLE RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

<b>Area/Procedure</b>	<b>Testing Performed</b>	<b>Not Applicable</b>
H. Bank Reconciliations	✓	
I. Petty Cash		✓
J. Credit/Debit Cards	✓	

For any areas that did not have any transactions during the period selected for the scope of this engagement, we noted them as "Not Applicable" above.

Per discussion with Company Leaders, we noted that the Company's current financial policies and procedures do not accurately reflect current practices. We developed testing criteria based on discussion with Company Leaders regarding the practices currently used by Company.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
PURCELLVILLE RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

**RESULTS OF PROCEDURES PERFORMED**

**Prior Audit Follow-up:**

We obtained a copy of the Company Report from the prior Accounting Controls Project issued on July 30, 2014. We reviewed the recommendations and determined if the Company had done one or more of the following as corrective action:

- Updated policies and procedures
- Implemented new forms or documents

We noted recommendations in the following areas:

- Corporate Governance
- Cash in Banks
- Cash on Hand
- Loans
- Program Receipts and Expenditures
- Equipment
- Conflict of Interest
- Fraud Inquiries

We inquired of Company Leadership regarding the status of each recommendation and if applicable noted any actions taken for any recommendations not fully addressed. Based on the procedures performed, it appears that the Company has taken corrective action on two of the eight recommendations from the prior review. Recommendations are still outstanding in the other six areas.

The following sections outline the procedures performed, the results of our procedures and any observations and recommendations for the Company.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**FINANCIAL REPORTING**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Formal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained Company internally prepared financial statements for the last month of scope period.</p> <p>We inquired of Company Treasurer and President to determine if the Company shared or disclosed the statements in accordance to Company financial procedures and/or bylaws.</p> <p>We documented which Statements were available:</p> <ul style="list-style-type: none"> <li>• Balance Sheet Statement/Statement of Net Positon</li> <li>• Income Statement/Statement of Activities</li> <li>• Budget to Actual</li> <li>• Form 990</li> </ul>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders, and testing performed the following was noted :</p> <ul style="list-style-type: none"> <li>• The Company has established formal written financial policies and procedures regarding financial reporting. Per review of the quarterly board of director meeting minutes, the written financial statements were provided to the Board in accordance with their Bylaws.</li> <li>• The Company has an independent Board of Directors made up five individuals from the community who are not otherwise members of the Company, which assists with proper financial decisions and mitigates fraud risk as the same individuals that act as Officers are not also controlling the Board of Directors.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>No recommendations noted.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CONTROL ENVIRONMENT**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Formal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained the Company's financial policies and procedures and inquired of Company leadership regarding the last time procedures were reviewed and/or updated.</p> <p>We determined if written procedures adequately reflect procedures being performed by Company officers and members.</p> <p>We completed a Duty Matrix to identify any segregation of duties issues</p> <p>We obtained a copy of the Company's Conflict of Interest Policy and determine if the conflict of interest policy is being followed. If applicable, we reviewed documentation (e.g., company minutes, completed forms) to determine compliance with Company policy.</p> <p>We determined if Company members other than those who participated in the Accounting Controls Review are available for Fraud Interviews. If so, we conducted fraud interviews for a maximum of two Company members.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on our testing, it appears that none of the individuals interviewed are aware of any fraud within the department. If the interviewees became aware of fraud within the Company, they would report it to the Board of Directors and the County. They also indicated that they trust issue would be handled in an appropriate manner.</p>	
<p><b><u>Recommendations:</u></b></p> <p>No recommendations noted.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CASH RECEIPTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Deposits (i.e., Cash Receipts) during the scope period.</p> <p>We selected a sample for testing and documented the sample on a Sample Summary worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., check copies/ donor acknowledgement/count sheets, deposit slip and/or receipt, and bank statement page with deposit).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to deposit slip and/or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash receipts in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company segregates its county funds from other funds.</li> <li>• The Company has not established formal written financial policies and procedures over cash receipts. Company Leaders described the practices that are currently in place. All cash and checks received at fundraising events are counted by two members and then placed in a secured location before being deposited the next business day. Checks received in the mail are deposited no later than the next business day after receipt.</li> <li>• There is not a formal approval process in place over cash receipts.</li> <li>• Of the 12 deposits tested, CB noted that there were two deposits that were refunds from duplicate payments, and one duplicated deposit that did not have supporting documentation.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>The Company should formally document in writing, policies and procedures for cash receipts. Further, the Company should retain adequate supporting documentation (i.e., copies of checks, count sheets) for all donations received to support deposits from fundraising events.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CASH DISBURSEMENTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Payments to Vendors (i.e., Cash Disbursements) during the scope period.</p> <p>We selected a sample for testing and documented the sample on a Sample Summary worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., copies of invoice/statements/bills, voucher /check request and bank statement page with check (if, applicable check image)).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to check copy or image /or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash disbursements in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• Company Leaders provided an informal write up of the cash disbursement process, which includes approval of all disbursements by either the President or his designee (who must be an Officer). Additionally, reimbursements to the President must be verified by another Officer before submittal to the Treasurer for reimbursement. The Company has not established formal written financial policies and procedures for cash disbursements.</li> <li>• Of the 25 disbursements tested, we did not see any evidence of review and approval by the president or an officer for three of the disbursements.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend the Company formally document policies and procedures for cash disbursements, including the logging and disposition of voided checks as they occur in the normal course of business.</p> <p>We recommend that the Company ensure that cash disbursements are processed and approved in accordance to Company procedures.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**NEW VENDORS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Formal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of the Company's new vendors during the scope period.</p> <p>We selected a sample of new vendor(s) for testing.</p> <p>We obtained documentation supporting the approval of the new vendor.</p> <p>We determined whether the Company obtained approval to use vendor(s) in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• We noted that the Company implemented a formal Vendor Management Policy effective as of March 2015.</li> <li>• There were two new vendors setup after policy became effective and during the period under scope. Both vendors were properly approved and adequately supported in accordance with the vendor policy.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>As a best practice, we recommend Company use a controlled form that should include relevant approvals and documentation required (such as, Form W-9 and related party disclosure) before purchasing goods and services from the vendor.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**MAJOR CONTRACTS OR PURCHASES**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of the Company's major purchases during the scope period.</p> <p>We selected a sample of purchases for testing (can combine with new vendor and/or loan testing).</p> <p>For each sample item, we obtained documentation supporting the review and approval of the purchase (e.g., executed contract/agreement, meeting minutes, quotes).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company obtained approval for purchases or contracts in accordance to Company procedures, if applicable.</p> <p>If an asset was purchased, we determined if properly recorded in Company records.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>Two of the three rental agreement invoices were signed off on by Michael Bullock, however no date was indicated. The third invoice, for months July - September, there was no evidence of approval noted. We were not provided copies of the Board minutes to verify if the rental agreements were approved by the Board.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend that the Company ensure that major purchases/contracts are processed and approved in accordance with Company procedures.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**BANK RECONCILIATIONS**

CONTROL MATURITY ASSESSMENT:	Defined
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of all Company Bank Accounts open during the scope period.</p> <p>We select a sample of months to review Bank Reconciliations for each bank account.</p> <p>For each sample item, we obtained copies of completed bank reconciliations and bank statements together with copies of cancelled checks, deposit slips, wire transfer orders and other supporting documentation (state dollar scope if applicable).</p> <p>We determined whether the Company performed, reviewed and approved the bank reconciliations in accordance to Company procedures, if applicable.</p> <p>We determined if reconciling items are resolved timely and if applicable, whether the Company properly records any adjustments.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• Company Leaders provided an informal write up of the bank reconciliation process, which includes review of bank statements by the Company's accounting firm and review and approval by the Company President. The Company has not established formal written financial policies and procedures for bank reconciliations.</li> <li>• Based on testing, un-cleared transactions were not resolved timely. For example, we noted an outstanding check from 12/29/2014 on the January 2016 reconciliation.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend the Company formally document in writing its policies and procedures over bank reconciliations, and ensure un-cleared transactions are resolved timely.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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**PETTY CASH**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained Petty Cash logs for scope period.</p> <p>We select sample of Petty Cash transactions for testing.</p> <p>For each sample item, we obtained copies of petty cash slips/forms, expense support, replenishment support and petty cash count support.</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed petty cash transactions in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on discussions with Company Leaders and testing performed, the company does have \$125 kept in petty cash, but is only used for change for donations at fundraising events 3 or 4 times a year. Petty cash is not used to make purchases or reimburse Company members. The cash is only on-site from a business day before the event until the first business day after the event and is kept secure while onsite. All cash receipts at an event are counted by two members, who prepare the deposit before securing funds. The Company has not documented this process in formal written financial policies and procedures for petty cash.</p>	
<p><b><u>Recommendations:</u></b></p> <p>While the amount of petty cash maintained by the Company is small, we recommend the Company formally document in writing its current policies and procedures for petty cash to include the authorized use of petty cash and safeguarding of cash.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 PURCELLVILLE RESCUE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CREDIT/DEBIT CARDS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal - Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of holders of Company credit, debit or store card open during the scope period.</p> <p>We selected a sample of Company cardholders for testing.</p> <p>For each sample item, we obtained copies of card statements transaction receipts, bills, statements. (Obtained bank statements for debit cards or cards tied to bank account).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed credit cards transactions in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company has not established formal written financial policies and procedures over credit/debit cards. However, Company Leaders described the practices that are currently in place. Credit card holders may not make any personal purchases using a Company credit card. Credit card holder must provide receipts for every transaction. Transactions must be approved by the President or his designee.</li> <li>• Of the forty-three transactions tested, we noted that 12 transactions did not have supporting documentation.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend the Company formally document in writing its policies and procedures for Company credit/debit cards. This includes defining the types of transactions/expenses to be paid by credit card, as well as any prior approvals and subsequent approvals required. These policies and procedures should not allow personal purchases and include a formal written cardholder agreement. This agreement should, in the event of personal purchases, provide for garnishment of any amounts owed by the Company to the cardholder. The policies and procedures should detail an appropriate approval path and require such approval to be evidenced and documentation to be retained. The Company should then ensure that transactions are processed and approved in accordance with the policy.</p>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
PURCELLVILLE RESCUE  
INTERNAL CONTROL MATURITY ASSESSMENT- APPENDIX**

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**COMPANY'S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS**

Below includes management's response to our observations and recommendations.

***Policies and Procedures***

See responses below regarding documentation of policies and procedures.

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

PVRS agrees that it has no written policies for cash receipts and will put a written policy in place by no later than September 30, 2016. All cash and checks received at fundraising events is counted by two members and then placed in a secured location before being deposited the next business day. Likewise, checks received in the mail are deposited no later than the next business day after receipt.

PVRS agrees that it has no formal written policy for cash disbursements. PVRS will put a written policy in place by September 30, 2016. PVRS has established policies for cash disbursements which includes that all disbursements must be approved by the President or his designee (who must be an Officer). PVRS also has a policy that all reimbursements to the President must be verified by another Officer before submittal to the Treasurer for reimbursement. PVRS apologizes that this policy was not followed in a minimal number of cases and will redouble our efforts in the future to see that this does not happen again.

***Review and Approval of Major Purchases***

PVRS' Board discusses all relevant financial items and all purchases are discussed and approved by the President. PVRS admits that the Board minutes do not reflect financial discussions. Beginning with the August 2016 Board meeting PVRS will make sure Board minutes are more comprehensive.

***Review and Approval of Bank Reconciliations***

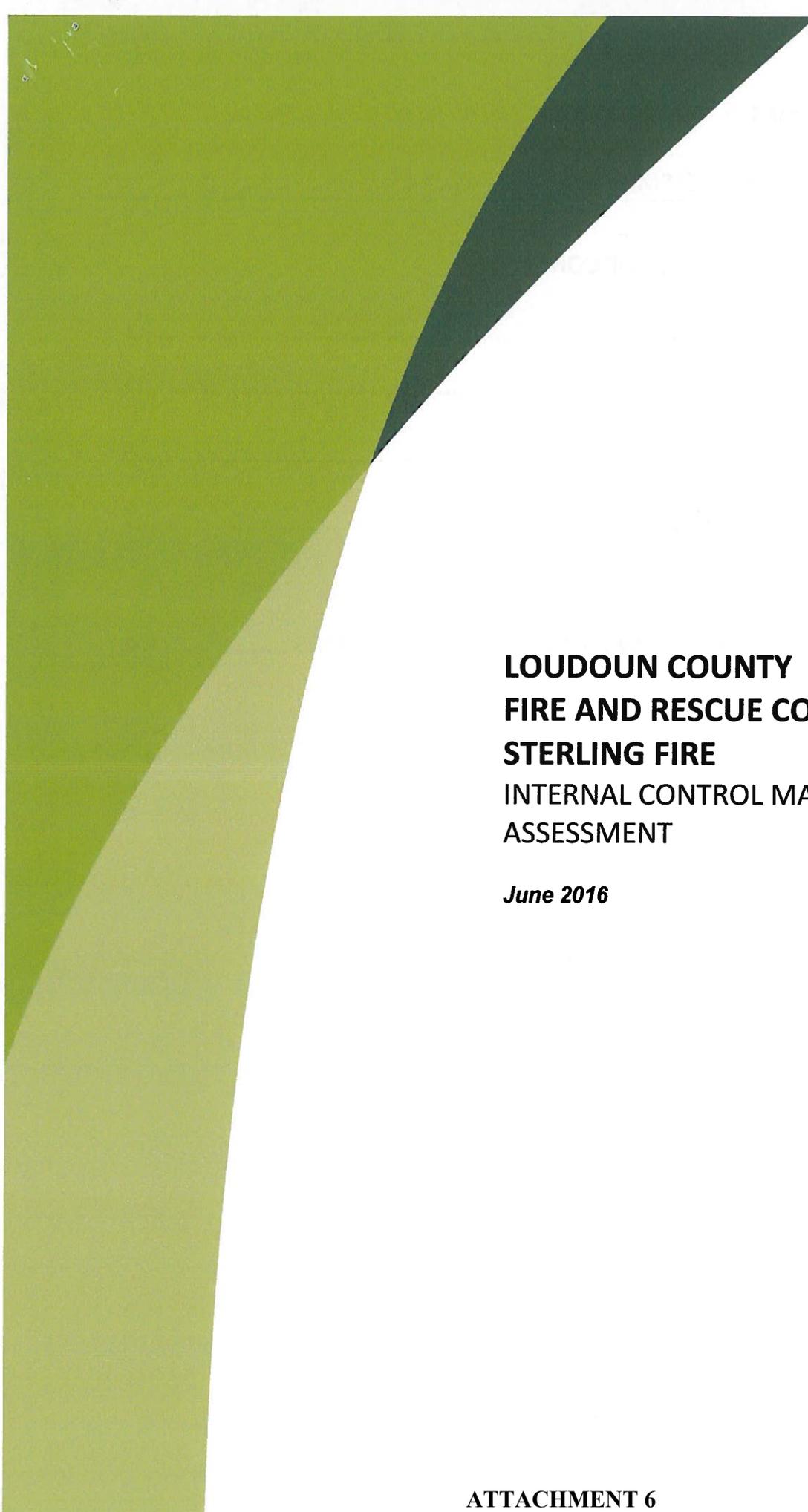
PVRS agrees that it has no formal written policy for Bank Reconciliations. That said, PVRS wishes to make absolutely clear that policies are in place and followed. All bank statements are reviewed by PVRS' accounting firm and then reviewed and signed-off on by PVRS' President. PVRS will implement a formal written policy by September 30, 2016.

***Recordkeeping of Petty Cash***

PVRS only uses Petty Cash for 3-4 fundraising events per year and even then the petty cash is only to be used as change for donations and is never used to make purchases or reimburse members. The cash is only on-site from a business day before the event until the first business day after the event and is kept secure while on site. All cash receipts at an event are counted by two members, who prepare the deposit before securing the funds. PVRS will implement a formal written policy by September 30, 2016.

***Review and Approval of Credit Card Transactions***

PVRS does have policies in place, which are known to credit card holders, albeit not formally reduced to writing. Credit Card holders are not allowed to make any personal purchases using a Company Credit Card. Credit Card holders are also aware that they must provide receipts for every transaction. Transactions must also be approved by the President or his designee. PVRS will implement formal written policies by September 30, 2016.



**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY  
ASSESSMENT**

*June 2016*

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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**TABLE OF CONTENTS**

**CONSULTING REPORT .....1**

**EXECUTIVE SUMMARY .....2**

**OBJECTIVES AND SCOPE.....5**

**RESULTS OF PROCEDURES PERFORMED .....7**

**APPENDIX:**

**COMPANY’S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS ..... A-1**

Andy Gode  
President, Company 11, 18, & 24 Sterling Fire  
46700 Middlefield Drive  
Sterling, VA 20165

Dear Andy,

We respectfully submit our report of observations and recommendations related to our consulting procedures for the County of Loudoun, Virginia (the County) and the Loudoun County Volunteer Fire and Rescue Companies (the Companies) related to Sterling Fire (Sterling or the Company). The objective of our procedures was to assess internal controls over financial procedures to determine Sterling's level of internal control maturity.

The consulting procedures we performed and our observations and recommendations are described in Executive Summary, Objectives and Scope, and Results of Procedures Performed sections of this report.

Our services are limited in nature and are not designed to attest to the effectiveness of Sterling's system of internal control. As such, we would not be able to identify all current and potential weaknesses in the system of internal control over financial reporting, compliance and/or safeguarding of Sterling's assets, as well as evaluating the effectiveness of those controls. Please note internal control is a process affected by management and subject to deterioration over time, management override and collusion, which are known limitations of any system of internal control. Implementation and monitoring of any recommendations made as a result of this engagement are also the responsibility of management.

This engagement to perform consulting services was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA).

We were not engaged to, and did not perform an audit of the financial information of the County or Companies or Sterling, the objective of which would be the expression of an opinion on any of the elements, accounts, or items of Sterling's financial statements. Nor did we perform an examination of the County or Companies system of internal control over financial reporting, the objective of which would be the expression of an opinion of effectiveness of internal control over financial reporting under established standards and selected criteria such as, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") *Internal Control-Integrated Framework*, the COSO criteria. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County, the Companies and Sterling management and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Cherry Bekaert LLP

Tysons Corner, Virginia  
June 30, 2016

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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**EXECUTIVE SUMMARY**

Cherry Bekaert LLP (Cherry Bekaert) conducted internal control maturity assessments of the Sterling Volunteer Fire Company (Company). The internal control maturity assessments included inquiry with management at the Companies, observation of control activities, inspection of evidence and testing a sample of transactions for re-performance for each of the areas specified below:

- Financial Roles and Responsibilities
- Conflicts of Interest
- Reporting Suspected Fraud
- Budgeting
- Financial Reporting
- Cash Receipt/Handling - Procedures for handling, depositing and recording the receipt of cash through the mail, in person, online, direct deposit
- Cash Disbursement - Procedures for the payment of company expenses and member reimbursements using paper checks, online checks, and credit/debit cards
- Purchasing - Procedures for the review and approval of procurement and purchases for the Company
- Member Reimbursement (Expense/Travel) - Requirements and procedures for members to be reimbursed for expenses and travel
- Credit/Debit Card Usage - Requirements for the use of the credit/debit card by Company members

**Summary of Control Maturity Assessment:**

Based on the procedures performed, we assessed the control maturity for each area as shown below. See the Objectives and Scope section of this report for the definitions of control maturity and the Results of Procedures Performed section of this report for observations and recommendations around each assessed area.

<b>Area/Procedure</b>	<b>Control Maturity</b>
A. Financial Reporting	Defined
B. Control Environment	Defined
C. Cash Receipts Testing	Informal
D. Cash Disbursement Testing	Informal - Defined
E. New Vendor	Informal
F. Major Contract or Purchase	N/A
G. Loans	N/A
H. Bank Reconciliations	Defined
I. Petty Cash	N/A

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 STERLING FIRE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

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Area/Procedure	Control Maturity
J. Credit/Debit Cards	Informal

**Summary Recommendations:**

During our procedures, we noted the following recommendations:

***Policies and Procedures***

In order to strengthen governance controls, we recommend the Company formally document in writing financial policies and procedures, so they accurately reflect current practices, including descriptions of any related internal controls. The financial policies and procedures should cover all of the following areas:

- Financial Reporting
- Cash Receipts
- Cash Disbursements
- New Vendor Setup
- Bank reconciliations
- Company Credit/Debit Cards
- Major purchases and contracts

We also recommend that a copy of all policies and procedures be provided to the Treasurer and kept in a central location.

We recommend that the Company perform annual training of their Company members to remind them of the conflict of interest policy, including examples such as related party vendors and what they are required to do when a conflict occurs.

We recommend the Company provide the whistleblower policy as well as training to the Company members so everyone is aware of what to do in the event fraud is suspected or occurs. This will reduce the risk of fraud and sometimes more importantly reputational damage in the event fraud occurs

***Review of Financial Statements***

We recommend the Company have the financial records audited annually in accordance with their Bylaws. The financial statements should be discussed during the Board meetings and the Board's approval documented in the board minutes.

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

In order to strengthen controls over both cash receipts and cash disbursements, we recommend the Company implement policies and procedures for cash receipts and disbursements. Policies and procedures should include a formal documentation step within the policies and procedures to evidence that review and approval occurred.

We also recommend that in order to strengthen controls over cash collections and deposits from fundraising events, the Company formalize evidence of 2 people counting cash received from fundraisers to verify the deposit totals. Additionally, the Company should develop a policy and procedure for logging and disposition of voided checks as they occur in the normal course of business.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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***New Vendor Setup Policy***

We recommend the Company implement policies and procedures for vendor due diligence and acceptance for establishing new vendors. A best practice would be the use of a controlled form that should include relevant approvals and documentation required (such as, Form W-9 and related party disclosure) before purchasing goods and services from the vendor.

We also recommend the Company review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. These policies and procedures should reduce the risks of conflicts of interest and billing schemes.

***Review and Approval of Bank Reconciliations***

We recommend the Company implement policies and procedures over bank reconciliations.

We also recommend that at a minimum, the President or other Company personnel should review the reconciliations on a monthly basis and formally evidence the review and approval to help ensure appropriate segregation of duties and timely detect any unusual activity. This approval can be documented in the form of signatures, emails, etc.

Additionally, we recommend the Company establish criteria related to the dollar threshold at which funds must be transferred from the PayPal account to the operating account and document criteria in a standard operating procedure and reconcile the PayPal account to the operating account on a monthly basis or at least annually.

***Review and Approval of Credit Card Transactions***

In order to strengthen controls over cash disbursements and mitigate the risk of fraud, we recommend that the Company implement policies and procedures over credit/debit cards. Policies and procedures should include a formal documentation step within the policies and procedures to evidence that review and approval occurred. These policies and procedures should not allow personal purchases and include a formal written cardholder agreement. This agreement should, in the event of personal purchases, provide for garnishment of any amounts owed by the Company to the cardholder. The Company should then ensure that transactions are processed and approved in accordance with the policy.

The remainder of our report contains the detailed results of our procedures, observations, and recommendations for management to consider enhancing controls over financial reporting, compliance and/or safeguarding the Company's assets. Observations are noted in the Results of Procedures Performed section of this Report. Detailed recommendations are included in the Recommendations section of this report.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 STERLING FIRE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**OBJECTIVES AND SCOPE**

**Objective:** The engagement objective was to assess internal controls over financial procedures to determine the Company's level of internal control maturity. Internal control maturity describes how formalized internal controls using the levels defined in the table below.

Level		Control Maturity
3	Formal	Consistently performed, performance is evidenced and formally documented
2	Defined	Consistently performed, performance is evidenced, but not documented
1	Informal	Not consistently performed, performance is not evidenced and not documented

This report uses the following terminology to consistent describe our observations related to internal controls.

- I. **Internal Control Improvement:** Control is adequately designed and operating but could be further strengthened to better mitigate risk related to errors and/or fraud.
- II. **Internal Control Weakness:** Control design and/or operation are impaired and may not be as effective to prevent or detect errors and/or fraud.
- III. **Internal Control Gap:** Control is not designed in order to properly prevent or detect errors and/or fraud.

**Scope:** Our scope included activities and transactions occurring from July 1, 2015 through February 29, 2016. We reviewed and assessed Company internal controls over the areas in the table below:

Area/Procedure	Testing Performed	Not Applicable
A. Financial Reporting	✓	
B. Control Environment	✓	
C. Cash Receipts Testing	✓	
D. Cash Disbursement Testing	✓	
E. New Vendor	✓	
F. Major Contract or Purchase		✓
G. Loans		✓

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

<b>Area/Procedure</b>	<b>Testing Performed</b>	<b>Not Applicable</b>
H. Bank Reconciliations	✓	
I. Petty Cash		✓
J. Credit/Debit Cards	✓	

For any areas that did not have any transactions during the period selected for the scope of this engagement, we noted them as "Not Applicable" above.

Per discussion with Company Leaders, we noted that the Company's current financial policies and procedures do not accurately reflect current practices. We developed testing criteria based on discussion with Company Leaders regarding the practices currently used by Company.

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

**RESULTS OF PROCEDURES PERFORMED**

**Prior Audit Follow-up:**

We obtained a copy of the Company Report from the prior Accounting Controls Project issued on July 30, 2014. We reviewed the recommendations and determined if the Company had done one or more of the following as corrective action:

- Updated policies and procedures
- Implemented new forms or documents

We noted recommendations in the following areas:

- Corporate Governance
- Cash in Banks
- Cash Transfers
- Monthly Bank Statement Reconciliations
- Program Receipts and Expenditures
- Equipment
- Conflict of Interest
- Fraud Inquiries

We inquired of Company Leadership regarding the status of each recommendation and if applicable noted any actions taken for any recommendations not fully addressed. Based on the procedures performed, it appears that the Company has taken corrective action on one of the nine recommendations from the prior review. Recommendations are still outstanding in the other eight areas.

The following sections outline the procedures performed, the results of our procedures and any observations and recommendations for the Company.

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 STERLING FIRE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**FINANCIAL REPORTING**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b>          We obtained Company internally prepared financial statements for the last month of scope period.</p> <p>We inquired of Company Treasurer and President to determine if the Company shared or disclosed the statements in accordance to Company financial procedures and/or bylaws.</p> <p>We documented which Statements were available:</p> <ul style="list-style-type: none"> <li>• Balance Sheet Statement</li> <li>• Budget to Actual</li> <li>• External Form 990</li> </ul>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders, and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company's financial statements are not prepared, audited, or reviewed externally on an annual basis as required by Company Bylaws.</li> <li>• Form 990 is prepared by an external accounting firm.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>We recommend the Company have the financial records audited annually in accordance with their Bylaws. The financial statements should be discussed during the Board meetings and the Board's approval documented in the board minutes.</p> <p>We also recommend that a copy of all policies and procedures be provided to the Treasurer and kept in a central location.</p>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 STERLING FIRE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**CONTROL ENVIRONMENT**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained the Company's financial policies and procedures and inquired of Company leadership regarding the last time procedures were reviewed and/or updated.</p> <p>We determined if written procedures adequately reflect procedures being performed by Company officers and members.</p> <p>We completed a Duty Matrix to identify any segregation of duties issues.</p> <p>We obtained a copy of the Company's Conflict of Interest Policy and determine if the conflict of interest policy is being followed. If applicable, we reviewed documentation (e.g., company minutes, completed forms) to determine compliance with Company policy.</p> <p>We conducted fraud interviews for a maximum of two Company members.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company's policies do not specify procedures when handling cash receipts.</li> <li>• Neither the Treasurer nor the President was aware of any instances of fraud, waste or abuse of Company assets. Both indicated that if they became aware of a fraud within the Company, they would report it to the Board of Directors and legal counsel. They also indicated that they felt confident that the Board of Directors would respond appropriately if fraud, waste or abuse of Company assets was brought to the Board's attention.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <ul style="list-style-type: none"> <li>• In order to strengthen governance controls, we recommend the Company document financial policies and procedures and/or update Company bylaws so they accurately reflect current practices, and controls, including descriptions of any related internal controls.</li> <li>• We recommend that the Company perform annual training of their Company members to remind them of the conflict of interest policy, including examples such as related party vendors and what they are required to do when a conflict occurs.</li> <li>• We recommend the Company provide the whistleblower policy as well as training to the Company members to increase awareness in the event fraud is suspected or occurs.</li> </ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 STERLING FIRE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**CASH RECEIPTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Deposits (i.e., Cash Receipts) during the scope period.</p> <p>We selected a sample for testing and documented the sample on a Sample Summary worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., check copies/ donor acknowledgement/count sheets, deposit slip and/or receipt, and bank statement page with deposit).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to deposit slip and/or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash receipts in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company has not established formal written financial policies and procedures over cash receipts. Company Leaders described the practices that are currently in place, however these practices are informal and not documented in writing.</li> <li>• There is no formal approval of cash receipts. The Treasurer and one other person open mail, and then the Treasurer prepares the deposit for all funds received.</li> <li>• Per discussion with the Treasurer, new procedure was implemented recently in 2016, where all fund drive checks are scanned prior to entering into QB. This helps ensure deposits are properly supported.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <p>In order to strengthen controls over cash receipts, we recommend the following:</p> <ul style="list-style-type: none"> <li>• Formally document in writing, policies and procedures for cash receipts.</li> <li>• Implement a process for reviewing and approving cash receipt transactions, including retaining evidence of supervisory review and approval.</li> </ul>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<ul style="list-style-type: none"><li>• Retain adequate supporting documentation (i.e., copies of checks, count sheets) for all donations received to support deposits from fundraising events.</li></ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 STERLING FIRE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**CASH DISBURSEMENTS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal - Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of Company Payments to Vendors (i.e., Cash Disbursements) during the scope period.</p> <p>We selected a sample for testing and documented the sample on a Sample Summary worksheet.</p> <p>For each sample item, we obtained transaction support (i.e., copies of invoice/statements/bills, voucher /check request and bank statement page with check (if, applicable check image)).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We traced the amount recorded in Company Records to check copy or image /or bank statement and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed cash disbursements in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company has not established formal written financial policies and procedures over cash disbursements. Company Leaders described the practices that are currently in place, however these practices are informal and not documented in writing.</li> <li>• Of the 25 disbursements tested, CB did not see any evidence of review and approval in the BOD or GMM minutes for three of the disbursements.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <ul style="list-style-type: none"> <li>• We recommend the Company formally document in writing, policies and procedures for cash disbursements, including the logging and disposition of voided checks as they occur in the normal course of business.</li> <li>• We recommend that the Company ensure that cash disbursements are processed and approved in accordance to Company procedures. This includes retaining adequate supporting documentation.</li> </ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 STERLING FIRE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

**NEW VENDORS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of the Company's new vendors during the scope period.</p> <p>We selected a sample of new vendor(s) for testing.</p> <p>We obtained documentation supporting the approval of the new vendor.</p> <p>We determined whether the Company obtained approval to use vendor(s) in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company has not developed or implemented formal procedures for vendor due diligence and vendor acceptance.</li> </ul> <p>There was only one new vendor during the period under scope. Based on discussion with Company leaders, the vendor was hired for the 50th Anniversary Banquet. Per review of the Board of Director minutes, no approval was noted.</p>	
<p><b><u>Recommendations:</u></b></p> <ul style="list-style-type: none"> <li>• We recommend the Company implement policies and procedures for vendor due diligence and acceptance for establishing new vendors. A best practice would be the use of a controlled form that should include relevant approvals and documentation required (such as, Form W-9 and related party disclosure) before purchasing goods and services from the vendor.</li> <li>• We also recommend the Company review their vendor list on a periodic basis to ensure the vendors continue to be reasonable and appropriate. These policies and procedures should reduce the risk of conflicts of interest and billing schemes.</li> </ul>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT**

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**BANK RECONCILIATIONS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of all Company Bank Accounts open during the scope period.</p> <p>We select a sample of months to review Bank Reconciliations for each bank account.</p> <p>For each sample item, we obtained copies of completed bank reconciliations and bank statements together with copies of cancelled checks, deposit slips, wire transfer orders and other supporting documentation (state dollar scope if applicable).</p> <p>We determined whether the Company performed, reviewed and approved the bank reconciliations in accordance to Company procedures, if applicable.</p> <p>We determined if reconciling items are resolved timely and if applicable, whether the Company properly records any adjustments.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company has not established formal written financial policies and procedures for bank reconciliations. Company Leaders described the practices that are currently in place, however these practices are informal and not documented in writing.</li> <li>• Based on testing, un-cleared transactions were not resolved timely. For example. We noted an outstanding deposit from 7/1/2014 on the January 2016 BB&amp;T reconciliation.</li> <li>• We noted an internal control weakness related to bank reconciliations. There is no control activity in place to ensure that bank reconciliations are reviewed or approved by anyone besides the Treasurer.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <ul style="list-style-type: none"> <li>• We recommend the Company formally document in writing, policies and procedures for bank reconciliations</li> <li>• Since the Treasurer performs all financial functions, we recommend that at a minimum, the President or other Company personnel review the bank reconciliations on a monthly basis and formally evidence the review and approval. This will help ensure appropriate segregation of duties and timely detect any unusual activity.</li> </ul>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT**

---

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Defined</b>
<b>Results of Procedures Performed</b>	
<ul style="list-style-type: none"><li>• We recommend the Company establish criteria related to the dollar threshold at which funds must be transferred from the PayPal account to the operating account and document criteria in a standard operating procedure</li><li>• We recommend reconciling the PayPal account to the operating account on a monthly basis or at least annually.</li></ul>	

**LOUDOUN COUNTY  
 FIRE AND RESCUE COMPANIES  
 STERLING FIRE  
 INTERNAL CONTROL MATURITY ASSESSMENT**

---

**CREDIT/DEBIT CARDS**

<b>CONTROL MATURITY ASSESSMENT:</b>	<b>Informal</b>
<b>Results of Procedures Performed</b>	
<p><b><u>Procedures Performed:</u></b></p> <p>We obtained a listing of holders of Company credit, debit or store card open during the scope period.</p> <p>We selected a sample of Company cardholders for testing.</p> <p>For each sample item, we obtained copies of card statements transaction receipts, bills, statements. (Obtained bank statements for debit cards or cards tied to bank account).</p> <p>We compared the amount recorded in Company Records to supporting documents and determined the accuracy of transaction amount recorded.</p> <p>We determined whether the Company processed credit cards transactions in accordance to Company procedures, if applicable.</p>	
<p><b><u>Observations:</u></b></p> <p>Based on the documentation reviewed, discussions with Company Leaders and testing performed the following was noted:</p> <ul style="list-style-type: none"> <li>• The Company has not established formal written financial policies and procedures over credit/debit cards. Company Leaders described the practices that are currently in place, however these practices are informal and not documented in writing.</li> <li>• There is no formal control activity in place to evidence the review and approval of credit card charges</li> <li>• Of the thirty-three transactions tested, we noted that three transactions did not have supporting documentation.</li> </ul>	
<p><b><u>Recommendations:</u></b></p> <ul style="list-style-type: none"> <li>• We recommend the Company formally document in writing, policies and procedures for Company credit/debit cards. This includes defining the types of transactions/expenses to be paid by credit card, as well as any prior approvals and subsequent approvals required. The Company should then ensure that all credit card transactions are processed and approved in accordance with the updated Company procedures.</li> <li>• We recommend that the Company implement a process for reviewing and approving credit card transactions, including retaining evidence of that review and approval.</li> </ul>	

**LOUDOUN COUNTY  
FIRE AND RESCUE COMPANIES  
STERLING FIRE  
INTERNAL CONTROL MATURITY ASSESSMENT- APPENDIX**

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**COMPANY'S RESPONSE TO OBSERVATIONS AND RECOMMENDATIONS**

Below includes management's response to our observations and recommendations.

***Policies and Procedures***

The Company's current policies and procedures are currently available to the Treasurer and all members of the Company through the Company's internal web servers. The Company will update and/or document any undocumented procedures via their Bylaws or Standard Operating Procedures, as appropriate.

The Company will look into a method to provide annual training and review of conflict of interest policies and whistleblower policies.

***Review of Financial Statements***

The Company will ensure that a financial audit is performed in accordance with the Company's Bylaws.

***Recordkeeping, Review, and Approval of Cash Receipts and Disbursements***

The Company will document procedures for cash receipts and cash disbursements via their Bylaws or Standard Operating Procedures, as appropriate. The Company currently retains scanned images of all donated checks and they record the entered values.

***New Vendor Setup Policy***

The Company will document procedures for new vendors via their Bylaws or Standard Operating Procedures, as appropriate. The Company will develop procedures for new vendors in accordance with the nature of the vendor. For example the vetting process for Amazon, Home Depot, and Walmart will differ from the process for local vendors.

***Review and Approval of Bank Reconciliations***

The Company will document procedures for bank reconciliations via their Bylaws or Standard Operating Procedures, as appropriate. Currently, the Company's Financial Committee performs "audits" of their internal finances, including reviews of reconciliations. The Company will ensure these reviews and reviews performed by the Company President, are formally recorded in Board of Directors and General Membership Meeting minutes.

***Review and Approval of Credit Card Transactions***

The Company will document procedures for credit card transactions via their Bylaws or Standard Operating Procedures, as appropriate. Currently, all credit card transactions are reviewed by the Treasurer and the President on a monthly basis. The Company will ensure these reviews are formally recorded in the Board of Directors and General Membership Meeting minutes.

## **Financial Controls Maturity Assessment Follow-up Policy – Effective 08/01/16**

### **Purpose:**

Audit follow-up is an integral part of good management, and is a shared responsibility of both the Volunteer Fire and Rescue Officials and auditors. Corrective action taken by VFR Officials on identified findings and recommendations is essential to improving the effectiveness and efficiency of financial operations. This policy defines the requirements and responsibilities for reporting, tracking, and resolution of audit and control maturity assessment findings and recommendations.

### **Policy Statement:**

Audits and financial assessments are management tools used to detect fraud, waste and abuse, validate internal controls and promote effective risk management. Audit resolution and follow-up are critical to ensure that VFR companies employ best practices in financial management.

### **Background:**

During fiscal year 2015, the results of the first five companies' Internal Control Maturity Assessment was presented formally to the Finance/Government Services and Operations Committee (FGSOC) of the Board of Supervisors. A recommendation was made during that meeting for a policy to be established to follow-up on the timely implementation of recommendations made in the "Informal" category which indicates certain policy, procedures and controls are not consistently performed, or performance is not evidenced and not documented.

### **Actions:**

1. Responses to Internal Control Maturity Assessments and Audit Reports – Companies are provided an opportunity to respond to the findings when they are in DRAFT form. Once the Company has concluded its remarks, and the reports are finalized, companies are asked to acknowledge receipt of the final report. Thereafter, within 30 days, companies are asked to provide a written plan as to how they intend to improve policies and procedures identified as "informal" to the Chair of the AOC.
2. For Control Maturity Assessments, special focus should be given to those areas identified as "Informal" – assessed area not consistently performed, performance is not evidenced and not documented. The manual entitled *Financial Policies and Procedures* provides recommendations and examples of best practices for each of the evaluated areas. Each Company is expected to provide the Chair of the AOC an update on their plan of improvement at the 6-month post report issuance date.
3. Cherry Bekaert will conduct a follow-up on planned corrective actions for all "Informal" findings of the previous years' assessments during the following audit cycle. This will include additional testing, when necessary, and documentation of the implementation of these action steps to address identified internal control weaknesses or gaps.
4. A report detailing the extent to which each Company has addressed areas identified as needing improvement will be made to the AOC and the Board of Supervisors through its Finance Committee.