



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

November 2, 2009

Bruce A. Myers, CPA
Legislative Auditor

The Honorable Ulysses Currie, Chairman
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, MD 21401

The Honorable Norman H. Conway, Chairman
House Committee on Appropriations
House Office Building, Room 121
6 Bladen Street
Annapolis, MD 21401

Dear Senator Currie and Delegate Conway:

In the April 2008 Joint Chairmen's Report (page 45), the committees directed the Office of Legislative Audits (OLA) to review the outstanding loans in the Volunteer Company Assistance Fund (VCAF) and the Fire Truck Revolving Loan Fund (FTRLF); document the fund receivables and balances in each; and track repayment schedules. The narrative further requested that a report on our review be submitted to the budget committees by November 1, 2008.

In letters dated September 29, 2008 and December 17, 2008, we notified the committees that due to numerous problems (such as, incomplete loan records) identified during our initial inquiry with representatives of the Military Department and the Maryland State Firemen's Association (MSFA), OLA planned to conduct our review and issue the required report during the 2009 interim, provided the Department was able to reconstruct the needed records.

Our current review disclosed that the Department has substantially reconstructed the loan records (including repayment schedules) for the VCAF and FTRLF, and has established the required fund receivables and related cash balance. As of October 8, 2009, the outstanding loan receivable balances of the VCAF and FTRLF totaled approximately \$8.5 million and \$710,000, respectively. In addition, the cash balance of the funds (which are combined on the State's accounting records), totaled approximately \$4.5 million. Also, other issues raised in our September 29, 2008 letter regarding the need for the Department to both maintain the related loan records and receive loan repayments directly from the volunteer fire companies, as well as instances of unauthorized modifications to loan interest rates have been resolved.

The Honorable Ulysses Currie, Chairman
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Nevertheless, there are a few remaining open items that still need to be addressed. We noted that MSFA had not transferred to the Department approximately \$57,000 that was identified by the Department as due to the State. Moreover, the Department also has yet to receive certain documentation it has requested from the MSFA; however, in our opinion this documentation would not have a material impact on the accuracy of the records established by the Department.

As noted in a previous letter to the committees, the scope of our review was less than that of an audit conducted in accordance with generally accepted government auditing standards.

Please contact me if you would like to discuss this matter further.

Sincerely,

Bruce A. Myers
Legislative Auditor

BAM/lcy

cc: Senator Verna L. Jones, Senate Chair of the Joint Audit Committee
Delegate Steven J. DeBoy, Sr., House Chair of the Joint Audit Committee
Sheila McDonald, Executive Secretary, Board of Public Works
Brigadier General (MD) James A. Adkins, The Adjutant General
John S. Nickerson, Director of Finance and Administration, Military Department
Roger N. Powell, President, MSFA
Ronald J. Siarnicki, Treasurer, MSFA
Karl Aro, Executive Director, Department of Legislative Services
Chantelle M. Green, Policy Analyst, Office of Policy Analysis
Karen Morgan, Staff, Joint Audit Committee
Lisa J. Simpson, Staff, Joint Audit Committee