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July 2022

Mr. Gregory Gill, President
Members of the Board of Directors
Hancock Fire Department
24501 State Highway 97
Hancock, NY 13783

Report Number: 2018M-236-F

Dear President Gill and Members of the Board of Directors:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and to account for and protect their local government's assets. In accordance with these objectives, we conducted an audit of the Hancock Fire Department (Department) to assess its financial operations. As a result of our audit, we issued a report, dated May 2019, identifying certain conditions and opportunities for Department management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the Department on February 22, 2022 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Department personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the Department has made limited progress implementing corrective action. Of the 10 audit recommendations, one recommendation was implemented, three recommendations were partially implemented, and six recommendations were not implemented.

Recommendation 1 – Conflict of Interest Disclosure

The President should publicly disclose, in writing, his deemed interest in the oral agreement between his business and the Department.

Status of Corrective Action: Not Implemented

Observations/Findings: While Board members were aware of the President's interest in the lease and that the bylaws required the interest to be disclosed, the Board did not consider its disclosure

necessary. As a result, the Board President did not publicly disclose, in writing, his deemed interest in the oral agreement between his business and the Department.

Recommendation 2 – Rental Payment Records

The Treasurer should maintain a record of rental payments from the President’s business and other third-party sources.

Status of Corrective Action: Fully Implemented

Observations/Findings: The bookkeeper maintains a record of rental payments received from the President’s business and other third-party sources. We traced 17 rental payments totaling \$16,500 to the bookkeeper’s records and the Department’s bank statements to determine whether the payments were recorded and deposited and found no exceptions.

Recommendation 3 – Disbursements Documentation

The Treasurer should keep documentation for disbursements supporting their legitimacy and Board approval.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed 18 disbursements totaling \$37,233 made from June 2019 through November 2021 and found that they were adequately supported and for proper purposes. However, other documentation related to the approval of the bills to be paid was insufficient. For example, the Treasurer submits a report of bills to be paid to the Board monthly. While the Board minutes indicate the total amount of bills that the Board approved, the Treasurer’s report is not always signed and retained with the minutes. In some instances, there is a lack of documentation as to the individual bills approved by the Board. Further, some vendor invoices were approved by the Treasurer, but not the Board. The President told us this occurred because of a lack of written procedures. Allowing the Treasurer to approve the invoices he is responsible for paying increases the risk that Department funds could be misappropriated without detection.

Recommendation 4 – Formalized Lease Agreement

The Board should continue to ensure there is a formalized agreement with the President’s business for rental payments.

Status of Corrective Action: Partially Implemented

Observations/Findings: A written lease agreement between the Department and the President’s business was executed with a lease term for the period April 1, 2019 through March 31, 2020. The tenant had the option to renew the lease for an additional year providing they furnished written notice to the Department on or before February 28, 2020. The bookkeeper and the President stated that, although the tenant continued to rent the property from April 1, 2020 through February 23, 2022 (the end of our follow-up fieldwork), the tenant did not provide written notice of their intent

to exercise the renewal option, and a new lease agreement was not executed for any period subsequent to April 1, 2020. The President told us that the tenant did not provide written notice of their intent to renew the lease because they communicated this information verbally. Without a written agreement, the Department lacks protection in the event the business defaults on its payments.

Recommendation 5 – Rental Payment Review

The Board should periodically perform reviews to determine whether delinquent rental payments are owed to the Department and, if appropriate, consult with legal counsel as to whether any actions should be taken to collect on possible delinquent payments.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board did not periodically perform reviews to determine whether delinquent rental payments were owed to the Department. Although the Board relied on the bookkeeper to identify delinquent accounts, the bookkeeper did not inform the Board that the President's business was not making timely payments. As a result, the Board was unaware the lease payments reviewed were, on average, 33 days late.

Recommendation 6 – Controls Over Cash Collections

The Board should establish procedures to require more support for collections, such as tickets or duplicate press-numbered receipts.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed Board minutes for the period January 2019 through February 2022 and found the Board did not adopt any procedures requiring more support for collections, such as tickets or duplicate press-numbered receipts. Department officers told us they implemented procedures requiring the use of tickets and cash registers to provide support for collections totaling \$35,043 at their most recent fundraising event held in July 2021. However, these procedures were ineffective because no one reconciled the number of tickets with cash collected, and they did not retain the cash register tapes. The President told us they did not reconcile sold tickets with cash collected because they did not understand the appropriate control procedures to be followed.

Recommendation 7 – Ensure Established Procedures Are Followed

The Board should ensure established procedures are followed including the audit of the Treasurer's records.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board was unable to provide an explanation for not implementing this recommendation.

Recommendation 8 – Quarterly Audit of Treasurer’s Records

The finance committee should audit the Treasurer’s records quarterly. This could include reviewing deposits for completeness or scanning check images and invoices to ensure disbursements are properly supported.

Status of Corrective Action: Not Implemented

Observations/Findings: See Recommendation 7.

Recommendation 9 – Controls Over Fundraising Events

The Membership should issue tickets or duplicate press-numbered receipts for fundraising events where it is practical to do so.

Status of Corrective Action: Not Implemented

Observations/Findings: The Membership issued tickets and used cash registers to record receipts during the only fundraising event held in 2021.¹ We reviewed the cash receipts records associated with this fundraising event and found the established procedures were ineffective because the tickets and cash register tapes were not retained and, therefore, could not be used to reconcile the number of tickets sold with the cash collected. The President told us they did not retain tickets and cash register tapes because they were unaware of the need to do so.

Recommendation 10 – Dual Verification of Fundraising Receipts

The Membership should ensure two members always count the money received at fundraising events and record and certify the amounts submitted to the Treasurer for deposit.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed cash receipts records associated with the only fundraising event held in 2021 and found that the Membership did not consistently document that two members counted the money collected and certified the amounts submitted to the Treasurer for deposit. More specifically, collections were supported by either no, one or two signatures. Two members did not always count the money collected because the Board did not monitor that collections were supported by two signatures or communicate these instructions to the Membership.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Department officials to continue their efforts to fully implement our recommended improvements.

¹ Due to COVID-19 pandemic concerns, there were no fundraising events in 2020.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Ann C. Singer, Chief Examiner of our Binghamton Regional Office at (607) 721-8306.

Sincerely,

Elliott Auerbach
Deputy Comptroller