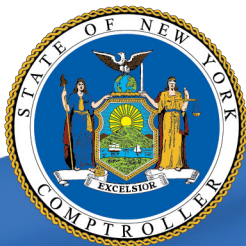


New Hope Fire Department

Board Oversight

APRIL 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

New Hope Fire Department

Audit Objective

Assess whether the Board of Directors provided adequate oversight of the financial activities of the New Hope Fire Department.

Key Findings

- The Board did not provide adequate oversight of financial activities or establish internal controls over transaction authorization and recordkeeping.
- The Treasurer did not complete bank reconciliations or maintain proper documentation supporting disbursements.
- The Board did not perform an annual audit of the Treasurer's records.

Key Recommendations

- Review and update the bylaws, or adopt policies and procedures, to establish internal controls and provide guidance for cash disbursements, including the use of debit cards.
- Perform an annual audit of the Treasurer's records.

Department officials generally agreed with our findings and indicated they have taken, or plan to take, corrective action.

Background

The New Hope Fire Department (Department) is affiliated with the Three Town Fire District in Cayuga County. The Department provides fire protection services in the Towns of Niles and Sempronius.

The Board of Directors (Board) is composed of five elected members responsible for managing the Department. The elected Treasurer serves as chief fiscal officer responsible for receiving, disbursing, maintaining custody of and accounting for funds and for preparing periodic financial reports.

The Department's primary sources of revenue are fundraising events, building rent and foreign fire insurance tax.¹

Quick Facts

2016 Revenues	\$53,786
2016 Operating Expenses	\$30,764

Audit Period

January 1, 2016 – November 1, 2017

¹ Foreign fire insurance funds represent a tax on the premium paid on insurance policies. The law entitles fire companies or departments protecting an eligible area to receive an appropriate share of the tax collected on insurance policies written by foreign or alien insurers on policies within their area of protection.

Financial Activities

What Is Effective Board Oversight?

It is essential that the Board establish internal controls to ensure financial transactions are authorized and recorded accurately and that duties are properly segregated so that no one person controls all aspects of a transaction. Such controls should be included in the Department's bylaws or Board-adopted policies and procedures. If proper segregation of duties is not practicable, the Board should implement compensating controls, such as reviews of financial records, bank statements and canceled checks. The Department's bylaws also require the Board to annually audit the Treasurer's records.

The Board Did Not Adequately Oversee Financial Operations

The Board did not provide adequate oversight of financial activities. Although the Department's bylaws do require its officers to annually inspect the Treasurer's records, the Board has not established written policies and procedures for cash disbursements² or reviewed monthly bank reconciliations. Additionally, the Board did not annually audit the Treasurer's records.

The Treasurer provides the Board with detailed monthly financial reports for revenues and expenses which include profit-and-loss statements for each fundraising event. However, we found the following deficiencies:

- Receipt, deposit and disbursement dates were not recorded in the financial records. (After we spoke with the Treasurer she began including these dates.)
- Although receipts for purchases were maintained, they were not neatly organized or labeled, and a standardized form – such as a claim voucher – was not used, making it difficult for others to conduct a proper review.
- Although the Treasurer told us she reviews the bank statements, she did not complete monthly bank reconciliations. Therefore, we prepared bank reconciliations for January through March 2016 and May through June 2017. Except for minor discrepancies which we discussed with Department officials, we were able to reconcile the statements with corresponding records.

Disbursements – We reviewed all cash withdrawals and all payments to key Department officials, totaling \$8,993, to determine whether payments were reasonable and proper and had supporting documentation. Four payments for snowplowing, totaling \$580, paid to the Treasurer and Assistant Chief did not have supporting documentation on file.³ Furthermore, the Board did not establish

² The bylaws provide limited guidance regarding cash receipts.

³ The Treasurer provided the documentation upon our request.

by resolution or written agreement any details or cost of the snowplowing services to be provided, and did not establish the required documentation of payment.

We selected 28 additional disbursements totaling \$8,841 made during four months of our audit period (August and November 2016, and February and July 2017) for review and found them to be appropriately documented and approved.

Debit Cards – The use of debit cards has inherent risks because it provides direct access to the Department’s bank account, and any unauthorized use may not be readily detected. The Treasurer and the financial secretary are authorized users of the Department’s debit cards.

The Board did not establish written policies and procedures for debit card usage or review the bank statements and supporting documentation to ensure debit card transactions are for appropriate Department purposes. The Department did implement some mitigating controls, such as daily spending limits of \$300 per card unless the Board authorizes a higher limit. We reviewed 22 debit card purchases totaling \$1,692,⁴ primarily for fundraising event supplies, office supplies and safety equipment, and found one purchase for \$50 that did not have supporting documentation. We also reviewed one debit card purchase for \$345, which was in excess of the card’s daily spending limit but had been authorized by the Board.

When policies and procedures for cash disbursements and annual audits are lacking it limits the Board’s ability to effectively manage the Department’s financial operations. Additionally, there is an increased risk that errors and irregularities may occur and not be detected in a timely manner.

What Do We Recommend?

The Board should:

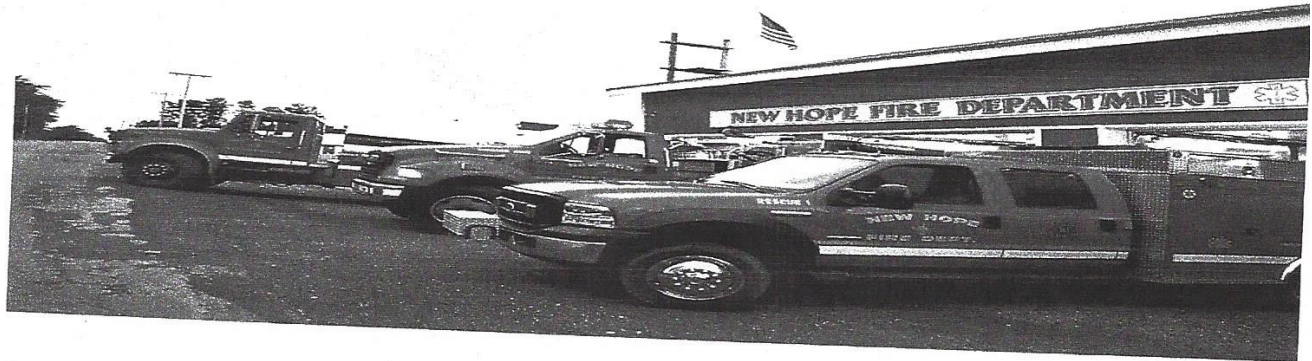
1. Review and update the bylaws, or adopt policies and procedures, to establish internal controls and provide guidance for cash receipts and disbursements, including the use of debit cards.
2. Require the Treasurer to provide monthly bank reconciliations to the Board for review.
3. Require the use of vouchers with documentation attached to support purchases, for consistency and easier access to files.
4. Perform an annual audit of the Treasurer’s records.

⁴ These were all the debit card purchases made during the four months with the highest and lowest disbursement totals. See Appendix B, Audit Methodology and Standards, for detail on our sample selection.

The Treasurer should:

5. Complete bank reconciliations and ensure documentation supporting disbursements is readily available and organized.

Appendix A: Response From Department Officials



President: Bill Moss
Department Chief: Edward Raymond (315)730-9312
Asst. Chief: Bill Moss
Treasurer: Stefanie Raymond (315)406-0262
Secretary: Judy Cuddeback (315)604-2820

New Hope Fire Department
5949 New Hope Rd
Moravia, NY 13118

March 5, 2018

To Whom It May Concern:

The Board is responding to your request based upon the audit that was performed in 2017.

1. The bylaws are in process of being updated and will include a new bylaw on cash receipts and cash disbursements, including the use of the debit card and the treasurers responsibility
2. There will be a written by law requiring the treasurer to provide a month report bank reconciliation to the board of the department
3. The treasurer is now keeping dates in the written logs as well as computer logs which include check numbers, to show all receipts and supporting documents. Purchases over a certain amount will be required to go through the monthly meeting prior to approval.
4. The treasurer's records will be reviewed by a member of the department annually.
5. The dates and amounts of purchases and deposits are recorded chronologically on the logs and in the files

Sincerely,

William Moss, President

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed key Department officials and reviewed the Department's bylaws, minutes and financial statements to gain an understanding of procedures and processes for cash disbursements.
- We reviewed all cash withdrawals and all payments to key Department officials during the audit period totaling \$8,993 to determine if payments were reasonable and proper and had supporting documentation.
- We prepared bank reconciliations for January through March 2016 and May through June 2017.
- We tested 50 disbursements, totaling \$10,533, from the two months with the highest disbursement totals and the two months with the lowest disbursement totals during our audit period.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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