



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

STEVEN J. HANCOX
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

December 30, 2011

Mr. Robert Davis, President
Members of the Executive Board
Irving Fire Department, Inc.
P.O. Box 221
Irving, NY 14081

Report Number: 2011M-240

Dear Mr. Davis and Members of the Executive Board:

One of the Office of the State Comptroller's primary objectives is to identify areas where fire department officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage fire department officials to reduce costs, improve service delivery, and to account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Irving Fire Department (Department), which addressed the following question:

- Are Department controls adequate to help ensure that financial activity is properly recorded and reported and that Department moneys are safeguarded?

We discussed the findings and recommendations with Department officials and considered their comments in preparing this report. The Department's response is attached to this report in Appendix A. Department officials agreed with our recommendations and indicated they will initiate corrective action.

Background and Methodology

The Irving Fire Department, Inc. (Department) is a volunteer organization located in the Town of Hanover, in Chautauqua County. The Department was incorporated in 1946, and has approximately 26 active members. During the 2010 fiscal year, the Department had deposits totaling \$10,683, which were comprised mainly of receipts from the Fire District and a fund drive. The Department's 2010 disbursements totaled \$11,405.¹

¹ Expenditures were comprised of office supplies/equipment \$3,216, equipment purchase/repair/maintenance \$2,887, building repair/maintenance \$2,659, food/drink \$1,029, miscellaneous \$715, fees/memberships \$371, flowers/donations \$233, payments to officials \$175 and clothing \$120.

The Department is governed by a four-member Executive Board (Board), which includes a President and a Treasurer. The Board is responsible for the general management and control of the Department's financial affairs. The Treasurer is responsible for the receipt, custody, disbursement and accounting for the Department's moneys.

We examined the internal controls over the Department's financial operations for the period January 1, 2010 to October 4, 2011. We interviewed appropriate Department officials and reviewed financial records and Board minutes. We conducted this performance audit in accordance with 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.

Audit Results

The Board is responsible for overseeing the Department's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Board establish a system of internal controls, which consists of policies and procedures that ensure transactions are authorized and properly recorded. Although the Board is not legally required to audit the Treasurer's records, an annual audit would provide assurance that all funds have been properly accounted for. Additionally, all payments and purchases made by the Department should be in the form of a check, so that disbursements are adequately documented.

In 1990, the Board adopted By-laws that stipulate that the President and Secretary are responsible for approving bills prior to payment by the Treasurer. The By-laws also require the Treasurer to issue receipts for all funds received on behalf of the Department. However, the By-laws do not require an audit of the Treasurer's records by the Board or anyone else. In addition, the By-laws are silent with respect to the use of debit cards. Debit cards represent significant risks because disbursements are immediately deducted from the bank account, which offers no protection against identity theft, and allows the payment to be made before the legitimacy of the expense can be determined.

We found that, although the Board minutes do include a list of claims to be paid by the Department, there was no evidence that the supporting documentation was reviewed or signed, as required in the By-laws. In addition, debit cards² are used by the Chief and the Treasurer. Furthermore, the Board does not conduct an annual audit of the Treasurer's records.

Due to these deficiencies, we reviewed all disbursement activity from January 1, 2010 through September 30, 2011. We compared the listing of claims³ against the canceled checks and electronic payments from the bank account and found that, in all instances, the vendor and payment amounts agreed. Although we did not find exceptions, there is a significant risk that

² Tied to the Department's checking account.

³ Totaling \$11,406 in 2010 and \$10,403 from January 1, 2011 through September 30, 2011. These totals included debit card disbursements totaling \$4,653 for the audit period (\$2,760 for 2010 and \$1,893 from January 1, 2011 through September 30, 2011).

moneys could be misappropriated when claims are not individually reviewed prior to payment, or when purchases are made with the Department's debit card.

In addition, the Department does not issue receipts to individuals or businesses making donations during the annual fund drive, as required by the By-laws. Due to this scope limitation, we could not verify that all donations were deposited.

Recommendations

1. The Board should approve all claims prior to payment.
2. The Treasurer should issue receipts for all funds received on behalf of the Department.
3. The Board should conduct an annual audit of the Treasurer's records.
4. The Board should consider discontinuing the use of the debit card.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review.

Sincerely,

Steven J. Hancox
Office of the State Comptroller
Division of Local Government
and School Accountability

APPENDIX A

RESPONSE FROM DEPARTMENT OFFICIALS

The Department officials' response to this audit can be found on the following page.

Irving Vol. Fire Dept.

PO Box 357

Irving, NY 14081

To the Office of the State Comptroller:

The Irving board of directors have received the preliminary draft. We have gone over the recommendations that you have recommended to us, and are working on making the changes.

Robert Davis
President