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December 24, 2014

David Wallace, Board President
Members of the Board
Stafford Fire Department, Inc.
6153 Main Rd.
Stafford, NY 14143

Report Number: 2014M-274

Dear Mr. Wallace and Members of the Board:

The Office of the State Comptroller works 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 account for and protect their entity's assets.

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

- Are Department controls adequate to ensure that financial activity is properly recorded and reported in that Department money is 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 plan to take corrective action.

Background and Methodology

The Department is located in the Town of Stafford (Town) in Genesee County. The Department provides fire protection services to the Town pursuant to a written agreement. The Department

also receives revenue from fund-raising,¹ foreign fire insurance and hall rentals. For the 2013 fiscal year, the Department's revenues totaled \$550,130² and expenses were \$543,185.³

The Department is governed by the Department President and a five member Board of Trustees (Board) that is responsible for overseeing the Department's fiscal activities and safeguarding its resources. The Treasurer acts as the Department's chief fiscal officer.

We examined the Department's internal controls over its financial operations for the period January 1, 2013 through July 29, 2014. 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 should establish a system of internal controls to ensure that transactions are authorized and properly recorded and that financial reports are accurate, reliable and filed in a timely manner. The Department's bylaws require the Treasurer to receive and disburse all money, maintain the accounting records for those funds and prepare and submit monthly financial reports to the Board. The bylaws also require the Board to approve bills prior to payment to ensure that Department funds are used for legitimate purposes. New York State General Municipal Law requires fire companies with annual revenues of \$300,000 or more to obtain an audit by an independent public accountant.

We found that the Treasurer maintained appropriate accounting records and submitted monthly financial reports to the Board. However, the Treasurer did not receive all Department cash receipts, as required by the bylaws. For example, in 2014, the Department collected \$11,181⁴ in cash from its carnival but gave the Treasurer only \$3,685 of this amount to be deposited. The Department President used the remaining \$7,496 in cash to pay for various expenses, including carnival ground cleaning services (\$3,800), food and supplies for a party for the carnival workers (\$1,924) and carnival setup costs (\$704). Although these expenses were supported by invoices and handwritten documents, because the President paid for them in cash, the Board was not given the opportunity to review and approve the payments before they were made.

In addition, the Ladies Auxiliary (Auxiliary)⁵ collected and deposited all of the Department's banquet, hall and pavilion rental revenues into its own bank accounts. For example, in 2013, the Auxiliary collected and deposited \$7,970 in banquet revenue and \$2,305 in hall or pavilion

¹ The Department's two largest fund-raisers are a raffle of a classic car and an annual carnival.

² Company revenues consisted of fund-raising (\$436,694), fire protection (\$78,234), miscellaneous (\$14,579), interest income (\$7,609), hall rentals (\$6,580) and foreign fire insurance (\$6,434).

³ Company expenses consisted of fund-raising (\$269,567), equipment purchases and maintenance (\$95,145), building and grounds maintenance (\$81,027), miscellaneous (\$28,758), insurance (\$26,457), utilities (\$23,800) and payroll (\$18,431).

⁴ \$10,181 cash from the company supplying the carnival rides and \$1,000 cash from a local restaurant

⁵ The Auxiliary is not part of the Department.

rentals.⁶ This practice is not mentioned in the bylaws, and there is no written contract between the Department and Auxiliary.

Furthermore, the Board did not properly authorize all disbursements prior to payment. We reviewed all 601 Department check disbursements totaling \$1,754,556 made from June 1, 2013 through May 31, 2014 and found that the Department's financial activity was properly recorded and payments were supported. However, of the 601 disbursements, the Board did not review and authorize 123 totaling \$394,897 related to the classic car raffle before payment. Department officials told us that, while the Board authorized bill payments at each regular monthly meeting, the classic car fund-raising committee did not always submit its bills to the Board for authorization prior to payment. The Board's failure to ensure that all disbursements are reviewed and approved prior to payment increases the Department's risk that it could make unauthorized or improper expenditures.

We also found that the Board did not obtain an audit of the Department's records by an independent public accountant, as required by law. Department officials told us they were unaware that they were required to obtain an annual audit. The Board's failure to contract for an annual audit diminishes its ability to effectively monitor the Department's financial operations.

Recommendations

The Board should:

1. Ensure that all cash receipts are turned over to the Treasurer for deposit.
2. Update the bylaws to formalize the agreement with the Auxiliary regarding the details of the financial support provided by the Department.
3. Approve all bills prior to payment.
4. Engage an independent public accountant to conduct an audit of the Department's finances as required by statute.

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. We encourage the Board to make this plan available for public review.

⁶ In 2013, the Department provided the Auxiliary with revenue totaling \$5,859 from food stands.

We thank the officials and staff of the Stafford Fire Department for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DEPARTMENT OFFICIALS

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



STAFFORD FIRE DEPARTMENT, INC.

Serving Stafford Since 1945

6153 Main Road, Rt. 5, Stafford, New York 14143

November 24, 2014

Mr. Robert Meller
Chief Examiner
Office of the State Comptroller
295 Main Street
Suite 1032
Buffalo, New York 14203-2510

Report Number: 2014M-274

Dear Mr. Meller:

This is to inform you that the Board of Trustees has read your preliminary draft findings related to the Stafford Fire Department's Financial Operations.

Our response to your preliminary draft findings is listed below:

1. Ensure that all cash receipts are turned over to the Treasurer for deposit.

We agree with the findings and will begin the process to make a by-law adjustment. The change will ensure that payments are done with checks and all cash is returned to treasurer for deposit immediately. It has been communicated to all members that itemized bills need to be turned over to treasurer for payment.

2. Update the bylaws to formalize the agreement with the Auxiliary regarding the details for the financial support provided by the Department

We will contact our legal counsel to begin the work to draft up a contract.

3. Approve all bills prior to payment

We have already requested a presentation of bills from the car committee to present at our monthly meeting. We will work on a by-law change to ensure that all bills are approved before the department.

4. Engage an independent public accountant to conduct an audit of the department's finances as required by statute.

We are in search of an independent public accountant that provides audit services.

Any questions regarding the responses can be directed to any member of the Board of Trustees at svfd@rochester.rr.com.

Sincerely,

Dave Wallace
President
Stafford Fire Department, Inc.

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