

# Brighton Fire Department, Inc.

## Board Oversight of Financial Operations

---

MARCH 2021

---



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

# Contents

---

- Report Highlights . . . . . 1**
  
- Board Oversight of Financial Operations . . . . . 2**
  - How Should the Board Provide Effective Oversight? . . . . . 2
  
  - The Board Did Not Establish or Enforce Adequate Bylaws  
or Policies . . . . . 2
  
  - Many Disbursements Lacked Documented Approval and  
Adequate Supporting Documentation . . . . . 4
  
  - Certain Receipt Records Were Inadequate . . . . . 6
  
  - The Board Did Not Implement Essential Financial  
Software Controls . . . . . 7
  
  - What Do We Recommend? . . . . . 7
  
- Appendix A – Response From Department Officers . . . . . 9**
  
- Appendix B – Audit Methodology and Standards . . . . . 15**
  
- Appendix C – Resources and Services . . . . . 17**

# Report Highlights

Brighton Fire Department, Inc.

## Audit Objective

Determine whether the Brighton Fire Department, Inc. (Department) Board of Directors (Board) provided adequate oversight of financial operations.

## Key Findings

The Board did not provide adequate oversight of financial operations.

- The Department lacked detailed financial procedures and the Board did not enforce compliance with existing bylaw and policy provisions.
- The Board did not present the statutorily-required annual Directors' report or any interim financial information to the membership.
- Of 220 disbursements reviewed totaling \$545,658, 155 (70 percent) totaling \$190,160 did not have documented approval on the claim and 93 (42 percent) totaling \$92,605 did not have adequate supporting documentation.

## Key Recommendations

- Amend the bylaws or adopt sufficient supplemental written financial policies and enforce compliance with all bylaw and policy provisions.
- Ensure that annual and monthly financial reports are provided to the Board and membership and there is an independent review of bank statements and reconciliations.
- Ensure all claims are audited, and have documented approval prior to payment and adequate supporting documentation.

Department officers generally agreed with our findings and indicated they have begun to take corrective action.

## Background

The Department is a not-for-profit organization that provides volunteer support for fire, rescue and emergency services within the Brighton Fire District.

The Department is composed of volunteer members and is governed by its bylaws and a member-elected nine-member Board. The Board consisted of the President, Vice President, the immediate past President and six Directors.

The Board is generally responsible for managing the Department's financial activities. The Treasurer is responsible for maintaining custody of, disbursing, depositing and accounting for the Department's financial assets and filing financial reports. The President, Vice President and Treasurer are authorized check signers with two signatures required on all checks.

The Department's primary sources of revenue are investment income, foreign fire insurance tax money and donations.

### Quick Facts

#### 2019 Check and Debit Disbursements

Transactions	361
--------------	-----

Total	\$676,000
-------	-----------

Investments	\$5,000,000
-------------	-------------

Annual Calls	2,400
--------------	-------

Active Volunteers	80
-------------------	----

## Audit Period

January 1, 2019 – June 15, 2020

# Board Oversight of Financial Operations

---

## How Should the Board Provide Effective Oversight?

A board must establish a system of internal controls, including clearly defined and enforced bylaws and other policies and procedures that help ensure effective oversight of financial activities, accountability of money collected and that transactions are authorized and properly recorded. An important aspect of a board's responsibility is to provide a process to routinely monitor and review the work performed by those who handle money as part of their duties.

The Board is required by the Not-for-Profit Corporation Law (NFPCL)<sup>1</sup> to provide an annual Directors' report to the members at the annual meeting that details the Department's assets and liabilities, as well as receipts and disbursements for the twelve-month fiscal period. The Treasurer should provide monthly or interim financial reports to the Board and membership that include the current financial position and year-to-date revenues and expenditures compared to annual budget estimates.

The Board and Treasurer should ensure that disbursements are approved before payment by designated officers who are independent of the disbursement process, supported by adequate documentation and for appropriate purposes.

The Treasurer should keep an account of all money received from dues, fines, donations and other sources. As a best practice, pre-numbered duplicate receipts should be issued for cash collections. Additionally, documentation should include the date collections were received, payer name, amount, purpose and composition (cash or check).

It is essential to ensure that financial software controls are in place so that changes and deletions cannot be made without authorization. In addition, financial software users should have their own unique username and the software should provide a means, such as an audit log, to identify the individuals who access the software and their activities.

## The Board Did Not Establish or Enforce Adequate Bylaws or Policies

The bylaws lacked detailed financial procedures and the Board did not adopt sufficient supplemental financial policies or procedures. The bylaws contain limited financial responsibilities of the Treasurer, and do not include provisions for the assistant Treasurer who enters invoices and prepares checks or include detailed policies or procedures for key financial areas including cash receipts, purchasing, claims audit and approval and interim and annual financial reports.

---

<sup>1</sup> NFPCL Section 519

---

The limited bylaw provisions that address financial operations and duties generally lacked sufficient detail. For example, the bylaws state that the Treasurer should make disbursements only upon properly approved orders. However, there are no detailed provisions for the use of a voucher system or a review process - such as by an appointed audit committee independent of the disbursement process - that would result in an approved order to sign checks. Further, there are no guidelines for what types of disbursements would be appropriate expenditures. Similarly, while the bylaws require the Treasurer to keep an account of all money received, they do not include procedures, and are not supplemented by Board policies or procedures that describe the format and detail for cash receipt and other financial records.

Additionally, the bylaws require the Treasurer to file all reports the Department is required by law to file, but the bylaws did not include details of what must be filed, what must be included in the reports or how the reports should be distributed. As a result, the Board did not present the statutorily required annual Directors' report to the members at the Department's annual meeting. In addition, the Treasurer did not provide copies of the annual report, prepared by the CPA who prepared its tax return, to the Board or members. The Treasurer also did not provide monthly written financial reports to the Board or membership. The Board President and Treasurer told us that they wanted to limit the financial information provided to members. Without a thorough and routine review of adequate financial reports, the Board and membership lacked sufficient information to adequately oversee financial operations, including monitoring the budget.

We also found that although the Board adopted a credit card policy and authorized use of a Department credit card, the Treasurer instead obtained a debit card. Debit cards can pose significant risks because users have direct access to a bank account, without audit and approval prior to payment, making it more difficult to detect or address unauthorized use. In addition, we found the President, Vice President and two Directors were insufficiently informed regarding the use of a Department debit or credit card. The President and Vice President knew there was a debit card, but believed it was tied to a separate bank account with a minimal balance, while it is actually tied to and directly draws from the main checking account. One Director was familiar with the credit card policy and believed the Department had a credit card while the other was unfamiliar with the Department's credit card policy and did not know if the Department had a debit or credit card. While all 2019 debit card transactions (34 totaling \$2,346) appeared to be reasonable Department disbursements, there is increased risk of improper disbursements with the use of a debit card, which is compounded by the lack of prior approval or subsequent review by Board members.

Because the Board did not establish adequate financial policies and procedures, officers and members did not have proper guidance regarding their responsibilities and Department funds were not safeguarded. While the President

---

... [T]he Board and membership lacked sufficient information to adequately oversee financial operations...

---

---

or Vice President signed checks along with the Treasurer, the Treasurer did not provide financial records, written financial reports, bank statements or any regular disbursement or receipts detail (as discussed below) to the other Board members. Therefore, the Board did not adequately oversee the Treasurer or the Department's financial operations. Lacking sufficient policies regarding financial records and reporting requirements, the Board did not present the statutorily-required annual Directors' report or any interim financial information to the membership.

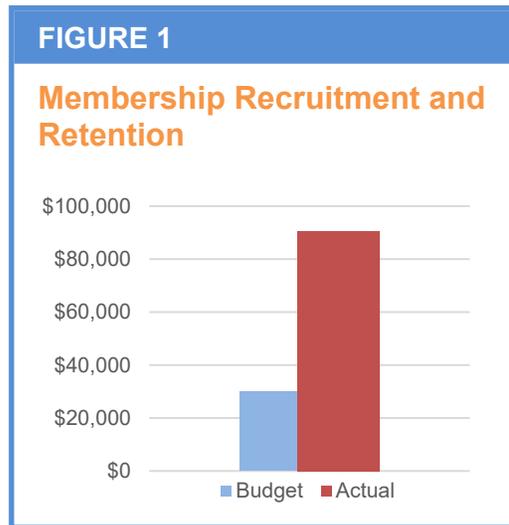
After we completed fieldwork, the Board adopted and shared with us (on December 21, 2020) an Internal Financial Controls policy that includes additional guidance for financial operations, such as Treasurer and assistant Treasurer duties, bank statement reconciliation, financial reports, annual CPA review, receipts and deposits, disbursements and approval of expenditures.

### **Many Disbursements Lacked Documented Approval and Adequate Supporting Documentation**

While the Department lacked written procedures for disbursement approval, Officers told us the Board must approve purchases not included in the budget, but the Board's approval was not always documented. Further, the membership approved the Board's proposed annual budget, which served as the members' approval for purchases and disbursements from Department funds; however, the budget has broad categories and is not sufficiently detailed for approving purchases. For example, membership recruitment and retention is a category used for various purposes, such as advertising for new volunteers and executive coaching for select members. The budget does not detail within the recruitment and retention category what types of expenditures are included. Additionally, in the 'other social function' category, the budget did not detail the regular social events or amounts earmarked for each event. Further, the Treasurer did not provide detailed interim reports comparing actual expenditures and budgeted amounts to the Board or members.

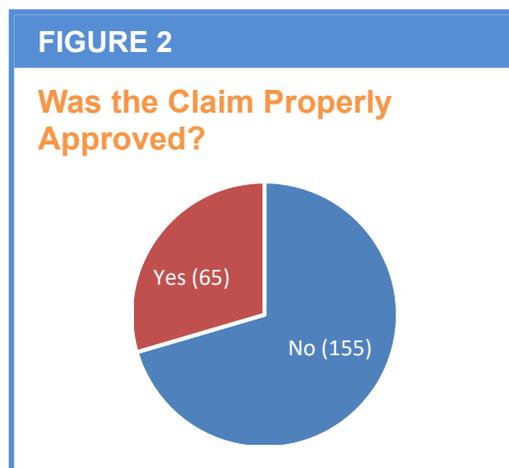
The Treasurer also did not provide any disbursement detail at the Board or membership meetings. The Treasurer reported at only two of 24 meetings in 2019 that "bills were paid as approved." Without detailed disbursement information and interim financial reports during the year, the Board or membership cannot ensure disbursements do not exceed approved limits.

For example, as shown in Figure 1, while \$30,000 was approved for membership recruitment and retention expenditures, the actual expenditures totaled \$90,587, exceeding the approved budget by 200 percent. While Board and membership meeting minutes indicated that executive coaching would continue along with an advisory team, we found no evidence the Board was aware of or approved the amount of these additional costs.



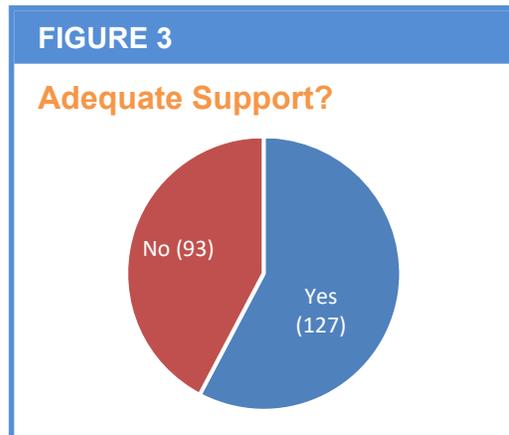
In addition to the lack of documented purchase approvals, there was also a lack of documented payment approvals. Neither the Board nor a designated claims audit committee reviewed or approved disbursement claims for payment. Although officers told us that, as the check signers, the President or Vice President and the Treasurer reviewed invoices, the majority of claims we tested did not have any documented approval and those that did had only one signature. While checks generally had two signatures, there was no indication that the check signers reviewed the supporting documentation.

We tested 220 disbursements totaling \$545,658<sup>2</sup> and found that 155 (70 percent) totaling \$190,160 did not have documented approval (Figure 2). These included 64 reimbursements, 31 of which were supported with the Department’s check request form, but none of the forms were signed by the Treasurer or Board in the available fields. Additionally, of the 65 with approvals, one (\$495) had an agreement signed and dated 13 days after payment, and eight totaling \$50,037 did not have dates with the signatures to verify they were approved before payment.



<sup>2</sup> See Appendix B for details on sampling methodology.

We also found a lack of adequate supporting documentation for 93 disbursements (42 percent) totaling \$92,605 (Figure 3). Documentation was insufficient, in part, because receipts or invoices were not itemized and/or did not identify the specific department purpose. The financial records sometimes included an additional description for the purpose of certain disbursements, such as recruitment advertising, banquet, or line officer drill, but this was not available with the claims for the President's or Vice-President's review when signing checks.



Many Department disbursements were for products and services that could be considered personal or questionable without approved policies outlining them as acceptable expenditures and a detailed claims audit process that requires adequate supporting documentation and documented approval. For example, disbursements were made for alcohol (holiday party, outgoing chief gift and social event), gift cards (generally for social event prizes), food (meetings, etc.), advertising (recruitment), glassware, golf balls and minor league baseball tickets (social events). While these expenditures appeared reasonable for various Department events, we were unable to verify that all purchases were for appropriate Department purposes, due to the lack of adequate documentation. Therefore, it is essential for the Board to require purchasers to document the business purpose and approve all expenditures prior to payment.

### **Certain Receipt Records Were Inadequate**

All recorded receipts were deposited for the three months tested.<sup>3</sup> However, the Treasurer, and other members who assisted with donations, did not issue receipts for money collected and did not maintain an itemized cash receipts journal or list of all amounts received along with the source and date received. Therefore, without sufficient information for the source of donation receipts, we were unable to determine whether all money received was recorded and deposited.

The financial records usually only showed a total donation amount deposited on a given date. The additional supporting documentation was also insufficient for certain non-online donations. While some supporting documentation for smaller deposits was sufficiently itemized,<sup>4</sup> the documentation for the larger donation

<sup>3</sup> See Appendix B for details on sampling methodology.

<sup>4</sup> Listing individual amounts received with the payer's name

---

deposits was not detailed. For example, the supporting documentation for the three large donation deposits made in January 2019 totaling \$24,458 listed one total amount for each deposit with the name listed as 'various'. While adequate record keeping may be more tedious during fund drives or donation periods, it is essential to keep detailed records of these donations that show they were all deposited timely and intact, because it would be easier during times of high-volume collections for errors or irregularities to occur without detection.

Because the Treasurer did not adequately account for all money received as required in the bylaws, there is an increased risk that collections could be lost or misused and not detected in a timely manner.

### **The Board Did Not Implement Essential Financial Software Controls**

The financial software did not have the necessary controls to maintain data integrity and deter inappropriate activity. The software allowed changes and deletions to transaction data, including voided transactions, deletions and adjustments to vendor names and disbursement and receipt amounts, without approval.

In addition, the Board did not use available software controls to safeguard records and resources. The two users of the financial software (the Treasurer and his assistant) shared one user account, with the same username and password, and had full access to the software. Although audit logs and activity reports were available in the financial software, no independent officer or Board member required the Treasurer to generate the logs for them to perform a routine, independent review of user access and activities logged within the software.

We reviewed the 2019 sequence of check numbers and found that the gaps in the sequence were due to 2018 dated checks out of sequence and voided checks.

The ability to alter, add or delete data increases the risk of inappropriate disbursements or funds that could be received, but not deposited or recorded. Additionally, without unique login credentials to link user accounts to specific individuals with properly authorized access rights, there is an increased risk of unauthorized or inappropriate activity. Further, when users share an account, accountability is diminished and any questionable system activity may not be traceable to a specific user.

### **What Do We Recommend?**

The Board should:

1. Amend the bylaws (for membership approval) or adopt sufficient supplemental financial policies and monitor and enforce compliance with all bylaw and policy provisions.

---

The Board did not use available software controls to safeguard records and resources.

---

- 
2. Require the Treasurer to provide annual and monthly financial reports to the Board and membership.
  3. Prepare, or require the Treasurer to prepare, and present to the members at the annual meeting, the statutorily required annual Directors' report.
  4. Consider ending the use of a debit card to lessen the risk of improper disbursements and instead comply with the credit card policy and authorized use of a Department credit card.
  5. Ensure a regular independent review of bank statements, canceled check images and reconciliations.
  6. Ensure all claims are audited, and have documented approval prior to payment and adequate supporting documentation.
  7. Ensure the Treasurer issues receipts for money collected and maintains adequate records with detailed support for receipts.
  8. Ensure that all financial software users have their own unique username.
  9. Consider implementing alternative software that provides adequate controls over changes and deletions, or implement compensating controls for software deficiencies, such as independent review of audit logs.

# Appendix A: Response From Department Officers

---



**Brighton Fire Department, Inc.**  
3100 East Avenue  
Rochester, NY 14610

March 10, 2021

Muni-Rochester@osc.state.ny.us  
Office of the New York State Comptroller  
Division of Local Government and School Accountability  
PSU-CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

RE: RESPONSE LETTER TO & CORRECTIVE ACTION PLAN FOR OSC EXAMINATION 2020M-132

Ladies/Gentlemen:

We appreciate the role of the Office of the State Comptroller (OSC) in its oversight and audit capacity, and believe it plays an important role in assisting non-profit volunteer-based organizations, such as ourselves, to minimize their internal financial risk by identifying opportunities for improved internal financial practices.

Our members' funds are managed by a team of our own active and retired volunteer firefighters who have pledged their time and lives to serve each other and our community, many of whom have careers in financial, technical, or business operations. Our funds primarily support our core programs of recruiting, training, equipping, and retaining volunteer firefighters who staff and respond alongside the paid firefighters of the Brighton Fire District when the public is in need. As volunteers, we expect the utmost integrity from each other in performing our community service and managing our internal operations. It is reassuring to learn the OSC audit identified no deliberate or overt misuse of funds by our volunteer membership. We will continue our long tradition of honorable stewardship of the members' funds, and, by extension, of the trust of the community at large who donate to our volunteer mission. More so, however, as honorable stewards of these funds, we are eager to improve our financial policies to minimize financial risks in the future based upon the OSC's professional recommendations.

On February 11, 2021, we received the OSC draft report on Board Oversight of Financial Operations. We appreciate the opportunity to have discussed it with you on February 16<sup>th</sup> at length. There are several policies our Board will implement based upon OSC's recommendations to provide greater oversight of financial operations to further safeguard funds.

[Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us) \* March 10, 2021 \* Page 1

Office of the New York State Comptroller, Division of Local Government and School Accountability  
RE: RESPONSE LETTER TO & CORRECTIVE ACTION PLAN FOR OSC EXAMINATION 2020M-132



Brighton Fire Department, Inc.  
3100 East Avenue  
Rochester, NY 14610

We would like to provide clarification in this area of the OSC draft report:

- *“No presentation of” ... “any interim financial information to the membership”* which appear on page 3, and *“limit[ing] the financial information provided to members”* and *“not ... present[ing] any interim financial information to the membership”* which appear on page 5:

All Board Members and Officers have recognized, and continue to recognize, that the financials of the organization are the business of the members of the organization, and, that any member is always welcome to review the financials with a Board Member or the Treasurer upon request.

Additionally, in conversation with OSC, the President and Treasurer provided detail as to a longstanding practice of not providing a handout of financial details to the 50-90 members and guests present during meetings, but rather a practice of providing projected spreadsheets of financial details onto two large projector screens during the twice-annual membership budget reviews, including a line by line question and answer session with the Board, President, Vice President, and Treasurer as to budget categories, budgeted amounts, spending within accounts, past budgeted vs. actual spending, etc. This practice is reflected in the minutes. It has always been our practice during these sessions to remind all members they are welcome to review the budget and spending personally with the Treasurer or any Board Member on an individual basis.

The intention of not printing 50-90 copies (for each member present) of detailed financial information (vs. projecting it and always having it available to members individually upon request) was to maintain privacy of the members' financial information relative to guests, and, relative to inadvertent disposal of printed documents by disinterested or careless members in a facility with many non-members, or beyond.

There has been no desire or policy to restrict access to the financial details of the members' funds or operations. However, as a result of our audit experience with OSC, we recognize that the members and the Board need more frequent and detailed reporting of financial information to minimize opportunities for fraud, theft, or abuse; that reporting will be implemented in our Corrective Action Plan. We have already taken some steps, via the new Internal Financial Controls Policy enacted on 12/21/20, to do so.

[Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us) \* March 10, 2021 \* Page 1

Office of the New York State Comptroller, Division of Local Government and School Accountability  
RE: RESPONSE LETTER TO & CORRECTIVE ACTION PLAN FOR OSC EXAMINATION 2020M-132



Brighton Fire Department, Inc.  
3100 East Avenue  
Rochester, NY 14610

Thank you for the opportunity to offer a clarifying statement as to that aspect of the OSC report.

As part of our Board's commitment to taking the OSC's advice seriously and desire to further safeguard funds, the Board took proactive, preliminary corrective actions – *prior to receiving the OSC draft report in February 2021* -- resulting from what it learned from OSC during the audit experience to that date. Those proactive, preliminary corrective actions appear in our policy document titled, "Internal Financial Controls Policy", adopted by resolution of the Board on 12/21/20 and shared with OSC later that week. Though developed proactively before OSC presented its draft report to us in February 2021, we believe that Policy proactively addressed many of the recommendations OSC has made on page nine of its draft report given to us in February 2021. That being said, however, there is room for improvement in our Internal Financial Controls Policy based upon subsequently receiving and reviewing the OSC's draft report in February 2021.

The thorough and professional examination, detailed conversation with us, and draft report dated February 2021 offered by OSC through this process yielded nine OSC recommendations to further safeguard funds. The Board takes these recommendations seriously. What follows is our Corrective Action Plan:

- **Recommendation 1** – *Amend the bylaws (for membership approval) or adopt sufficient supplemental financial policies and monitor and enforce compliance with all bylaw and policy provisions.*

**CAP:** The Board of Directors passed a resolution on December 21, 2020 which adopted supplemental financial policies ("Internal Financial Controls Policy") for the Board to monitor and enforce compliance. Additionally, as part of our commitment to lowering risk, the Board has voted affirmatively to developing an RFP for an independent accounting and/or legal firm to:

- Review our By-Laws, Internal Financial Controls Policy, and related documents and practices, including the OSC's report
- Propose new or revised documents concerning those items (and any other findings that may arise in their engagement with us) for the Board to take action on.

This has been assigned to the Board President, a Board Member, and Treasurer to completed before the Annual Meeting on December 9, 2021.

[Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us) \* March 10, 2021 \* Page 1

Office of the New York State Comptroller, Division of Local Government and School Accountability

RE: RESPONSE LETTER TO & CORRECTIVE ACTION PLAN FOR OSC EXAMINATION 2020M-132



Brighton Fire Department, Inc.  
3100 East Avenue  
Rochester, NY 14610

- **Recommendation 2** – *Require the Treasurer to provide annual and monthly financial reports to the Board and membership*

**CAP:** The Board of Directors passed a resolution on December 21, 2020 which adopted supplemental financial policies (“Internal Financial Controls Policy”) requiring the Treasurer to provide monthly financial reports to the Board. The Board will update this Policy to include annual financial reports to the Board, and both annual and monthly financial reports to the membership. This has been assigned to the Board President, a Board Member, and Treasurer to completed before the Annual Meeting on December 9, 2021.

- **Recommendation 3** – *Prepare, or require the Treasurer to prepare, and present to the members at the annual meeting, the statutorily required annual Directors’ report.*

**CAP:** The Board will update its Internal Financial Controls Policy to include preparation and presentation of the statutorily required annual Directors’ report to the members at the annual meeting. This has been assigned to the Board President, a Board Member, and Treasurer to complete on or before the Annual Meeting on December 9, 2021.

- **Recommendation 4** – *Consider ending the use of a debit card to lessen the risk of improper disbursements and instead comply with the credit card policy and authorized use of a Department credit card.*

**CAP:** The Board has reconsidered the implications of a debit card vs. credit card, and reaffirms the selection of a debit card for the narrow purposes defined by internal policies and needs. An existing Credit Card Policy will be replaced with a Debit Card Policy. Additionally, the Debit Card will be linked to an alternate account that maintains a relatively low balance vs. the current account which maintains a large balance. These actions have been assigned to the President, Treasurer, and a Board Member to complete on or before June 1, 2021.

- **Recommendation 5** – *Ensure a regular independent review of bank statements, canceled check images and reconciliations.*

**CAP:** We will be adding a provision to the Internal Financial Controls Policy a provision to ensure regular independent review of bank statements, canceled check images, and reconciliations. These actions have been assigned to the President, Treasurer, and a Board Member to complete before Annual Meeting on December 9, 2021.

[Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us) \* March 10, 2021 \* Page 1

Office of the New York State Comptroller, Division of Local Government and School Accountability

RE: RESPONSE LETTER TO & CORRECTIVE ACTION PLAN FOR OSC EXAMINATION 2020M-132



Brighton Fire Department, Inc.  
3100 East Avenue  
Rochester, NY 14610

- **Recommendation 6** – *Ensure all claims are audited and have documented approval prior to payment and adequate supporting documentation.*

**CAP:** A written Internal Financial Controls policy was created on December 21, 2020 effective January 1, 2021 that provides an audit process for claims, and a documented payment approval process for non de minimis payments.

- **Recommendation 7** – *Ensure the Treasurer issues receipts for money collected and maintains adequate records with detailed support for receipts.*

**CAP:** A written Internal Financial Controls policy was created on December 21, 2020 effective January 1, 2021 that provides an eleven-step process for receipts, including issuing receipts, record keeping, and supporting documentation.

- **Recommendation 8** – *Ensure that all financial software users have their own unique username.*

**CAP:** A written Internal Financial Controls policy was created on December 21, 2020 effective January 1, 2021 stipulating that [REDACTED] software is to be used for the accounting and that users are to have unique credentials to access it. The action of issuing unique credentials to each of the two users is complete.

- **Recommendation 9** – *Consider implementing alternative software that provides adequate controls over changes and deletions, or implement compensating controls for software deficiencies, such as independent review of audit logs.*

**CAP:** A written Internal Financial Controls policy was created on December 21, 2020 effective January 1, 2021 stipulating that [REDACTED] software is to be used for the accounting and we have confirmed it provide adequate control over changes and deletions. A revision to the Internal Financial Controls Policy will be made to include a review of the [REDACTED] audit logs. This action has been assigned to the President, Treasurer, and a Board Member to complete before the Annual Meeting on December 9, 2021.



**Brighton Fire Department, Inc.**  
3100 East Avenue  
Rochester, NY 14610

The active and retired volunteer firefighters who comprise this Board of Directors and Treasury have always taken, and will continue to take, seriously their fiduciary responsibilities and duties to be honorable stewards of the members' funds, and, of the confidence our donors place in us and our highly esteemed volunteer service organization. We appreciate the efforts of the OSC and the draft recommendations to help us further safeguard these funds as outlined in our CAP above. If you have any questions or further recommendations based upon this letter, please contact me immediately. Thank you for your professionalism and advice during this valuable engagement.

Respectfully,

Vincent A. Nolan  
President, Chairman of the Board

cc: VP, Secretary, Treasurer, and Directors

[Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us) \* March 10, 2021 \* Page 1

Office of the New York State Comptroller, Division of Local Government and School Accountability

RE: RESPONSE LETTER TO & CORRECTIVE ACTION PLAN FOR OSC EXAMINATION 2020M-132

## 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 Department officers and relevant District officials and reviewed bylaws, policies and Board and membership meeting minutes to gain an understanding of financial operations.
- We determined whether the Treasurer prepared and filed required annual financial reports, as well as monthly financial reports, and made them available to the Board and members.
- We reviewed all 2019 debit card transactions (34 totaling \$2,346) to determine whether the vendors were the types authorized in the credit card policy (such as recurring services). We also reviewed select supporting documentation and whether there were previous supported check disbursements to the same vendors to determine whether debit card transactions appeared to be reasonable Department disbursements.
- We used our professional judgment to select three months (January, February and June 2019) to compare recorded non-investment receipts with bank deposits and supporting documentation. Deposits for the three sample months totaled \$91,674, 81 percent of 2019 non-investment receipts.
- We reviewed bank account and investment statements to determine whether transfers and investment disbursements were for appropriate Department purposes.
- We determined whether the membership approved an annual budget and compared certain budgeted to actual line item amounts to determine whether expenditures were approved within the budget or had other documented approval.
- We used our professional judgment to select a sample of 220 check disbursements totaling \$545,658 from 2019 (67 percent of the 327 check disbursements and 81 percent of the total \$673,691). The sample included all 165 check disbursements from January through June and an additional 55 check disbursements that included larger dollar amounts and payments to members. We reviewed supporting documentation (such as invoices) to determine whether disbursements had adequate supporting documentation, documented approval, were approved prior to payment, and were for appropriate Department purposes.
- We reviewed 2019 check numbering and date sequences and followed up on gaps in the numbering sequence (such as voids).

---

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 written corrective action plan (CAP) that addresses the recommendations in this report and forward it 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 the CAP available for public review.

## Appendix C: Resources and Services

---

### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

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

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.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/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

Local Government and School Accountability Help Line: (866) 321-8503

---

**ROCHESTER REGIONAL OFFICE** – Edward V. Grant Jr., Chief Examiner

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: [Muni-Rochester@osc.ny.gov](mailto:Muni-Rochester@osc.ny.gov)

Serving: Cayuga, Chemung, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties



Like us on Facebook at [facebook.com/nyscomptroller](https://facebook.com/nyscomptroller)

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)