



Clarendon Fire Company

Financial Activities

2023M-50 | August 2023

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Report Highlights

Clarendon Fire Company

Audit Objective

Determine whether the Clarendon Fire Company (Company) cash receipts and disbursements were properly supported, approved, reported and recorded.

Key Findings

The Company's cash receipts and disbursements were not always supported, approved or recorded. Therefore, the Treasurer did not provide the Executive Board (Board) with sufficient information to monitor the Company's financial activity.

- Company officials did not always provide the Treasurer with sufficient information to record financial transactions.
- The Treasurer was not trained or made aware of his financial reporting duties and requirements.
- Officials did not maintain adequate supporting documentation for cash receipts, and fundraising cash receipts, totaling \$86,208, were not reported to the Board, as required.
- Credit card payments, totaling \$24,552, were not properly supported, recorded, or reported.
- The Treasurer paid credit card bills late. As a result, the Company incurred late fees and interest charges, totaling \$1,157.

Key Recommendations

Maintain detailed financial records for each fundraising event and hall rental activity and ensure credit card charges are supported by itemized receipts and invoices, and that credit card payments are made in a timely manner.

Company officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Company is a volunteer organization located in the Town of Clarendon in Orleans County. The Company is operated in accordance with its bylaws, which stipulate that the member-elected Board is responsible for the Company's overall financial management. The Board includes 11 members: a President, Vice President, Secretary, Treasurer, Chief, Deputy Chief and five Directors.

The Treasurer is responsible for maintaining the Company's accounting records and disbursing funds. The Secretary is responsible for collecting all Company money.

Quick Facts

2022 Active Members	23
Total Cash Receipts	\$347,278
Total Cash Disbursements	\$406,107
Cash Disbursements Reviewed	\$300,313
Not Adequately Supported Fundraising Deposits	\$23,181
Number of Not Adequately Supported Deposits	9

Audit Period

April 1, 2021 – October 11, 2022

Financial Activities

How Should Cash Receipts and Disbursements Be Supported, Approved, Reported and Recorded?

A fire company treasurer is responsible for ensuring all cash receipts are properly recorded, reported and deposited in a timely manner and that all money disbursed is approved, recorded, reported and for proper fire company purposes. The secretary should maintain adequate documentation and issue a receipt for all money collected, received, donated or raised regardless of the source (fundraiser or donation). In addition, cash collections from fundraising activities should be supported with adequate documentation such as the number of tickets sold, cash register tapes, ticket prices, the quantity of food and drinks sold, and prizes awarded to corroborate how much money should have been collected and deposited.

Cash disbursements should be approved by the board prior to payment and be supported by adequate documentation including itemized invoices or sales receipts detailing the goods or services provided, and sufficient information to determine whether the purchases were for proper company purposes. The Company's bylaws require the Treasurer to present all bills to the Board, but the Board should review and approve bills prior to payment to ensure that Company funds are used for only legitimate Company expenses. Checks are required to have dual signatures and be signed by the Treasurer and either the President or the Secretary.

According to the Company's bylaws, the Secretary is responsible for receiving Company money and providing the money to the Treasurer for deposit. The Treasurer is required by the bylaws to prepare a monthly report of deposits and disbursements for the Board to review. The Board should review these monthly reports to help ensure all money collected was properly accounted for and deposited, and all disbursements were for proper Company purposes, properly supported and approved. These reports are an important fiscal tool, which provides the Board with information necessary to monitor Company operations and gives other interested parties a summary of the Company's financial activities.

Cash Receipts Were Not Always Supported

We reviewed all deposits made during our audit period, totaling \$347,278, including 13 deposits from fundraising activities, 25 deposits from donations, and 22 deposits from hall rental activities, totaling \$124,879. Although cash collections were recorded correctly in the accounting records, officials did not maintain adequate supporting documentation or detailed records to corroborate the amount of cash that should have been collected and deposited from fundraising events and hall rental activities. We found deposits from the fire protection contract

A fire company treasurer is responsible for ensuring all cash receipts are properly recorded, reported and deposited in a timely manner. ...

(\$199,516), sale of a vehicle (\$13,000), foreign fire insurance (\$7,694) and insurance reimbursement (\$2,189) were properly supported by documentation.

Additionally, the Secretary did not receive or collect all Company money as required by the bylaws. Instead, multiple Company officials collected and deposited cash receipts, and the Treasurer used the deposit slips those officials provided to record the cash collections in the Company’s accounting records as revenue. However, the number of individuals collecting and depositing cash should be limited to as few officials as possible to increase accountability over cash collections and reduce opportunities for cash to be lost, stolen or misappropriated.

During our audit period, either the President or Secretary deposited revenues from the fire protection contract, donations, and other miscellaneous cash receipts. Each fundraising activity had a Board member assigned as chair of the event who deposited the event’s cash receipts. The President or the recreation hall manager deposited the hall rental and banquet event cash receipts. Because multiple officials were collecting and depositing cash collections, it could be more difficult to hold a particular individual accountable if cash collections were lost or stolen.

Fundraising Activities – Approximately \$55,000 was deposited for all 13 fundraising activities we reviewed, and nine of the fundraising deposits, totaling \$23,181, were not adequately supported (Figure 1). Company officials typically wrote on the deposit slip which fundraising event the cash receipts were from, but other than for the annual gun raffle, they did not maintain detailed records to substantiate the amount of cash collected from the events.

Figure 1: Support for Fundraising Activities

Cash Receipts			
Activity	Recorded	Supported	Not Supported
Steak Dinners	\$23,537	\$16,675	\$6,862
Gun Raffle	15,182	15,182	0
Turkey Raffle	7,952	0	7,952
Youth Group Fundraiser	6,348	0	6,348
Pull-tabs	2,019	0	2,019
Total	\$55,038	\$31,857	\$23,181

Both the President and the Treasurer told us that either the President or the recreation hall manager prepared deposit worksheets for all fundraising or hall rental activities held at the recreation hall. The deposit worksheets included the cash receipt date and amount, and the deposit date and amount. However, we found that they were not consistent with this practice:

-
- Gun raffle cash receipts were supported by detailed reports, which included the amounts collected and related expenses,
 - For three of the four steak dinners, Company officials prepared a deposit worksheet to document the cash receipts, and
 - For all other fundraising event collections, including the turkey raffle, youth group fundraiser and pull-tabs, a deposit receipt was the only supporting documentation maintained.

With the exception of the gun raffle, these activities were not supported with documentation such as the number of tickets sold, cash register tapes, ticket prices, the quantity of food and drinks sold, prizes awarded, etc. to document how much money should have been collected. Without sufficient documentation to support cash collections, the Treasurer cannot ensure that all cash collected was deposited and recorded.

Hall Rental Activities – We reviewed 22 deposits, totaling \$31,170, from the following activities: banquet events, bar sales and other hall rentals. Although hall rental activities were generally recorded correctly in the accounting records, with the exceptions noted below, officials did not maintain adequate supporting documentation.

- For bar sales, the President or the recreation hall manager prepared a deposit worksheet for each deposit but did not retain daily cash collection records or cash register tapes to support sales, totaling \$7,939,
- No supporting documentation was maintained for three banquet events, totaling \$11,397. In addition, we noted that one banquet deposit for \$7,600 was recorded incorrectly as fundraising revenue, and
- Company officials did not prepare a deposit worksheet for six of the other hall rentals, totaling \$6,938.

The Company bylaws required the Treasurer to provide the Board with a monthly report including all deposits and disbursements. However, the Treasurer did not provide the Board with complete reports. For example, none of the cash receipts from fundraising activities, totaling \$55,038, or hall rental activities, totaling \$31,170, was reported in the Treasurer's report to the Board. Because the Treasurer's monthly reporting to the Board was not complete or accurate, the Board would not be able to properly monitor cash collections or fundraising activities.

The Treasurer indicated the Board did not request this information and that he was not aware of these requirements and that he has never reported this information to the Board. He also told us that he was not an accountant and did not take training in these areas. Because Company officials did not maintain adequate supporting documentation for cash collections, the Board cannot ensure

...[T]he
Treasurer did
not provide
the Board
with complete
reports.

that all cash collections were properly accounted for and deposited. When there is limited accountability for cash collections, there is an increased risk that money could be lost or misappropriated without detection.

Disbursements Were Not Always Supported or Approved by the Board

We reviewed a sample of 124 disbursements, totaling \$300,313.¹ While the majority of the 119 disbursements, totaling \$296,013, were adequately supported and for proper purposes, we identified five payments, totaling \$4,300, that were made without any supporting documentation or the Board's approval as follows:

- Two payments, totaling \$2,750, for catering events,
- One \$1,000 payment for a band which played at a steak dinner fundraising event,
- A \$150 payment for a disc jockey who performed at a banquet event, and
- A \$400 payment to a Company member for helping set up Halloween decorations for a haunted hayride at the end of October 2021. The Treasurer indicated that the Company member was reimbursed for his materials and time; however, there was no documentation for how the amount was determined or for the Board's approval of this payment.

The Treasurer told us that he prepared blank checks for the banquet events, but he did not know the disbursement amounts until the President told him. The President told us that he discussed with the recreation hall manager to decide the payment amounts at the end of banquet nights. When disbursements are made without proper authorization and appropriate documentation, the risk is increased that payments could be made for other than legitimate Company purposes.

In addition, we reviewed 27 credit card disbursements and all 252 credit card purchases, totaling \$55,890, and found 100 purchases, totaling \$24,552, were not adequately supported by itemized receipts or invoices. For example, the President purchased an outdoor illuminated sign for \$2,185 in April 2022 and the Treasurer purchased a laptop for \$1,100 in August 2021, but no invoice or receipt for either purchase was attached to the credit card statements. Although these purchases were for valid Company purposes, Board members did not have sufficient information to make this determination when the bills were presented to the Board for approval.

¹ Refer to Appendix B for our sampling methodology.

Additionally, the Company incurred and paid unnecessary late fees and interest charges, totaling \$1,157, because the Treasurer paid the credit card bill late 14 times during our 18-month audit period. The Treasurer told us that the payments were late because he had a busy schedule, and he did not receive supporting documentation for credit card purchases from officials in a timely manner. Several Company officials, including the Chief, Board President and another Board member told us that they were not aware of the late fees and interest charges except for one isolated event related to the gun raffle.

The Treasurer performed all aspects of the disbursements process including preparing and signing checks, transferring funds electronically between bank accounts, recording disbursements and reconciling the bank accounts. Due to this lack of segregation of duties, it is important that the Company's bylaws, which provide for compensating controls like dual check signatures and Board audit and approval of disbursements, are followed. Although the bylaws require a dual signature on all checks by the President or Secretary, the Treasurer used a signature stamp to add the President's signature to checks; therefore, the President did not actually countersign these disbursements. In addition, the Treasurer did not provide the Board with a list of bills and supporting documentation for the Board's review and approval each month. Instead, he gave the bills and supporting documentation to one Board member who the Treasurer selected each month. Therefore, the Treasurer's cash disbursement activities were not monitored by the President, Secretary, or the Board to ensure that all cash disbursements were appropriate and for proper Company purposes.

Because the Board did not oversee the Treasurer or review the Company's bills prior to payment, disbursements were not always supported or approved and there is an increased risk that payments could be made for improper purposes and not be detected. Also, when the Treasurer did not make disbursements in a timely manner, the Company incurred unnecessary expenses, which is a form of wasteful spending and reduces the financial resources available for appropriate Company expenses.

What Do We Recommend?

The Board should:

1. Provide oversight of the Treasurer's responsibilities to ensure they are fulfilled, including the preparation of comprehensive monthly reports, which include all cash receipts and disbursements to assist the Board in monitoring financial activity.
2. Require either the President or the Secretary to review and sign all checks.
3. Require Company officials including Board members, Treasurer, and Secretary to attend applicable and beneficial training sessions to obtain

...[T]he
Treasurer
paid the
credit card
bill late 14
times during
our 18-month
audit period.

a better understanding of their duties. Training provided by OSC can be found at: www.osc.state.ny.us/localgov/academy/index.htm.

4. Review and approve bills before payment. The review should ensure that each bill and disbursement has detailed supporting information and is for a proper use of Company money.
5. Require officials to provide supporting documentation for disbursements and credit card charges in a timely manner and require the Treasurer to pay the credit card bill on time to avoid interest and late fees.

The Treasurer should:

6. Maintain detailed financial records for each fundraising event indicating, at a minimum, the start-up money provided, receipts from each event activity, amounts disbursed (with supporting documentation), and the net proceeds deposited. Such records should include the amounts of food and beverages sold, consumed, and left over at each fundraising event.
7. Not prepare blank checks and only prepare checks for which he has authorization and adequate supporting documentation.
8. Prepare a monthly report of deposits and disbursements for the Board to review to help ensure all cash receipts are properly accounted for and deposited in full and all disbursements are for proper Company purposes.
9. Make credit card payments in a timely manner, and review the credit card late fees and interest charges identified in this report to determine whether some of these fees can be refunded.
10. Ensure credit card charges are supported by itemized receipts and invoices.

The Secretary should:

11. Collect all Company funds and cash receipts as required and issue duplicate consecutively numbered receipts or maintain some other documentation to document the source, date received, amount, payment type and purpose for all Company funds collected.

Appendix A: Response From Company Officials



Clarendon Fire Company, Inc.

Post Office Box 136
Clarendon N.Y. 14429

NY State Comptroller
Division of Local Government and School Accountability
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

July 20, 2023

Re: Financial Activities Report of Examination 2023M-50

As President of the Clarendon Fire Company, Orleans County, NY, I would like to express deep gratitude to the NYS Comptroller's Office for the examination of company financial activities and processes. The full membership of the company provides the best possible service to the citizens of Clarendon. The company is a fully volunteer organization. The examination process exposed to leadership processes that posed a risk to company finances and initiated necessary changes.

The Clarendon Fire Company fully agrees with the findings of the report and has already implemented new policies and procedures to rectify deficiencies.

The main mission of the company is to provide fire and emergency medical service to the Town of Clarendon and surrounding communities. The administration of the company is fully volunteer. All civil officers are elected by members in good standing and are selected by their willingness to hold the position and being the person with the most aptitude for the position.

The Treasurer is not a trained accountant and was only trained for the position by learning "on the job". All procedures were passed along from treasurer to treasurer through the years. Any procedure that put the company at risk were completely unintentional out of ignorance of best practices.

Reporting of deposits to the membership was not always clear, even when the recording of the deposits was accurate. Again, this was caused by a "this is how we always done it" attitude and ignorance of any other way to do things.

During the examination, the company implemented changes as questions were asked of the leadership and risks/deficiencies were exposed. The Clarendon Fire Company has already made the following changes to policies/procedures:

1. A new requisition system (online) has been implemented. The requisition system cleans up the process of purchasing from the point of request to the approval process, to the receipt of the product/service, to payment.

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2. Credit card purchases and payments are under much tighter scrutiny and control. Documentation is required and approval as outlined above.
 3. All Youth Group finances will be transferred to the Holley Central School district and no longer under the control of the Clarendon Fire Company.
 4. Changes in the reporting of deposits to the membership and storage of deposit documentation.
 5. Changes in procedures related to start-up cash.

The Clarendon Fire Company is committed to more complete training of the Treasurer and the constant improvement of procedures.

In conclusion, as President, on behalf of the full membership, the Clarendon Fire Company appreciates the work of the examiners and the Office of State Comptroller for completing this report and assisting the company in minimizing risk.

Kerry McCormack
President, Clarendon Fire Company, inc.

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 Company officials and reviewed bylaws, Board meeting minutes, fundraising records, and accounting records to obtain an understanding of the Company's operations.
- We reviewed all 65 deposits, totaling \$347,278 (excluding bank account transfers between Company accounts), made from April 1, 2021 through August 31, 2022. We compared the deposits to the accounting records and supporting documentation to determine whether collections were properly deposited, accurately recorded, adequately supported, and reported to the Board. This included 22 deposits from hall rental activities, totaling \$31,170.
- We reviewed all 13 fundraising events, totaling \$55,038, to determine whether they were properly accounted for, accurately recorded and supported and that proceeds were deposited intact.
- We used our professional judgment to select a sample of 44 disbursements, totaling \$215,737; we selected all disbursements made to vendors over \$1,000 during the period April 1, 2021 through August 31, 2022. We reviewed the bank statements and canceled check images and traced the sample of disbursements from the bank statements and canceled check images to the supporting documentation to determine whether the disbursements made to vendors were properly recorded, supported and Board-approved. We discussed any discrepancies with Company officials.
- We used our professional judgment to select another sample of 53 disbursements, totaling \$28,686, that included all disbursements made to individuals and over \$50, during the period April 1, 2021 through August 31, 2022. We traced these disbursements from canceled check images to supporting documentation to determine whether the disbursements made to individuals were properly recorded, supported and Board-approved. We discussed any discrepancies with Company officials.
- We reviewed all 27 credit card payments, which included 252 purchases, totaling \$55,891, made during the period April 1, 2021 through August 31, 2022 to determine whether the purchases were supported and for proper Company purposes, and the payments were made in a timely manner to avoid any late fee or interest charges.

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 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/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

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

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

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/files/local-government/publications/pdf/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

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

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

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Contact

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Division of Local Government and School Accountability
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www.osc.state.ny.us/local-government

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

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