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November 7, 2014

Dale Parrish, President
Members of the Fire Council
East Aurora Volunteer Fire Department, Inc.
575 Oakwood Avenue
East Aurora, NY 14052

Report Number: 2014M-247

Dear President Parrish and Members of the Fire Council:

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 East Aurora Volunteer Fire Department, Inc., (Department) which addressed the following question:

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

The results of our audit have been discussed with Department officials and their comments, which appear in Appendix A, have been considered in preparing this report. Department officials agreed with our findings and indicated they planned to initiate corrective action.

Background and Methodology

The East Aurora Volunteer Fire Department, Inc., is located in the Village of East Aurora (Village) in Erie County. Department firefighting needs are budgeted annually and funded by Village taxpayers. Funds for non-firefighting purposes are received through Department fund-raising efforts and other activities. The Department's 2013 revenues totaled \$115,144 and expenses totaled \$101,658.¹

According to Department bylaws, a 13-member Fire Council (Council) is responsible for the Department's overall financial management. The Department membership appoints a Treasurer² who acts as the Department's chief fiscal officer.

¹ The Department's revenues included foreign fire insurance (\$26,514), donations (\$59,964), hall and field rentals (\$5,567) and miscellaneous (\$23,099). Expenses included fund-raising (\$21,549), refreshments, awards and parties (\$21,666), Firemen's Field events (\$13,547) and miscellaneous (\$44,896).

² The person holding the Treasurer position during our audit period passed away in April 2014. The President has since assumed some of the Treasurer's duties on a temporary basis until a new Treasurer can take office.

We examined the internal controls over the Department's financial operations for the period January 1, 2013 through June 6, 2014. We interviewed appropriate Department officials and reviewed financial records and Council 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 Council is responsible for overseeing the Department's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Council 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. For example, the Council should approve claims prior to payment and subsequently compare canceled check images with the paid bills to ensure that Department funds are used for only legitimate Department expenses.

The Treasurer is responsible for collecting and depositing Department funds, disbursing and accounting for those funds and furnishing reports at regular Department meetings. The Treasurer is also responsible for recording financial transactions and reconciling the bank statements with the accounting records. The Treasurer performs all these duties with little Council oversight. For example, the Council does not approve claims prior to payment by the Treasurer. Furthermore, the Treasurer is the Department official who signs checks and the canceled check images are not included with the bank statements.

We found that the Treasurer did not prepare adequate monthly reports. Our review of Council minutes disclosed that the Treasurer's monthly financial reports consisted of a listing of Department bank account balances. However, the bylaws require the Treasurer to keep a complete record of all funds received and disbursed and furnish a report showing this activity at the Department's regular meetings.

While there was also evidence that non-Council Department members performed an annual audit of the Treasurer's records, it would be difficult to perform a thorough audit without the benefit of the canceled check images to review.

Further, for the Department's ox roast fund-raiser held in 2013,³ the event's committee chairman told the President that he did not maintain an accountability of ticket sales. Without this accountability, the Council could not determine if the deposits made for ticket sales were accurate.

Finally, because the Council did not approve claims prior to payment, we reviewed all 271 checks listed in the 2013 check disbursement ledger totaling \$100,158 and the claims associated with these checks. We also compared the canceled check images, which we obtained from the bank, with the check disbursement ledger for all 17 claims paid in April 2013, totaling \$4,148.

Our testing revealed no significant discrepancies and we found that the disbursements reviewed were supported with appropriate claims documentation, properly recorded and agreed with images of the checks used to pay these claims. We discussed other minor deficiencies with Department officials while conducting our fieldwork. However, when claims are not approved before

³ The attendees at this event purchased press-numbered tickets for food and beverages. The Department financial report for this event indicated that fund-raising revenue totaled \$19,693 and fund-raising expenses totaled \$17,100, for a profit of \$2,593.

disbursements are made and thorough annual audits are not conducted, there is an increased risk that errors, irregularities or fraud could occur.

Recommendations

1. The Council should strengthen its oversight of Department financial activities by approving claims prior to payment, ensuring that the audit committee obtains and compares canceled check images to paid bills when conducting its audit and requiring an accountability for revenues from fund-raisers.
2. The Treasurer should furnish monthly reports to the Council that indicate funds received and disbursed as required by the bylaws.

The Council 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 Council to make this plan available for public review.

We thank the officials and staff of the East Aurora Volunteer Fire Department, Inc., for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DEPARTMENT OFFICIALS

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



EAST AURORA FIRE DEPARTMENT

EAST AURORA, NEW YORK 14052
BUSINESS - PHONE: 716-652-8200

CAZENOVIA FIRE CO.
CHEMICAL ENGINE CO.
EAST END ACTIVE HOSE CO.
PIONEER HOOK & LADDER CO.

October 22, 2014

Jeffery D. Mazula, Chief Examiner
Office of the State Comptroller, Buffalo Regional Office
295 Main Street, suite 1032
Buffalo, NY 14203-2510

Re: OSC Report for the East Aurora Fire Department

Dear Jeffery,

We acknowledge receipt of your report number 2014M-247, draft report of your OSC audit and respond as follows:

The background and methodology section appears reasonable and accurate.

The audit results draft has content stating audit observations and constructive internal controls. Where practical it is our intent to promptly implement recommended solutions. Part of our changes may take more collective thought and could be subject to a short trial period subject to change. The Fire Council shall describe the details in our action plan report (CAP).

In conclusion it is our intent to comply to the best of ability the spirit of this audit to provide additional safeguards dealing with risk assessment of our financial operations. We look forward to bringing the time and effort spent to a satisfactory conclusion for us all.

Sincerely,

Dale A. Parrish. President
EAST AURORA FIRE DEPARTMENT

Cc: EAFD Council members.