

# McLean Fire Department

## Financial Operations

**MAY 2018**



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

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# Report Highlights

## McLean Fire Department

### Audit Objective

Determine whether Department officials provided adequate oversight of financial activities to ensure that resources were properly safeguarded.

### Key Findings

- Cash controls over fundraising activities need to be improved to ensure that amounts collected are properly recorded and deposited.
- The membership did not approve all disbursements as required by the bylaws.
- Department officials did not provide adequate oversight of the Treasurer's duties.

### Key Recommendations

- For money collected at fundraising events use: cash reporting forms to document and certify revenue collected and tickets or duplicate receipts to track revenue.
- Ensure the membership approves all disbursements as required by the bylaws.
- Periodically review bank statements, canceled check images and bank reconciliations.

Department officials disagreed with certain aspects of our recommendations in our report, but indicated they planned to implement some of our recommendations. Appendix B includes our comment on an issue raised in the Department's response letter.

### Background

The McLean Fire Department (Department) is located in the Town of Groton in Tompkins County. The Department provides fire protection and other emergency services to the McLean Fire District residents.

The Department is composed of volunteer members (membership) and is governed by a Board of Directors (Board) and its adopted bylaws. Annually, the members elect a President, Treasurer and Secretary.

The Board and the membership are responsible for overseeing Department fiscal activities and safeguarding resources in accordance with the bylaws. The Treasurer is the chief fiscal officer responsible for receiving and maintaining custody of all Department funds and disbursing and accounting for those funds.

#### Quick Facts

2017 Revenues	\$48,650
2017 Expenses	\$41,006
Members	40

### Audit Period

January 1, 2016 – December 20, 2017

# Financial Operations

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## How Should Cash Be Accounted For?

To fulfill its oversight responsibilities, it is essential the Board and membership establish controls to ensure that cash is properly handled. Individuals involved in fundraising activities are responsible for accounting for and remitting all money collected to the Treasurer.

According to the bylaws, the Treasurer is required to keep an accurate accounting of all receipts and report fundraising activity to the Board. To increase accountability over cash received from fundraising activities, two members should count and certify the amounts collected on cash reporting forms. To provide for further cash accountability, formal procedures should be developed that enable officials to determine whether the amounts collected are reasonable. Officials should also compare amounts collected to the Treasurer's deposits to ensure all money received is properly deposited.

## Cash Handling Procedures Need to Be Improved

The Department holds various fundraising activities throughout the year, including barbecues, fish fries, a carnival and a turkey dinner. During our audit period, Department officials held 26 fundraising events. While two members counted cash collected at fundraisers, they did not record and certify the amounts collected on cash reporting forms before submitting money to the Treasurer. Further, Department officials did not use tickets or any other form of receipt to track sales at fundraisers. Although the Treasurer periodically reported revenues from fundraisers at monthly meetings, Department officials did not compare amounts reported to the Treasurer's deposits.

We reviewed profit and loss statements and tested 23 deposits totaling \$23,688 for six fundraisers<sup>1</sup> for reasonableness. We found that most of these fundraising activities were profitable, and the corresponding bank deposits were reasonable compared to the revenue reported. We also reviewed the revenue reported to determine if amounts appeared reasonable and found that they were. However, because of the lack of adequate supporting documentation for fundraising activities, we were unable to determine if all money collected was properly recorded and deposited into a Department bank account. As a result, the Board and membership cannot be certain that all fundraising money collected is properly recorded and deposited.

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<sup>1</sup> See Appendix C for information on our sampling methodology.

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## **How Should the Department Approve Disbursements?**

It is essential that the Board and the membership establish controls to ensure that disbursements are properly authorized. Department officials must segregate duties to ensure that no individual controls all aspects of the disbursements process. If this is not possible, they should implement compensating controls such as reviewing bank statements and cancelled check images.

The bylaws give the Board responsibility for making purchase recommendations to the membership. However, the Board is not authorized to approve purchases because that responsibility rests with the membership. The bylaws require that all bills (except for utilities) be recorded on vouchers signed by the President and approved by a majority of the membership present at the meeting before payment is made.

## **Controls Over the Cash Disbursements Process Need to Be Improved**

The Treasurer performs nearly all aspects of the cash disbursements process. His duties include creating and signing checks, recording transactions and reconciling the bank accounts. While the membership approved purchases deemed substantial based on the Board's determination, the membership did not approve any other purchases. Contrary to the bylaws, the Board approved the remaining purchases. Additionally, officials did not use vouchers as required by the bylaws. Furthermore, officials did not provide adequate oversight of the Treasurer's duties by reviewing bank statements and cancelled check images.

This occurred because the Board and membership did not segregate the Treasurer's duties or implement compensating controls, such as supervisory or other oversight procedures designed to reduce the risks of errors not being detected. Department officials told us that they have not used vouchers in a very long time and were unaware of the voucher requirement in the bylaws. Officials further told us that they plan to review and update the bylaws in 2018.

We tested 22 disbursements totaling \$15,301 to determine whether they were for legitimate purposes. We included the largest purchases and payment to company officials in our sample. While the majority of the disbursements were adequately supported and for proper purposes, eight disbursements totaling \$6,348 lacked adequate support. However, based on the vendor and purchase descriptions and discussions with Department officials, these purchases appeared to coincide with approved fundraisers.

While we found no evidence of fraud, without proper oversight of the Treasurer's duties, there is an increased risk that erroneous disbursements could be made and remain undetected. Therefore, the Board and membership cannot be certain that funds are used solely for legitimate purposes.

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## What Do We Recommend?

The Treasurer should:

1. Use cash reporting forms to document and certify cash collected at fundraising events.

The Board should:

2. Bring all disbursements to the membership for approval as required by the bylaws.
3. Periodically review bank statements, canceled check images and the Treasurer's bank reconciliations.

The Board and membership should use:

4. Tickets or duplicate receipts to track revenue collected at fundraisers.
5. Vouchers for disbursements as required by the bylaws.

# Appendix A: Response From Department Officials

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## McLEAN FIRE DISTRICT

2 STEVENS ROAD, P.O. BOX 222

McLEAN, NEW YORK 13102

Jerry McConnell  
Chairman, Board of Directors  
McLean Fire Department  
2 Stevens RD  
McLean, NY 13102  
(607) 838-3700

May 9, 2018

  
Office of the State Controller  
Division of Local Government & School Accountability  
State Office Building  
Suite 1702  
44 Hawley Street  
Binghamton, New York 13901-4417

Dear 

Please consider this letter to be the official Audit Response and Corrective Action Plan in response to the recently completed Audit of the financial operations of the McLean Fire Department. The Board of Directors agree with 2 of the 3 Key Findings of the Audit:

See Note 1 Page 8
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- Cash controls over fundraising activities need to be improved to ensure that amounts collected are properly recorded and deposited.
- Department officials did not provide adequate oversight of the Treasurer's duties.

The third finding states that: The membership did not approve all disbursements as required by the bylaws. Page 11 of the department bylaws state that all EQUIPMENT expenditures must be approved by a majority vote at the regular monthly membership meeting. We do not dispute there may not be sufficient evidence that all equipment purchases were approved by the membership.

We agree with 2 of the 3 Key Recommendations of the Audit:

- For money collected at fundraising events use: cash reporting forms to document and certify revenue collected and tickets or duplicate receipts to track revenue.
- Periodically review bank statements, canceled check images and bank reconciliations.

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## McLEAN FIRE DISTRICT

2 STEVENS ROAD, P.O. BOX 222

McLEAN, NEW YORK 13102

Since our bylaws do not state that all disbursement must be approved by a majority vote of the membership, we do not agree with the Recommendation that: Ensure the membership approves all disbursements as required by the bylaws.

See  
Note 1  
Page 8

Our Corrective Action Plan in regard to the Key Findings are as follows:  
Corrective Action Plan

Unit Name: McLean Fire Department

Audit Report Title: Mclean Fire Department Financial Operations Report of Examination

Audit Report Number: 2018M-40

**Key Recommendation:** For money collected at fundraising events use: cash reporting forms to document and certify revenue collected and tickets or duplicate receipts to track revenue. For all Fundraising events, The McLean Fire Department Treasurer shall receive a voucher from the fundraiser coordinator detailing the Total Amount collected and a tabulation of the Total Number of event participants by classification (Senior, Adult, child, etc.). The voucher will be signed by the fundraiser coordinator and the Treasurer. The tabulation of the Total Number of event participants will be facilitated by either tickets bring issued to the participants or by a mechanical tabulator.

These changes will be implemented by June 1, 2018 by the McLean Fire Department Treasurer.

**Key Recommendation:** We disagree with the recommendation that: Ensure the membership approves all disbursements as required by the bylaws. We do commit to: Ensure that that all equipment expenditures must be approved by a majority vote at the regular monthly membership meeting. The approval of any equipment purchases shall be recorded in the official Fire Department monthly meeting minutes by the Secretary of the Department This change will be implemented by June 1, 2018 by the McLean Fire Department Board of Directors.

See  
Note 1  
Page 8

**Key Recommendation:** Periodically review bank statements, canceled check images and bank reconciliations. The McLean Fire Department Board of Directors will periodically review bank statements, canceled check images and bank reconciliations at regularly scheduled Monthly meetings of the Board of Directors. The Board of Directors shall commit to a minimum of 4 review sessions per Department calendar year.

These changes will be implemented by July 1, 2018 by the McLean Fire Department Board of Directors.

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**McLEAN FIRE DISTRICT**  
2 STEVENS ROAD, P.O. BOX 222  
McLEAN, NEW YORK 13102

Respectfully yours,

Jerry W. McConnell  
Chairman, Board of Directors  
McLean Fire Department

# Appendix B: OSC Comment on the Department's Response

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## Note 1

According to the bylaws (Section X), the Treasurer shall pay all bills against the organization when authorized at a regular, annual or special meeting.

## Appendix C: Audit Methodology and Standards

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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 officials and reviewed bylaws, Board minutes and membership meeting minutes to gain an understanding of financial operations and oversight of the Treasurer's activities.
- We reviewed all bank statements and check images for the audit period for unusual transactions during our audit to determine whether transfers between bank accounts were accounted for.
- We judgmentally selected the four highest-earning fundraisers from the 26 fundraisers that occurred during our audit period and compared their profitability to assess reasonableness. We also randomly selected one additional fundraiser for each year and traced all selected fundraisers' revenues reported on the profit and loss statement to deposits in the bank statements to assess reasonableness.
- We judgmentally selected the largest non-transfer check disbursed from each bank statement issued during our audit period and checks made out to Department officials and tested the resulting 22 disbursements to determine whether they were adequately supported and for proper purposes.

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 relevant population size and the sample selected for examination.

The officials have the responsibility to initiate corrective action. We encourage officials to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

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

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

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

[www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf](http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

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

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

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