

Community Fire and Rescue, Inc.

Financial Activities

SEPTEMBER 2019



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

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Report Highlights

Community Fire and Rescue, Inc.

Audit Objective

Determine if Company officials ensured financial activity was properly recorded and reported, and money was safeguarded.

Key Findings

- Credit card purchases lacked supporting documentation to validate they were for business purposes.
- Fundraising activities lacked adequate recording and reporting and cash was not safeguarded.
- The Board-required audit of the Treasurer's books was deficient.

Key Recommendations

- The Board should create a credit card use policy that details acceptable use and requires supporting documentation for purchases.
- The Board should establish controls for handling cash at fundraising events, create fundraising reports, and require timely deposits of fundraising money.
- The Board should ensure an adequate audit of the Treasurer's books is performed, in compliance with Company bylaws.

Officials agreed with our recommendations and indicated they have begun implementing corrective action.

Background

The Community Fire and Rescue, Inc. (Company) is a not-for-profit organization that provides fire protection and emergency rescue services to residents in the Town of Van Etten in Chemung County and the Town of Cayuta in Schuyler County (Towns) pursuant to a contract.

The Company is governed by its adopted bylaws and a seven-member Executive Board (Board). The Board is responsible for the Company's general management and oversight. The Company's primary sources of revenues are fire protection contracts and fundraisers.

Quick Facts

2018 Revenues	\$184,105
2018 Expenses	\$184,298
2018 Active Members	32
Area Covered	52 square miles

Audit Period

January 1, 2017 – May 7, 2019

Financial Activities

What is Effective Oversight?

To effectively manage company operations, good management practices require a board to establish policies, procedures and clearly defined bylaws to ensure that transactions are properly recorded, collections are deposited intact and bills are approved before payment. The board is responsible for overseeing the company's financial activities and safeguarding its resources. An important aspect of this responsibility is to provide a process to routinely monitor and review the work performed by those who handle money as part of their duties. It is also essential that officials ensure all receipts, including cash received for fundraising activities, are properly recorded, accurately reported and promptly deposited and disbursements are made only when authorized by the board for proper and valid expenditures.

Credit Card Purchases Were Uncontrolled and Lacked Support

During 2017 and 2018, Company officials made 717 disbursements totaling \$378,805, of which 468 were credit card purchases totaling \$48,985 (13 percent). Credit cards were issued to five Company officials with individual credit limits between \$1,000 and \$3,000.¹ However, the Board did not adopt a credit card or procurement policy to provide guidance as to the use of credit cards. Officials made purchases with no prior authorization and their spending was unchecked. As a result, Company officials were unable to pay off the monthly credit card balance from July 2017 through December 2017² because funds were limited and available funds were needed for a debt payment due in August 2017. During the six-month period, interest and late and over credit limit fees totaled \$781. The lack of credit card and procurement policies, coupled with Company officials making unchecked credit card purchases, resulted in overspending.

In addition, we found 212 of the 468 credit card purchases totaling \$24,089 (49 percent) lacked adequate supporting documentation, such as a detailed receipt or invoice. Although the Board approved the payment of the monthly credit card statement, they had no assurance that credit card purchases were for appropriate Company purposes. We supplied a list of the unsupported credit card purchases to Company officials, who provided us with supporting documentation for 63 credit card purchases totaling \$6,804 (28 percent). We also obtained supporting documentation directly from the vendor for an additional 21 purchases totaling \$7,423 (31 percent). It appears that the 340 credit card purchases with supporting documentation were appropriate Company expenditures. However, we could not determine if the remaining 128 unsupported purchases totaling \$9,862 (41

1 The five individual credit card limits totaled \$8,500, while the overall account limit was \$6,000.

2 The monthly credit card balance ranged from \$2,815 to \$7,439.

percent) were appropriate. Without supporting documentation for all credit card purchases, there is a risk that purchases made were for personal use and were not for legitimate Company business.

Fundraising Activities Lacked Reporting and Cash Was Not Safeguarded

To supplement money received from fire protection contracts with the Towns, donations and foreign fire insurance proceeds, the Company engages in various fundraising activities such as an annual chicken barbecue, and various raffles including a gun raffle and a boot drive. Because the Company's bylaws are silent regarding fundraising activities and there are no cash receipts policies or procedures, reports were not prepared for all activities. For example, there were no records indicating the starting and ending ticket numbers for the gun raffles or the number and type of chicken dinners sold, and members did not certify amounts collected on cash reporting forms before submitting money to the Treasurer. In addition, fundraising expenses were not adequately recorded, so we could not determine the fundraisers' associated costs. Because the records and controls were inadequate or lacking, we could not determine how much the Company received from each event. Furthermore, we could not apply alternate procedures, such as comparing the amount of chicken purchased to the amount sold to determine if recorded receipts were reasonable. With no accountability for fundraising money, there is an increased risk that funds could be lost or stolen without detection.

The Treasurer Did Not Make Timely Fundraising Deposits

During our routine cash count on December 11, 2018, we observed cash in labeled and unlabeled envelopes in the President's office. The President and Treasurer told us that the cash was from member dues, holiday event donations, a gun raffle and a bake sale. Because the Treasurer did not timely deposit these receipts, we reviewed all 33 fundraising deposits totaling \$20,126 and found 28 deposits (85 percent) totaling \$16,478 were deposited an average of 35 days after the event. Untimely deposits increase the risk that money will become misplaced, lost, stolen or comingled with other funds. Without supporting detail of deposits and disbursements for fundraising activities, the Board and membership cannot determine if fundraising money was properly collected, recorded and deposited.

The Board-required Audit of the Treasurer's Books is Deficient

The Company's bylaws require that the Board and an audit committee annually audit the Treasurer's books. Company officials told us that the Board did not audit the Treasurer's books, but the two-member audit committee did. According to the

one available audit committee member, the only documentation they received to audit were the approved payment vouchers. They did not receive the bank statements, deposit slips or Treasurer's cash receipts and disbursements register. Without access to all the Treasurer's records, the audit committee could not adequately audit the Treasurer's books. Therefore, the Board and membership have no assurance that Company money was safeguarded.

What Do We Recommend?

The Board should:

1. Create credit card and procurement policies that detail acceptable credit card use, establish purchasing limits, and require purchasers to provide supporting documentation.
2. Develop and adopt written policies and procedures for cash receipts and fundraising activities.
3. Routinely monitor and review the work performed by those handling money as part of their Company duties and perform an effective annual audit of the Treasurer's books and records.

The Treasurer should:

4. Make deposits timely and include supporting details about the composition of each deposit.
5. Issue duplicate press-numbered receipts for all money received by the Company when other adequate documentation is not available.

Appendix A: Response From Company Officials



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Local Govt & School Accountability*

August 22, 2019

Community Fire and Rescue Inc
Financial Activities
2019M-93

To Whom it May concern,

We fully agree with the audit findings. Below is our response & the CAP.

Audit Recommendation #1:

The Board should create a credit card use policy that details acceptable use and requires supporting documentation for purchases.

Implementation Plan of Action(s):

The Board already discussed coming up with a policy for credit card use.

Implementation Date:

January 2020

Person Responsible for Implementation:

The Executive Board

Audit Recommendation #2:

The Board should establish controls for handling cash at fundraising events, create fundraising reports, and require timely deposits of fundraising money.

Implementation Plan of Action(s):

The Board discussed how the treasurer handles & records fundraising events. The Treasurer has already changed the way she records deposits & is more aware of when deposits are made. The Board has purchased a bookkeeping program to help record expenses & profits from each event. With this software, we will be able to create reports for all fundraising & other financials. The Fundraising

committee has also taken the recommendations of numbering raffle tickets & recoding monies taken in more effectively.

Implementation Date:

June 1, 2019

Person Responsible for Implementation:

Colleen Beach, President

Audit Recommendation #3:

The Board should ensure an adequate audit of the Treasurer's books is performed, in compliance with Company by-laws.

Implementation Plan of Action(s):

The Board will complete a more thorough audit of the books each year. We have now been made aware of how a proper audit should be conducted and we will follow the recommendations.

Implementation Date:

January 2020

Person Responsible for Implementation:

Colleen Beach, President

Signed:



Colleen Beach, President

8-22-19

Date

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 members to gain an understanding of the Company's financial operations.
- We reviewed the Company's bylaws and documented the roles and fiscal responsibilities of various officers.
- We reviewed Board minutes for information related to policies and procedures, and to identify revenues, purchases, related disbursements, personnel changes and fundraising activities.
- We obtained and reviewed all deposit compositions for the period of January 1, 2017 through December 31, 2018 for all Company bank accounts to determine all deposited receipts. We also traced deposit compositions to the Treasurer's records to determine if the Treasurer's records were accurate.
- We obtained cancelled check images and bank statements from the Company's bank to determine expenses for the period of January 1, 2017 through December 31, 2018. We also traced payments to the Treasurer's records to verify the accuracy of the Treasurer's records.
- We reviewed all 717 disbursements totaling \$378,805 from the Company's bank accounts from January 1, 2017 through December 31, 2018 to determine if the expenses were supported and legitimate.
- We sent out confirmations to 24 vendors to determine the purpose of expenditures that were paid without any supporting documentation.
- We reviewed bank statements for the period January 1, 2017 through December 31, 2018 for unusual transactions, transfers, and withdrawals and open and closed accounts.
- We compared the fundraising dates that we obtained from officials and the Company's Facebook page to determine if deposits were made timely.
- We reviewed recurring expenses such as cable/phone/internet, and waste removal services to determine if they were appropriate for Company business purposes.
- We reviewed the Company's 2017 IRS form 990 to determine if numbers reported were accurate.

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 plan of action that addresses the recommendations in this report and forward the plan 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.

Appendix C: Resources and Services

Regional Office Directory

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

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

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

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

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/pubs/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/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

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

Contact

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

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