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November 15, 2013

Robert Faugh, Chairman  
Members of the Board of Commissioners  
Rush Fire District  
1971 Rush Mendon Road  
Rush, NY 14543

Report Number: 2013M-255

Dear Mr. Faugh and Members of the Board of Fire Commissioners:

One of the Office of the State Comptroller's primary objectives is to identify areas where fire district 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 district 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 Rush Fire District (District) which addressed the following question:

- Does the Board of Fire Commissioners (Board) properly oversee District operations?

We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials generally agreed with our recommendations and indicated they plan to take corrective action.

### **Background and Methodology**

The Rush Fire District, located in Monroe County, is a district corporation of the State, distinct and separate from the Town of Rush. The District's general fund budget totaled \$329,600 for the 2013 fiscal year.

The Board comprises five elected members and is responsible for the District's overall financial management. The Board appoints a Treasurer who serves as the District's chief fiscal officer. The Treasurer is responsible for the receipt and custody of District funds, for disbursing and accounting for those funds, for preparing monthly and annual financial reports, and for meeting any other reporting requirements.

We examined the internal controls over the District's financial operations for the period January 1, 2012, through August 27, 2013. We interviewed District officials and reviewed financial records and Board 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 Board is responsible for overseeing the District's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential for the Board to establish a system of internal controls, which consists of policies and procedures to ensure that transactions are authorized and properly recorded, and that the District complies with applicable laws, rules, and regulations, and Board-adopted policies. It is important that the Board's adopted policies protect and safeguard the District's assets, including providing bonding insurance.<sup>1</sup> The Board must also establish controls to ensure that credit card transactions are authorized, adequately supported, and only for appropriate District purposes.

The Board-adopted credit card policy authorizes issuing credit cards to certain District officials.<sup>2</sup> The policy states that each credit card purchase is limited to \$2,500 and must be documented by submitting a receipt which specifies the purchase date, amount, location, reason, item description, and the purchaser's name. However, this policy does not require bonding insurance for all individuals who are issued District credit cards. We found that the only individual bonded was the Treasurer. Therefore, we reviewed all 158 credit card purchases, totaling \$25,500, made during our audit period. Our review disclosed that District officials made 26 credit card purchases, totaling \$1,609, that did not include all the supporting documentation required by the District's credit card policy. Additionally, 19 credit card purchases, totaling \$11,635, circumvented the District's procurement policy that required documentation for solicited quotes.

Without bonding insurance protection, the District could be exposed to the risk of a significant loss in the event of a dishonest act or unfaithful performance of duties by District officials. Furthermore, the failure to ensure that credit card transactions are properly supported and that the District's procurement policy is followed could lead to the misappropriation of funds or allow for purchases that are not in the best interest of the taxpayers.

We also reviewed all bank statement activity for our audit period to determine whether all bank transfers were appropriate, and bank reconciliations<sup>3</sup> for two months during our audit period to ensure there was no unusual activity. Generally, financial activity was adequately supported and properly recorded in the Treasurer's records, and disbursements were for proper District purposes. We discussed additional minor deficiencies with District officials during our fieldwork.

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<sup>1</sup> Bonding insurance helps protect the District from losses resulting from dishonest acts or other unfaithful performance of duties by Board members, District officers and employees. Anyone responsible for handling cash or credit cards should be bonded.

<sup>2</sup> The policy authorizes 10 credit cards: one to each of the five Commissioners, one to each of the three Chief Fire Officers, one to the Treasurer, and one to the Secretary.

<sup>3</sup> December 2012 (year-end) and June 2013 (most recent)

## Recommendations

1. The Board should ensure that all credit card transactions are adequately supported and that District policies are complied with.
2. The Board should amend its credit card policy to require the provision of bonding insurance for any Board member, official, or employee responsible for using credit cards.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of the Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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. The Board should make the CAP available for public review in the Secretary's office.

Sincerely,

Gabriel F. Deyo  
Deputy Comptroller  
Office of the State Comptroller  
Division of Local Government  
and School Accountability

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following pages.

**RUSH FIRE DISTRICT**  
**BOARD OF FIRE COMMISSIONERS**  
**1971 RUSH MENDON ROAD**  
**RUSH, NEW YORK 14543**

October 31, 2013

Office of State Comptroller  
Andrew A. SanFilippo – Executive Deputy Comptroller  
110 State Street,  
Albany, New York 12236

Dear Mr. SanFilippo:

The Rush Fire District received your draft report and the Chairman Robert Faugh and District Treasurer Robert Kuhls had a follow up meeting with your auditors and went over the report.

Given the limited number of recommendations, please let this communication serve as our acknowledgment of your recommendations and the corrective action plan we have prepared to address the findings and recommendations.

Two recommendations were noted in the report.

The first was in regards to credit card purchases made by the district officers and fire department officers. We have eight people that have credit cards. The limit on those cards is \$2,500 each. We have instructed everyone who has a card to review our written policy on credit card purchases and the District requires that a voucher with the receipt will be submitted for every purchase regardless how small to the district treasurer. In the past the treasurer did complete a voucher for every purchase made with those cards.

The draft audit also noted that documentation required by the District's procurement policy was sometimes omitted when purchases were made using a credit card. This was also addressed at our meeting in October. We have modified our policies with respect to credit card use to ensure that such purchases must also comply with the procurement policy. These modifications will ensure that procurements follow our policy and State laws in regards to verbal and written quotes and continue to include this information in our records.

The following will be added to our Credit Card policy in regards to documentation and oversight. We have appointed Commissioner Mike Terzo to be our Credit Card purchases officer. He will be notified by the person using the card that a purchase was made within seven (7) days of the purchase.

The policy will also require submission of documentation required by both the District's credit card policy and procurement policy to the District's Treasurer within seven (7) days of use (or within seven (7) days after return from an event if the card was used in connection with District-related travel). Failure to timely supply the Treasurer with the information required may result in suspension of privilege of using a District credit card.

The second recommendation was in regards to bonding anyone with a credit card or otherwise handling fire district funds. At our September commissioners meeting we authorized our insurance carrier to include all the commissioners and fire department officers (2) that have credit cards be included in our bonding insurance policy. All District personnel issued credit cards shall be bonded in such amounts as the Board of Fire Commissioners deems appropriate.

I hope these corrective actions are sufficient and will demonstrate are willingness to comply with these items noted in the audit.

Sincerely,

Robert J. Faugh – Chairman  
Board of Fire Commissioners  
Rush Fire District  
585-533-1892