



**THOMAS P. DiNAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**GABRIEL F. DEYO**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

May 9, 2014

Deborah Green, President  
Members of the Board  
Conesus Volunteer Fire Department  
6073 S Livonia Rd  
Conesus, New York 14435

Report Number: 2014M-042

Dear President Green and Members of the Board:

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 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 Conesus Volunteer Fire Department (Department) which addressed the following question:

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

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

### **Background and Methodology**

The Conesus Volunteer Fire Department is a volunteer organization located in the Town of Conesus (Town) in Livingston County. The Department is affiliated with the Conesus No. 1 Fire District and provides fire protection services to the Town. The Department has approximately 50 active members. The 2012 expenditures totaled approximately \$10,000, while the Company has expended approximately \$12,500 for the period of January 1 through November 30, 2013. The Department's primary sources of revenues are from fundraising and foreign fire insurance premium tax<sup>1</sup> moneys.

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<sup>1</sup> Insurance companies organized or incorporated outside of New York State (State) that write fire insurance policies on properties located in the State must pay 2 percent of the premium to the State. New York State Insurance Law provides that the treasurer or fiscal officer of the fire department affording fire protection should receive these funds.

The Department is operated in accordance with its bylaws and is governed by a seven-member Board of Directors (Board), comprised of the Fire Chief, President, Treasurer and four additional members. The Board is responsible for the general management of the Department, examining the books and records, proposing an annual budget and investigating all proposed expenditures in excess of \$500. The Treasurer is responsible to record all receipts and disbursements, collect any money, pay all bills when ordered, and make an itemized statement of all receipts and disbursements at the annual meeting and at monthly meetings as required.

We examined the internal controls over the Department's financial operations for the period January 1, 2012 through December 31, 2013. We interviewed appropriate Department 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 Department's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Board establish a system of internal controls which consists of policies and procedures which ensure that transactions are authorized and properly recorded; financial reports are accurate, reliable and filed in a timely manner; and the Department complies with its bylaws and applicable laws, rules and regulations. While not required by the bylaws or statute, it is essential that the Board also review and approve bills prior to payment, especially if financial duties are not segregated, to ensure that funds are used for legitimate Department expenditures.

We found that the Treasurer maintained appropriate financial records, with the exception of bank reconciliations, and disbursements were generally for reasonable Department expenditures. However, the Board does not provide adequate oversight of Department financial activities. Although the Department's bylaws specifically detail the Board's responsibilities and the Treasurer's duties, these guidelines do not adequately segregate the Treasurer's duties. In addition, the Board has not adopted any written policies or procedures addressing cash receipts and disbursements, procurement or claims processing. As a result, the Treasurer makes all deposits, disburses cash without the Board's prior approval and performs all recordkeeping functions. While the Treasurer provided a monthly report to the Board detailing receipts, disbursements and cash balances,<sup>2</sup> proper bank reconciliations have not been prepared. Further, the Board has not required the Treasurer to submit an annual report, conducted an annual audit of the Treasurer's records or adopted an annual budget as required by the bylaws. The weaknesses in the Board's oversight create a risk that Department resources may not be used for appropriate purposes or that related decisions are in the best interest of the general membership.

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<sup>2</sup> In September 2013, the Board improved internal controls when it began regularly reviewing bank statements and paid claims to ensure the accuracy and completeness of the reports provided.

Due to these deficiencies, we reviewed 155 disbursements,<sup>3</sup> totaling \$22,429, for authorization, adequate support, appropriateness and accuracy. We found that 117 disbursements, totaling \$17,595, did not have any Board approval documented on the claim (even after payment). We also found that 15 disbursements, totaling \$3,420, did not have adequate supporting documentation, and nine disbursements, totaling \$1,193, were not listed in the Treasurer's records or report, but all appear to be consistent with the Department's other expenditures. In addition, we determined that all 48 of the Treasurer's recorded receipts were deposited. We discussed other minor deficiencies with Department officials during the conduct of our fieldwork.

## **Recommendations**

1. The Board should adopt an adequate system of internal controls over Department operations, including:

- Adopting financial policies and procedures that adequately segregate duties and provide oversight,
- Conducting a proper audit of claims prior to approving them for payment,
- Conducting an annual audit of the Treasurer's books and records and
- Preparing and adopting an annual budget.

2. The Treasurer should:

- Prepare formal bank reconciliations and
- Prepare an annual report.

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

We thank the officials of the Conesus Fire Department for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

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<sup>3</sup> Disbursements made during the period of January 1, 2012 through November 30, 2013

## **APPENDIX A**

### **RESPONSE FROM DEPARTMENT OFFICIALS**

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



**Conesus Volunteer Fire Department**

P.O. Box 216, Conesus NY 14435

[www.conesusvfd.com](http://www.conesusvfd.com)

April 28<sup>th</sup>, 2014

Edward V. Grant, Jr.  
Chief Examiner of the Office of the State Comptroller  
The Powers Building  
16 West Main Street, Suite 522  
Rochester, NY 14614-1608

Dear Edward V. Grant, Jr.:

RE: Report # 2014M-042

The Conesus Volunteer Fire Department President and the Board of Directors acknowledge the favorable findings of the audit presented to our department on April 9<sup>th</sup>, 2014. Generally, we concur with the few matters identified in the audit and we will be glad to develop and submit a Corrective Action Plan (CAP).

Thank you for your assistance in this process.

Sincerely,

Deborah Green, President

Conesus Volunteer Fire Department Board of Directors