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July 2015

Dale Woodworth, President
Members of the Board
Cameron Volunteer Fire Department
4082 Depot Street
Cameron, NY 14819

Report Number: 2014M-363

Dear Mr. Woodworth 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 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 to account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Cameron 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 funds are safeguarded?

We discussed our 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 take corrective action.

Background and Methodology

The Department is located in Steuben County and contracts with the Towns of Cameron and Rathbone to provide fire protection services. Membership has declined in recent years and currently consists of approximately 14 active members. The Department's revenues for 2014 included \$70,500 and \$23,500 from the Towns of Cameron and Rathbone, respectively. The

Department also receives revenue from fund-raising, foreign fire insurance tax,¹ donations and hall rentals.

The Department operates in accordance with its bylaws and is governed by a five-member elected Board comprised of a President, Vice President, Secretary, Treasurer and Chaplin. The President must ensure that the bylaws are enforced. The Board is responsible for managing Department operations, establishing appropriate internal controls over financial operations and monitoring financial activities.

We examined the internal controls over the Department's financial operations for the period January 1, 2013 through December 31, 2014. 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 to ensure transactions are authorized and properly recorded in a timely manner; that financial reports are accurate, reliable and timely; and that duties are properly segregated so that no one person controls all aspects of a transaction. For example, the same individual should not have custody of Department funds, maintain the financial records and perform reconciliations of the bank statements with the records. If such segregation of duties is not practicable, the Board should implement mitigating controls, such as management reviews. The Board is also responsible for adopting a code of ethics, as required by New York State General Municipal Law, and ensuring that the Department complies with its bylaws. The Treasurer is responsible for accounting for all Department funds and providing the Board with financial reports at each regular meeting.

The Board did not implement adequate controls over the Department's financial activities. Although the Board has adopted Department bylaws, we found them to be outdated² and inadequate. The bylaws do not specifically detail the Board's responsibilities and the Treasurer's duties. In addition, the guidelines did not adequately segregate or provide for oversight of the Treasurer's duties. Further, the Board did not adopt a code of ethics or policies and procedures for financial operations such as cash receipts and disbursements, procurement or information technology. As a result, the Board did not provide adequate oversight of Department financial activities and the Treasurer did not have sufficient guidance to properly perform her duties.

We found that the Department's financial activities were not adequately segregated. The Treasurer prepares and makes all deposits, pays Department bills electronically and by check and performs

¹ 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 requires that a fire department providing fire protection to an eligible area should receive an appropriate share of the tax collected.

² The Department bylaws were last updated in 2006 and amended on May 10, 2010.

all recordkeeping functions with little or no Board oversight. For example, the Board did not ask to review, and the Treasurer did not provide, monthly bank statements, canceled check images and the Treasurer's monthly bank reconciliations³ to verify that bank account balances agreed with the records and transactions were for appropriate Department purposes. The President opens all Department mail and turns over any receipts and bills to the Treasurer. However, because the President does not verify that they were accurately posted, this control is insufficient to mitigate the Treasurer's incompatible duties. The concentration of key financial duties with one individual, without adequate oversight or mitigating controls, increases the risk of errors or irregularities occurring without being detected and corrected.

As part of our audit, we reviewed all 137 disbursements totaling \$104,937 from 2014 that were comprised of 53 electronic payments and 84 check images. All electronic payments were for recurring monthly expenditures for the Department, such as utilities. However, the Board was not provided with bills to verify these electronic payments were for a proper Department purposes. In addition, we reviewed all 30 electronic transfers totaling \$208,450⁴ from January 2013 through April 14, 2014. Even though the Board required all Department checks to have two signatures, this control was ineffective since the Treasurer can make electronic payments with no Board oversight. All of these disbursements and electronic transfers appeared to be for a legitimate Department purpose. We also examined the 2014 bank statements for all four Department accounts and compared the banking activity and balances to the financial reports. Although bank activity appeared to be appropriate, without adequate segregation of duties or sufficient Board oversight, Department officials cannot be confident that the Treasurer's records and reports are complete and accurate.

Recommendations

The Board should:

1. Adopt an adequate system of internal controls over Department operations including a code of ethics. In addition, the Board should either create separate policies or significantly update the bylaws to contain detailed information on cash receipts and disbursements, procurement and information technology.
2. Segregate cash receipt, disbursement and recordkeeping duties to the extent possible. Where duties cannot be adequately segregated, the Board should provide adequate oversight.
3. Provide oversight of electronic payments. This may include reviewing supporting claims for all electronic payments at the next Board meeting and reviewing bank statements.
4. Require that the Treasurer prepare, retain and present to the Board formal written bank reconciliations.

³ The Treasurer stated that she reconciles the bank accounts on a monthly basis; however, the Treasurer did not keep copies of the reconciliations. As a result, we could not determine if the reconciliations were actually prepared.

⁴ All the electronic transfers were made between the Department's four accounts.

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 Cameron Fire Department for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM DEPARTMENT OFFICIALS

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



Cameron Volunteer Fire Department
P.O. Box 1993
Cameron NY 14819
607-695-2417

Chief James Hoad 607-776-3610	President Dale Woodworth 607-695-2350	Ambulance Captain Tamra Hoad 607-776-3610
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June 23, 2015



Division of The State Comptroller

ByLaws

We will be doing our bylaws over, update
The Job descriptions in depth and make more
detailed each position held.

Financial change

Board members will go through all bank
records monthly to ensure all records are
correct and up to date with bank statements.

Findings

I agree with the audit report and have
started making arrangements to upgrade the
two above recommendations.

Dale Woodworth

President, CAMERON FIRE
DEPT.

DATE

June 23, 2015