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December 2016

George Eccleston, Chairman and Fire Chief
Pittsfield Volunteer Fire Department
167 State Highway 80
New Berlin, NY 13411

Report Number: 2016M-310

Dear Chairman Eccleston and Members of the Board of Directors:

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 account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Pittsfield Volunteer Fire Department (Department) that addressed the following question:

- Are Department controls adequate to safeguard Department money?

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 have initiated, or indicated they planned to initiate, corrective action.

Background and Methodology

The Department provides fire protection services for the Town of Pittsfield in Otsego County and has approximately 20 volunteer members. The Department receives money from fundraising, foreign fire insurance and donations. For 2015, the Department's reported revenues totaled \$9,300 and expenses totaled \$12,900.

The Department is operated in accordance with its bylaws. A Board of Directors (Board) composed of seven elected officers is responsible for the Department's overall financial management. The Treasurer acts as the Department's chief fiscal officer. The Department's Treasurer is responsible for receiving and maintaining custody of Department funds, disbursing and accounting for those funds and keeping a record of all cash receipts and disbursements so the Board, at any time, is able to determine the Department's financial condition.

We examined the internal controls over the Department's financial operations for the period January 1, 2015 through August 10, 2016. We interviewed 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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not our 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.

Audit Results

The Board is responsible for overseeing the Department's fiscal activities and safeguarding its resources. To fulfill these duties, it is essential that the Board establish internal controls, which consist of policies and procedures to help ensure that transactions are authorized and properly recorded; financial reports are accurate, reliable and filed in a timely manner; and Department officials comply with the bylaws and other applicable laws, rules and regulations. It is imperative that the Treasurer submits complete monthly reports to the Board and provides the Board with adequate documentation to support all financial activity for fundraising collections and disbursements (i.e., receipts, invoices and bank statements).

When one individual performs all aspects of a financial transaction and segregating duties is not practical, Department officials should implement compensating controls such as having someone independent of the process review applicable records and supporting documentation to ensure that transactions are properly recorded and reported. Furthermore, in accordance with the bylaws, the Board is required to document the approval of the disbursements in its meeting minutes.

The Board did not implement sufficient controls to safeguard Department money. Although the Treasurer maintained financial records, she did not keep adequate documentation to support all financial activity or prepare monthly bank reconciliations. Furthermore, the Treasurer performed all aspects of the cash receipt process with no oversight and did not maintain supporting documentation for cash receipts collected from fundraising activities.

Receipts – We determined that the \$9,300 recorded as received in 2015 on the monthly Treasurer's reports was deposited, except for a minor reporting error which we discussed with Department officials. However, we were unable to determine whether any other receipts were collected because the Department lacked supporting documentation for fundraising and donation activity other than the Treasurer's notation of such activity on the monthly reports.

Disbursements – Department officials paid 95 disbursements totaling \$17,966 during our audit period. We reviewed 37 of these payments totaling \$11,435.¹ While the disbursements reviewed appeared to be for valid Department purposes, we found that 33 payments totaling \$3,450 were not properly documented in the minutes as being approved by the Board. Department officials told us that they were aware of these disbursements and verbally approved them as proper Department

¹ We reviewed all disbursements paid to individuals during our audit period and 17 randomly selected disbursements paid to local businesses (12 from 2015 and five from 2016).

expenses. At the conclusion of our fieldwork, the Secretary told us she was now including the disbursement details and the Board's approval in the monthly minutes.

Because Department officials did not adhere to the bylaws and provided insufficient oversight of the Treasurer's financial duties, officials cannot be sure that all money collected was deposited or that Department funds were appropriately spent.

Recommendations

The Board should:

1. Ensure that all cash receipt activity is properly documented.
2. Revise the bylaws to include detailed policies and procedures to provide guidance and establish controls over the Department's cash receipts and disbursements. These policies and procedures should include segregating the Treasurer's duties, if practical, or implementing compensating controls such as:
 - Having someone independent review the Treasurer's bank reconciliations, bank statements and canceled check images on a monthly basis.
 - Reconciling the fundraising receipts by comparing the amounts received with the amounts deposited.
3. Ensure that disbursement approvals are documented in the Board minutes in accordance with the bylaws.

The Treasurer should:

4. Maintain complete and adequate records with supporting documentation to account for all of the Department's financial activities.
5. Prepare monthly bank reconciliations for all bank accounts and provide them to the Board along with the bank statements.

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 Pittsfield Volunteer 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 pages.

TO: [REDACTED]
FROM: Pittsfield Fire Department Secretary Victoria L. Gregory
RE: Response from Department Officials to audit
DATE: December 2, 2016

Recommendations from the auditors and Pittsfield Fire Department Officials response:

1. Ensure that all cash receipt activity is properly documented.
Action steps taken:
 - A. Department Officials formed an Audit Committee. The Audit Committee is comprised of the Fire Chief, First Assistant Chief, Second Assistant Chief, First Captain, Second Captain, Third Captain, and the Secretary of the Pittsfield Fire Department. The Audit Committee will ensure that all cash receipts are properly documented. Cash receipt forms were created. The forms include Pittsfield Fire Department event, date, profit and loss, and two fire department members in good standing signatures of beginning money and ending money. The completed cash receipts will be reviewed by the Audit Committee at its monthly meeting which is one hour before the monthly Pittsfield Fire Department meeting.
2. Department officials reviewed the By-laws and amended them as follows;
 - A. The Treasurer and Secretary duties are now more defined as to their duties. The change in the By-laws will be presented to the membership at the December 2016 and January 2017 meetings with a vote on the by-laws at the February 2017 meeting. The establishment of the Audit Committee and their duties will also be in the By-laws. Attendance will be taken at every meeting and event. Minutes of meetings will reflect how specific members, in good standing, voted and the accuracy of disbursements that have been checked by the Audit Committee.
 - B. The Audit Committee will meet one hour prior to the monthly meeting, with the Treasurer, to review disbursements and bank reconciliations that were presented to the Fire Chief one week before the monthly meeting. Bank statements and cancelled check images will be reviewed on a monthly basis. The Audit Committee will reconcile the fundraising receipts, donations, and grant monies.
3. Disbursement approvals will be documented in the minutes with specific member by name and how they voted. The minutes will no longer include a general statement that a motion carried. A majority vote (one more than half of the members present) will be used to govern the meeting. Attendance will be taken at the beginning of the meeting to determine members in good standing and the number of people needed for a majority vote. Probationary members and members under the age of eighteen are not considered to be voting members of the Pittsfield Fire Department.

Page 2: Response from Pittsfield Fire Department to State Comptroller about audit

The Treasurer:

4. Will develop and complete accurate records for all of the Department's financial activities. The complete and accurate records will be shared with the Audit Committee on a monthly basis one week prior to the Pittsfield Fire Department monthly meeting. The Audit Committee will review the financial records one hour prior to the monthly Pittsfield Fire Department meeting.
5. Bank reconciliations for all bank accounts will be provided to the Audit Committee on a monthly basis one week before the Pittsfield Fire Department monthly meeting. The Audit Committee will review the bank reconciliations one hour prior to the monthly Pittsfield Fire Department meeting.

The above document is serving as the response and the corrective action plan for the audit of the Pittsfield Fire Department.

Signature of the Pittsfield Fire Department Chief, George Eccleston

11/29/16