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March 2017

Daniel Celso, President
Fire Department Officials
Sodus Center Fire Department
5521 Main Street
Sodus Center, New York 14551

Report Number: 2016M-424

Dear President Celso and Department Officials:

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 Sodus Center Fire Department (Department) which addressed the following question:

- Did Department officials and the membership provide adequate oversight of operations to ensure that financial activity was properly recorded and reported and that Department funds were 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 agreed with our recommendations and indicated they planned to initiate corrective action.

Background and Methodology

The Sodus Center Fire Department (Department) is a volunteer organization located in the Town of Sodus (Town) in Wayne County. The Department is affiliated with the Sodus Center Fire District and provides fire protection services to the Town. The Department has approximately 25 members. The Department's 2015 expenditures totaled \$32,575, which were funded primarily with fundraising, donations and foreign fire insurance tax¹ money.

¹ Insurance companies organized or incorporated outside of New York State that write fire insurance policies on properties located in the State must pay 2 percent of the premium to the State, to be distributed to certain firefighting organizations.

The Department is governed by its adopted constitution and bylaws, revised and adopted November 4, 2000, which establish the member-elected Department officers as follows: Chief, First Assistant Chief, Second Assistant Chief, Truck Captain, EMS Captain, Fire Police Captain, President, Vice President, Secretary and Treasurer. The Treasurer is responsible for receiving all money collected, keeping an accurate account of all money handled, disbursing and accounting for those funds, filing a receipt or invoice for all money paid out and making a monthly report of official action at each regular meeting.

We examined the Department's financial operations for the period January 1, 2015 through October 25, 2016. We interviewed appropriate Department officials and reviewed financial records and meeting 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

Department officials and the membership are responsible for overseeing the Department's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential to have a system of internal controls which consists of policies and procedures that ensure transactions are authorized and properly recorded; financial reports are accurate, reliable and filed in a timely manner; and the Department complies with its constitution and bylaws and other applicable laws, rules and regulations, including the New York State General Municipal Law (GML) requirement for a code of ethics. While not required by the bylaws or statute, it is essential that bills are reviewed and approved 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 and disbursements were generally for reasonable Department expenditures. However, oversight of the Department's financial activities could be improved. The Department has a constitution and bylaws, but they do not define the financial oversight responsibilities and do not provide specific guidelines on how the membership should exercise its decision making power. As a result, the Treasurer makes deposits, disburses cash and performs all recordkeeping functions without an adequate independent review. Additionally, a code of ethics has not been adopted.

The Treasurer did not provide a written monthly report to the Department officials that detailed the receipts and disbursements each month and the officials and membership have not required the Treasurer to submit an annual report for their review. Bank reconciliations are reviewed by the Secretary and Chief, but the Treasurer does not provide the related bank statements and canceled checks. Also, although some purchases are preapproved, the Chief can use the Department's debit card² to make purchases, which, unless preapproved, allows him to make purchases without or prior to the officials' approval. Furthermore, the Treasurer has not filed the annual foreign fire insurance report for 2015, as required by GML. These weaknesses in oversight create a risk that

² A direct withdrawal of funds from the Department's bank account

Department resources may not be used for appropriate purposes or that related decisions may not be in the general membership's best interest.

Due to these deficiencies, we reviewed all disbursements and recorded receipts from January 1, 2015 through August 31, 2016. Other than minor deficiencies, which we discussed with Department officials, receipts were deposited and disbursements appear reasonable. However, documentation should be improved to strengthen controls.

We examined 118 disbursements totaling \$51,941 to determine whether they were reviewed and approved prior to payment, adequately supported, properly recorded and for reasonable Department purposes. Officials told us that they audited claims, but we were unable to determine if disbursements were approved by the membership due to the lack of documentation in the meeting minutes. We also found 57 disbursements totaling \$23,724 (48 percent) did not have supporting documentation. While these disbursements appear to be consistent with other Department expenditures, most of the items could also be for personal use, which increases the need to maintain adequate support that clearly documents the business purposes.

We examined 70 recorded receipts totaling \$51,547 and determined they were properly deposited. We also reviewed the profit and loss statements prepared by the Treasurer for each fundraiser for reasonableness. We found that each fundraising activity was profitable and the corresponding bank deposits were reasonable to the profit generated. While the revenue appears reasonable, we were unable to perform a detailed review due to the lack of supporting documentation maintained, such as the number of meals sold. The lack of records increases the risk that Department funds could be stolen or misused.

Recommendations

Department officials and the membership should:

1. Update their constitution and bylaws to clarify the officials' and the membership's financial oversight responsibilities and provide guidelines on how the membership should exercise its decision-making power.
2. Adopt a code of ethics.
3. Ensure that job duties are segregated so that one person cannot control all phases of a transaction. If this is not practical, mitigating controls should be implemented, such as review of individuals' work.
4. Ensure that they audit all claims, document the approved claims in the meeting minutes and retain adequate supporting documentation.
5. Ensure detailed records are maintained for all fundraising events.

The Treasurer should:

6. Provide Department officials and the membership with monthly and annual reports that detail information for receipts and disbursements.

7. File the required annual report of foreign fire insurance fund activity.

Department officials have 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 Department officials to make this plan available for public review.

We thank the officials of the Sodus Center 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.

SODUS CENTER FIRE DEPARTMENT
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Ed Grant
Office of the State Comptroller
The Powers BLDG
16 W Main St Suite 522
Rochester, NY 14614

March 20, 2017

Dear Mr. Grant,

We are writing to advise you that the Sodus Center Fire Department Board has reviewed the draft letter we received in regards to the recent audit that your agency conducted. We accept the audit findings as detailed in the draft letter and are prepared to implement the recommendations as it is applicable to our agency. We will detail the changes we are making in our Corrective Action Plan that we will submit after receipt of the official audit report. Thank you for your time.

Sincerely,

Daniel J. Celso
President, SCFD