



# Stafford Fire Department, Inc.

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## Financial Management

2023M-110 | December 2023

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# Report Highlights

Stafford Fire Department, Inc.

## Audit Objective

Determine whether the Stafford Fire Department's (Department) Board and Treasurer properly managed the Department's finances.

## Key Findings

The Board and Treasurer did not properly manage the Department's finances. The Board did not adopt realistic budgets or take an active role in monitoring Department finances. As a result, the operating budget was underestimated by \$29,667 in 2021 and by \$33,298 in 2022.

The Board did not:

- Include revenue estimates in the budgets for 2021, 2022 and 2023.
- Develop realistic budgets, as certain expense estimates were omitted or overstated in the operating budgets.
- Develop a written multiyear financial or capital plan to help guide budget development and save for capital asset and equipment purchases.

## Key Recommendations

- Review and adopt structurally balanced budgets that contain realistic revenue and expense estimates.
- Develop a written multiyear financial and capital plan.

While Department officials disagreed with certain findings, they generally agreed with our recommendations and indicated they would initiate corrective action. Appendix B includes our comments on issues raised in the Department's response.

## Background

The Department is a not-for-profit organization incorporated to provide fire protection and emergency medical services within the Town of Stafford (Town) fire protection district, in Genesee County.

The Department is governed by its adopted bylaws. The five-member Board of Trustees (Board) is responsible for the Department's financial activities, which are funded primarily by a fire protection contract with the Town. The Town pays the Department for these services from its real property tax revenues.

The Department's officers are elected by its members and include the Board as well as the President, Vice-President, Secretary, Treasurer, Fire Chief, four Assistant Chiefs and two auditors. The President is responsible for enforcing the Department's bylaws and ensuring all officers perform their duties.

### Quick Facts

Fire Protection Contract	
2021	\$285,910
2022 & 2023	\$406,000
Truck Fund Bank Balance as of April 30, 2023	\$897,000

## Audit Period

January 1, 2021 – June 23, 2023

# Financial Management

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## What Is Proper Financial Management?

Proper financial management includes developing realistic budgets, monitoring spending during the year and planning for future capital asset purchases. A board is responsible for adopting budgets that are based on historical trends and other known factors. The budget should be structurally balanced, which means there is sufficient recurring revenues to finance recurring expenses. Additionally, officials should maintain a reasonable cash balance as a cushion for unforeseen expenses and cash flow.

To maintain good fiscal health, it is imperative that fire department officials adequately plan for current and future operating and capital needs. This can be accomplished, in part, by creating a comprehensive written multiyear financial and capital plan which, when updated and properly used, allows officials to identify developing revenue and expense trends, set long-term priorities and goals including planned capital purchases and projects, avoid potential revenue shortfalls or operating deficits and assess the effect their decisions will have on the fire department's overall financial health.

The bylaws require the Treasurer to prepare the general account budget and the Board of Trustees (Board) to present a budget for vote at the November regular meeting. Ultimately, financial decisions are the responsibility of the governing board and interim reports (such as budget-to-actual reports) are needed to keep the Board informed about financial performance. Annual operating budgets and long-term financial plans should be monitored and updated on an ongoing basis to ensure that decisions are guided by the most accurate information available.

## The Board Did Not Develop Realistic Budgets or Take an Active Role in Monitoring Department Finances

We reviewed the 2021, 2022 and 2023 budgets and determined that the budgets did not include certain revenue estimates. In the 2022 budget, the Board did not budget for at least \$36,547 in recurring revenues. For example, farmland leasing (\$13,125), interest income (\$10,248), foreign fire insurance tax proceeds (\$6,238), donations (\$3,196), fire hall rental (\$2,325) and fundraising (\$1,415) were omitted. By not including all revenue sources as funding sources in the budget, the Board and members were not provided with sufficient information to monitor revenues and ensure they were sufficient to fund expenses.

In addition, we compared the budget with actual expenses for 2021 and 2022. The operating budget was underestimated by \$29,667 (10 percent) in 2021 and \$33,298 (11 percent) in 2022.

In 2023:

- The operating budget decreased to \$225,000. The Treasurer told us the firematic budgeted amount was decreased because capital equipment purchases were made in 2021 and 2022, and therefore, they did not need to budget for these in 2023.
- The budget did not include a provision for building and grounds maintenance, even though the Department budgeted for these expenses in prior years and incurred actual maintenance expenses totaling \$50,809 in 2021 and \$64,506 in 2022.
- The budgeted amount for insurance increased from \$36,000 to \$60,000 in 2023 without explanation.

The Treasurer told us these were errors in the budget and that she corrected them after we brought the omissions to her attention. The Treasurer also provided us with a corrected copy of the 2023 budget. The corrected budget increased the amount budgeted for building and grounds maintenance to \$40,000 and decreased the amount budgeted for insurance to \$40,000 and further decreased the firematic budgeted amount by \$20,000.

The Department’s total budget increased from \$326,000 in 2021 to \$406,000 in 2022, because officials wanted to increase the amount they transferred to the truck savings account (truck fund) (Figure 1).

**Figure 1: Budget-to-Actual Analysis**

	2021	2022	2023
<b>Operating Budget</b>	\$296,000	\$296,000	\$225,000
<b>Actual Expenses<sup>a</sup></b>	325,667	329,298	TBD <sup>b</sup>
<b>Underestimated Operating Budget</b>	29,667	33,298	TBD
<b>Budgeted Transfer to the Truck Fund</b>	30,000	110,000	181,000
<b>Total Budget</b>	\$326,000	\$406,000	\$406,000
<b>Transfer to the Truck Fund Percent of Budget</b>	9.2%	27.1%	44.6%
<b>Actual Transfer to the Truck Fund</b>	\$28,000	\$110,000	TBD

a The Department uses full accrual accounting, actual expenses include expenses the Department recorded as capital assets.

b To be determined

These budget estimates were not realistic because the Board did not develop budgets based on historical expenses, appropriately budget for certain revenues and did not actively monitor spending. Additionally, Board members were not involved in the budget development process. These factors, along with the significant increase to the fire protection contract, resulted in operating surpluses totaling \$236,943 over the past two years (Figure 2).

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**Figure 2: Operating Surplus Analysis**

	2021	2022
<b>Actual Revenues</b>	\$328,130	\$563,779
<b>Actual Expenses</b>	325,667	329,298
<b>Operating Surplus</b>	\$2,462	\$234,481

The Fire Chief and the Head of the Board<sup>1</sup> provided estimated expenses to the Treasurer each year during the budget development process. Using this information, the Treasurer prepared the budget, but the Board did not review or present the budget to the membership for vote, as required by the Department's bylaws. When a budget is not reviewed and approved by the Board, the Board is not afforded an opportunity to ensure that expense estimates are realistic and the budget is structurally balanced, meaning budgeted revenues are sufficient to fund the budgeted expenses.

Furthermore, the Board did not always review periodic financial reports to allow it to properly monitor or manage Department finances. While the Treasurer prepared and provided the Board with monthly financial reports such as bank reconciliations and "profit and loss" statements, two Board members told us they did not review the reports and three told us they only reviewed the portions related to building and grounds maintenance. To ensure the Board receives the financial reports it needs to effectively manage the Department's finances, as well as how to interpret and understand the financial information, Board members should consider completing training to educate themselves on the importance of fiscal oversight and reviewing monthly financial reports and annual audit reports.

The Board's lack of involvement in the budget process resulted in unrealistic budget estimates and the Department generating operating surpluses. With proper financial planning, the Department could use these surplus funds to offset the cost of future equipment and truck purchases. In addition, the lack of budget-to-actual revenue comparisons diminished the Board's ability to properly monitor and manage the Department's financial resources.

### **The Board Did Not Establish a Written Multiyear Financial or Capital Plan**

The Board and Department officials did not develop and establish a written multiyear financial or capital plan. The Fire Chief and several other Department officials told us that the Department planned to replace each truck<sup>2</sup> once they

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1 Head Trustee

2 The Department has a fleet of seven fire apparatus vehicles.

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were more than 20-years old. In addition, they planned to buy a new pumper truck in 2025, which should take approximately two years to build once it is ordered.

Although all five Board members and two officers told us they discussed a plan for truck replacement, officials did not develop a written plan. Board members shared that they discussed the potential cost of the new truck, and decided to increase the budget line to transfer money to the truck fund. However, we found no evidence of this in the Board meeting minutes. The Treasurer provided us with a truck replacement schedule from when she was the fire chief in 2019. However, this schedule included vehicles that were no longer in service and needed to be updated.

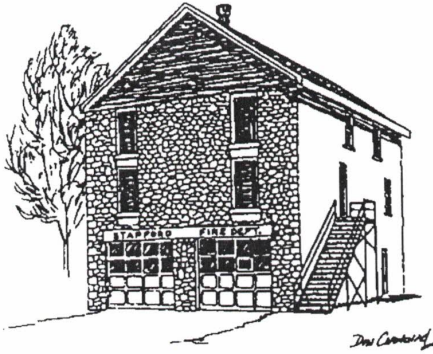
Although the budget included a transfer each year to the truck fund, without a comprehensive written multiyear financial and capital plan, it is difficult for the Board to properly manage the Department's finances and assess alternative approaches to fund truck purchases. In addition, although the Department accumulated funds of \$897,000 as of April 30, 2023 in its truck fund, there was no formal Board action to restrict these funds for a specific truck purchase.

## **What Do We Recommend?**

The Board should:

1. Review and adopt structurally balanced budgets that contain realistic revenue and expense estimates.
2. Present the budget to the membership for vote, as required by the bylaws.
3. Review the monthly financial reports provided by the Treasurer and actively monitor the Department's spending.
4. Consider having Department officers attend applicable and beneficial training sessions to obtain a better understanding of their duties. Training provided by OSC can be found at: [www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm).
5. Develop a written multiyear financial and capital plan to establish long-term goals and objectives for funding and long-term capital needs. This plan should be monitored and updated on an ongoing basis and any funds already set aside for capital assets should be designated as such by Board action.

# Appendix A: Response From Department Officials



## STAFFORD FIRE DEPARTMENT, INC.

*Serving Stafford Since 1945*

6153 Main Road, Rt. 5, Stafford, New York 14143

NYS Comptroller  
Division of Local Government and School Accountability  
Buffalo Regional Office  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

November 9, 2023

Re: Financial Management Report of Examination 2023M-110

As President of the Stafford Fire Department, Inc., I would like to express concern to the NYS Comptroller's Office for the 7+ month examination of the department's financial management and processes to find only minimal issues. The main mission of the department is to provide fire and emergency medical services to the Town of Stafford and surrounding communities. The only administration of the department receiving compensation is the treasurer and secretary, all others are volunteers. All officers are elected by members in good standing and are selected by their willingness to hold the position and being the person with the most aptitude for the position within the department. We are pleased with the findings of the audit to reveal no fraud, theft or misuse of any funds but were in no way surprised by this finding.

See  
Note 1  
Page 8

The department has implemented new procedures to rectify any deficiencies reported. While we do acknowledge that there is always room for improvement, it is important to note that the deficiencies outlined in this report were not malicious in nature and there is no finding of any intent to defraud our taxpayers.

In response to the recommendations provided by this examination:

- 1) The Board should review and adopt structurally balanced budgets that contain realistic revenue and expense estimates.

### **Response**

*The Department generally disagrees with this finding. The board already engages in an open and transparent budgeting process. The report states that the Board did not "develop realistic budgets as certain expense estimates were omitted or overstated in the operating budgets" & "The operating budget was underestimated by \$29,667 (10 percent) in 2021 and \$33,298 (11 percent) in 2022."*

See  
Note 2  
Page 8

*The budget is adopted the year before. We must allow for equipment repairs and other unplanned expenses to run the Department. We did not purposely omit or overstate any expenses in our budget.*



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*We agree that we can estimate for recurring revenue, on our 2024 budget we budgeted for this reoccurring revenue.*

- 2) The Board should present the budget to the membership for vote, as required by the bylaws.

**Response**

*The Department agrees with this recommendation and now makes certain the minutes accurately reflect our budget process at the meetings. This was an unintentional omission from our previous minutes.*

- 3) The Board should review the monthly financial reports provided by the Treasurer and actively monitor the Department's spending.

**Response**

*The Department agrees with this recommendation. The board now sign's off that they reviewed the monthly financial reports. The department has already implemented this recommendation in November 2023.*

- 4) The Board should consider having Department officers attend applicable and beneficial training sessions to obtain a better understanding of their duties.

**Response**

*The Department agrees with this recommendation. The board is in the process of signing up Department Officer's for fiscal oversight training provided by the OSC. We are planning on completing all necessary training by the end of the calendar year 2024. The Board is responsible for completing the recommended training.*

- 5) The Board should develop a written multi-year financial and capital plan to establish long-term goals and objectives for funding and long-term capital needs. This plan should be monitored and updated on an ongoing basis and any funds already set aside for capital assets should be designated as such by Board action.

**Response**

*The Department generally disagrees with this finding. The board HAS developed a written multi-year financial and capital plan that establishes long-term goals and objectives for funding. We showed this to the examiners numerous times with the same result of the examiners finding otherwise. We plan to continue to monitor and update our multi-year financial and capital plan annually with all of our members as we have already been doing for many years now.*

See Note 3 Page 8
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In conclusion, as President, on behalf of the full membership of the Stafford Fire Department, Inc. we appreciate the work put into assisting the department in minimizing any possible risk.

James F. Call  
President  
Stafford Fire Department, Inc.

# Appendix B: OSC Comments on the Department's Response

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## Note 1

According to our stated audit objective, our audit focused on financial management and is not intended to “suggest any findings of operational improprieties, fraud, misappropriation of funds, or malfeasance” beyond our audit scope.

## Note 2

As noted in the report, the Department's budget did not include estimates for certain known recurring revenues and expenses.

## Note 3

Although officials contend they provided a multiyear financial and capital plan, as discussed during the audit, the truck replacement schedule officials provided was outdated and included vehicles that were no longer in service. While a vehicle replacement schedule is an important element of multiyear financial and capital planning, it is only one element of a multiyear financial and capital plan. We encourage officials to review our Local Government Management Guide (LGMG) on Multiyear Financial Planning and the LGMG on Multiyear Capital Planning.

<https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf>

<https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-capital-planning.pdf>

## Appendix C: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Department officials and reviewed bylaws, meeting minutes, and financial records to obtain an understanding of the Department's financial management.
- We reviewed the budgets for 2021 and 2022 to assess whether they were reasonable and structurally balanced by comparing adopted budgets with actual results of operations and analyzing significant budget-to-actual variances.
- We reviewed the 2023 budget to determine whether budgeting trends were similar to previous years.
- We reviewed meeting minutes to determine what financial reports were available for the Board to review during monthly meetings.
- We interviewed Department officials, reviewed the budgets and truck replacement schedules to determine whether the Department developed a multiyear financial plan and/or capital plan to document future costs or long-term needs.

We conducted this performance audit in accordance with GAGAS (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.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it 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 the CAP available for public review.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf)

**Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

**Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.ny.gov/local-government/fiscal-monitoring](http://www.osc.ny.gov/local-government/fiscal-monitoring)

**Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

**Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.ny.gov/local-government/resources/planning-resources](http://www.osc.ny.gov/local-government/resources/planning-resources)

**Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf)

**Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

**Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

**Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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