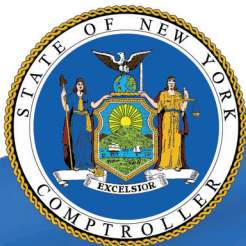


Walton Fire Department

Financial Operations

FEBRUARY 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Walton Fire Department

Audit Objective

Determine if officials provided adequate oversight of financial activities to ensure that resources were properly safeguarded.

Key Findings

- The Treasurer did not maintain complete accounting records of disbursements, receipts or cash balances.
- Bank accounts were not reconciled and reported to the membership.
- The audit and approval of bills was not properly documented.

Key Recommendations

- Ensure all transactions are entered into the accounting records.
- Prepare and review bank reconciliations and monthly financial reports.
- Audit and approve bills prior to payment and document the approval in the meeting minutes or supporting documentation.

Department officials generally agreed with our recommendations and indicated they have initiated corrective action.

Background

The Walton Fire Department (Department) is located in the Town of Walton in Delaware County. The Department provides fire protection and other emergency services to the Walton Fire District residents.

The Department is governed by its adopted bylaws, with the following elected administrative officers (officials): President, Vice President, Treasurer, Secretary and Steward. The Treasurer is responsible for all Department funds, including records of all receipts and disbursements.

Quick Facts

Members	65
Deposits ^a	\$425,220
Disbursements ^a	\$187,318

a Net of transfers between accounts

Audit Period

January 1, 2016 – July 21, 2017

Financial Operations

The officials are responsible for overseeing fiscal activities and safeguarding resources. It is essential that the officials establish a system of internal controls to ensure that transactions are properly recorded, financial reports are accurate and reliable and that transactions are authorized.

How Should Financial Transactions Be Recorded and Reported?

The bylaws require the Treasurer to keep an accurate record of all funds received and expended. The Treasurer should maintain complete, accurate and up-to-date accounting records to provide Officials with essential information to effectively manage cash and monitor the Department's financial affairs. The bylaws require the Treasurer's report to be read and approved at the monthly meeting. The Treasurer's report should include all money received and disbursed and be reconciled to the cash balance for each bank account. The New York State Gaming Commission (Commission) regulations require the Department to prepare and file financial reports of bingo and bell jar operations within 15 days after the end of each calendar quarter. Also, the Board should review all completed monthly financial reports.

Records and Reports Are Inadequate

The Department has 14 bank accounts covering Department, emergency squad, bingo and bell jar operations. Records for the bingo and bell jar accounts are maintained by their respective Treasurers and list all disbursements and receipts. However, the Department Treasurer does not maintain complete accounting records of disbursements and receipts or running cash balances for the Department and squad accounts. In addition, bank accounts are not reconciled and reported to the membership; instead, the Treasurer reports unreconciled cash balances from the bank statements for the Department and squad accounts and does not include receipts and disbursements. Furthermore, the Treasurer's report does not include bingo or bell jar activity. As a result, the membership does not have sufficient information to review to make informed financial decisions.

How Should Cash Be Accounted For and Deposited?

To increase accountability over money received from bingo games, the Department should limit access to cash and the Treasurer should verify that the deposited amount agrees to the cash count. Further, bell jar funds should be reconciled to the prior count of cash on hand and winning tickets paid. In addition, two members should dual count the cash received and document the amount to be deposited.

Cash Receipts Are Generally Safeguarded

The Department generally had controls to safeguard cash receipts by limiting access to cash and reconciling cash to reported counts and paid bell jar tickets. However, the cash collected from bingo sales is not dual counted or reconciled to bingo sales prior to deposit. Although all reported receipts on the Commission reports totaling \$82,000 for bingo and \$7,900 for bell jar, including \$38,000 for starting cash drawers, were deposited in the bank during our audit period, without dual cash counts or complete reconciliations, there is an increased risk of missing receipts being undetected.

How Should the Department Approve Disbursements?

The membership should audit and approve bills prior to payment to ensure that funds are used for legitimate Department expenses and that goods or services are supported by adequate documentation (e.g., original itemized receipts or invoices). Further, disbursements that use bingo and bell jar proceeds must be for authorized purposes in accordance with Commission regulations. The approval of payments should be documented in the minutes or on supporting documentation, such as invoices. In addition, officials should provide oversight of the Treasurer's duties by reviewing reconciliations and canceled check images.

The Cash Disbursement Process Is Insufficient

Members stated vendor invoices are verbally approved at the monthly meetings. However, the approval is not documented in the minutes or on the invoices. The Treasurer prepares and signs all checks for disbursement. However, officials do not provide oversight by reviewing reconciliations or canceled check images.

We found that all of the transfers between bank accounts matched and the images of checks that had cleared the bank during the audit period appeared reasonable. Half of all disbursements were from the bingo and bell jar accounts and included routine payments for licensing fees, janitorial services, treasurer services, starting cash drawers and supplies reported on Commission reports. We tested 15 non-transfer disbursements totaling \$3,700 of the 539 by tracing to invoices or Commission reports and determined they were legitimate Department expenses. However, without oversight of the Treasurer's duties, the risk of undetected erroneous or fraudulent disbursements is higher than necessary.

What Do We Recommend?

The Treasurer should:

1. Ensure all transactions are entered into the accounting records.
2. Prepare bank reconciliations.
3. Prepare monthly financial reports that include all money received and disbursed during the month and reconciled cash balances for each bank account.

The Board should:

4. Ensure that cash collected from bingo sales is dual counted or reconciled prior to deposit.
5. Review complete monthly financial reports, bank reconciliations and canceled check images.
6. Audit and approve bills prior to the Treasurer making payment and document the approval in the Department's meeting minutes or supporting documentation. As part of the approval process, the Board should ensure that all disbursements are properly supported.

Appendix A: Response From Department Officials

**WALTON VOLUNTEER
FIRE DEPARTMENT INC.
59 West Street
Walton, NY 13856**

January 31, 2018

[REDACTED]
Binghamton Regional Office New York State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Re: Report No. 2017M-242

Dear [REDACTED]

The Walton Fire Department agrees with the audit's key findings of the treasurer maintaining complete records of disbursements and bank accounts not being reconciled and that approval of bills were not properly documented.

Our initial corrective action plan was to elect a new treasurer and we also have hired a bookkeeper to assist the treasurer with our finances. We have already instituted new procedures for complying with the recommendations of the auditors.

The Walton Fire Department wishes to thank the auditors for their input and help given the department with our financial responsibilities.

Sincerely,

Stephen Condon, President

B. James Olmstead, Treasurer

Appendix B: Audit Methodology and Standards

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, we performed the following audit procedures:

- We interviewed officials and reviewed bylaws, Board minutes and Commission reports to gain an understanding of financial operations.
- We compared the total bingo and bell jar receipts to deposits in the bank and Commission reports for our audit period.
- We reviewed all check images and bank statements for the audit period to determine whether there were any unusual transactions and whether all transfers between bank accounts matched the check images and appeared reasonable.
- We tested a random sample of 15 non-transfer disbursements by tracing to invoices or Commission reports.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the 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.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

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

www.osc.state.ny.us/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.state.ny.us

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

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