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April 2020

Mr. Gary Baehr, President  
Members of the Board of Directors  
Akron Fire Department  
1 Main Street  
Akron, NY 14001

Report Number: 2014M-196

Dear Mr. Baehr and Members of the Board of Directors:

The Office of the State Comptroller (OSC) 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 Akron 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 money is safeguarded?

The results of our audit have been discussed with Department officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Department officials agreed with our findings and indicated they have initiated, and plan to initiate, corrective action.

### **Background and Methodology**

The Akron Fire Department is located in the Village of Akron in Erie County. The Department provides fire protection services to the Village and the Town of Newstead. The Department's expenses for the 2013 fiscal year totaled approximately \$625,000 and were funded primarily with grants, fire protection contracts and fundraising activities.

The Board of Directors (Board) consists of eight elected members<sup>1</sup> and is responsible for the Department's overall financial management. The Board elects a Treasurer who acts as the Department's chief fiscal officer.

We examined the internal controls over the Department's financial operations for the period January 1, 2013 through April 16, 2014. We extended the scope of our audit to January 3, 2020 to update certain information concerning our audit findings. 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 that ensure transactions are authorized and properly supported with adequate documentation. The Treasurer is responsible for receiving and maintaining custody of Department funds, for disbursing and accounting for those funds and for preparing monthly and annual financial reports.

The Treasurer maintained adequate accounting records, reconciled the cash balances on the bank statements to the book balances and prepared and submitted monthly reports to the Board. In addition, the Department's 2012 financial statements were audited by an independent public accountant as required. The Treasurer indicated that he does not make any payments prior to approval by the Board. However, there was no evidence in the minutes or on the paid bills that the Board approved disbursements prior to payment.

We found that Department credit cards were issued to the eight Board members, the Fire Chief and two Department volunteer members. However, the Board did not adopt a written credit card policy governing the use of Department credit cards. We also found that the Department did not follow grant regulations when disbursing certain grant money. Due to these deficiencies, we selected credit card purchases and grant fund disbursements for testing.

Credit Card Purchases – We reviewed all credit card bills from January 2013 through April 2014. Over this period, the Department made 152 purchases totaling \$31,167 with Department-issued credit cards. Of these, we identified 51 purchases totaling \$9,067 that were properly supported with original receipts attached to the credit card statement and appeared to be for appropriate Department purposes. However, 101 purchases totaling \$22,100 did not have original receipts attached to the monthly statement. For example, two purchases totaling \$1,500 from a home improvement store in December 2013 were not supported by original receipts or any other supporting documentation. Also, two purchases totaling \$2,746 from two department stores were

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<sup>1</sup> The Department by-laws indicate that there may be no fewer than four Directors and no more than eight. The Directors include the President, Vice President, Treasurer, Corporate Secretary and four Directors-at-large.

not supported by receipts.<sup>2</sup> Without original receipts, it is uncertain if the purchases were for appropriate Department purposes. From our review of the credit card statements, we found that generally the purchases were made from vendors that would reasonably provide goods and services for Department purposes. However, we also identified purchases from vendors that would not reasonably provide goods and services for Department purposes. We asked the President for support and an explanation for these purchases. However, he never provided us with an answer. For example, there were payments to a home furnishings store (\$652), purchases of Halloween costumes (\$104) and a payment to a local hotel (\$125).

Grant Fund Disbursements – We also reviewed the Department’s use of grant money. In 2011, FEMA<sup>3</sup> awarded a multiyear SAFER<sup>4</sup> grant to the Department for the recruitment and retention of volunteer members. The grant was designed to increase and retain membership in three ways: provide college funds to graduating high school seniors and others that join the Department; provide funds for active members to continue their own education and training; and by easing the financial responsibilities of higher education for active members with children attending college, enabling the active members to continue their service with the Department.

The Department’s adopted SAFER grant regulations state that, “to receive payment, a member must turn in a bill from the educational institution to the grant committee chairman, or a designee. A check made payable to the educational institution will be sent to that institution in the member’s name. If the award amount is greater than the tuition required, an additional check will be written to that member on a semester basis so that the additional funds will be able to be used for books, lab fees and other educational needs.” The regulations also indicate that, “to continue in the new recruit college scholarship program, a student must maintain a 2.5 grade point average (GPA) ....”

In 2013 the Department received \$260,996 in grant money and disbursed a total of \$217,600 in scholarships by check to 19 individuals.<sup>5</sup> None of the checks were made payable to educational institutions, as required by the Department’s regulations. Instead, the checks were made out to the grant recipients.

We attempted to determine if the amounts disbursed to the recipients were reasonable and whether they maintained an appropriate GPA. While the grant committee chairman provided us with scholarship applications and worksheets which included estimates of the costs of college for each individual, he refused to provide us with copies of bills from the educational institutions and the students’ report cards showing their GPA. Therefore, we were unable to determine if the payments to the scholarship recipients were reasonable relative to billed college costs, less any scholarships from other sources and whether the students met the GPA requirements in the Department’s grant regulations.

We referred our findings to OSC’s Division of Investigations which partnered with the U.S. Department of Homeland Security Office of Inspector General to jointly investigate this matter. In July 2019 a Fire Department member, Richard A. Lobur, admitted to taking almost \$40,000 in

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2 One purchase for \$1,087 was made in November 2013, the other purchase for \$1,659 was made in December 2013.

3 Federal Emergency Management Agency

4 Staffing for Adequate Fire and Emergency Response

5 The amount of the checks ranged from \$1,000 to \$20,000. Many individuals received more than one check.

grant money and using it for personal expenses, paying off credit card debt and making loan payments. He pleaded guilty to theft of government money and agreed to pay \$39,182.92 in restitution. This matter was also referred to the Erie County District Attorney's Office resulting in the arrest of three other individuals. In December 2019, one individual pleaded guilty to petit larceny while the other two pleaded to a non-criminal disposition. All three were ordered to pay restitution.

## **Recommendations**

The Board should:

1. Adopt a written credit card policy and review and update the policy annually. The credit card policy should identify all authorized users, require original documentation for purchases and the pre-approval of purchases and establish a means to recoup any improper charges.
2. Ensure that original receipts are attached to the monthly credit card statements.
3. Approve the credit card bill prior to payment and document the Board's approval of all claims either on the paid bill or in the Board minutes.
4. Ensure that checks representing the disbursement of SAFER scholarship awards are made payable to an educational institution, as required by the Department's regulations.
5. Ensure that the information for grant recipients, including a bill from the educational institution and a report card with their GPA, is available for review to verify their eligibility for grant funds.

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.

Sincerely,

Elliott Auerbach  
Deputy Comptroller

## **APPENDIX A**

### **RESPONSE FROM DEPARTMENT OFFICIALS**

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



## Akron Fire Company Inc.

One Main Street, P.O. Box 1, Akron, N.Y. 14001  
(716) 542-9091 (716) 542-3177 fax  
[www.akronfireco.com](http://www.akronfireco.com)



Office of the New York State Comptroller  
Division of Local Government & School Accountability  
PSU – CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany NY 12236

Dear New York State Comptroller:

This letter is to inform you that the Akron Fire Company Inc. has received the preliminary draft of the financial review from 2013-2014. This letter is in reference to Report number 2014M-196. The Akron Fire Company Inc. is writing your office today to agree with your findings and provide your office with our CAP plan. You will find some actions had already taken place over the course of sometime and others have been implemented after the review.

- 1) *Adopt a written credit card policy and review and update policy annually. The credit card policy should identify all authorized users, require original documentation for purchases and the pre-approval of purchases and establish a means to recoup any improper charges.*
- 2) *Ensure that original receipts are attached to the monthly credit card statements.*
- 3) *Approve the credit card bill prior to payment and document the Board's approval of all claims either on the paid bill or in the Board minutes.*

We have since adopted a proper credit card policy that is reviewed and/or modified annually by the Board of Directors. This policy limits the Department to a total of three cards available for purchases via credit card. Credit cards are only to be used if there is no way of being billed and invoiced for services and goods rendered on behalf of the Akron Fire Company Inc.. Such purchases are subject to audit by the Board of Directors monthly and the monthly membership audit, performed at the monthly business meetings. These findings and approvals are reflected in both sets of minutes. These audits are done prior to the bills approval to be paid. Once the audits are done and the receipts are attached to the statements and they are filed with the monthly bills for the end of the year independent audit. These are the corrective action plans we have put in place since the audit began. Since the Comptrollers Office review, the Directors have taken another look at our policies and are looking again to see if there is anything that we can do better moving forward. Their findings will be reviewed by the Board of Directors and, if found to be of benefit, will be instituted after a majority vote of the Board members.

**100 % Volunteer, 365 Days a Year**



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- 4) *Ensure that checks representing the disbursement of SAFER scholarship awards are made payable to an educational institution, as required by the Department's regulations.*
- 5) *Ensure that the information for grant recipients, including bill from the educational institution and report card with their GPA, is available for review to verify their eligibility for grant funds.*

The current Board of Directors does not understand why these specific regulations were not followed by the grant administrator during the time period in question. Since that administrator is not longer with the department, there will be no monies approved without proper supporting paperwork. All applicants to the SAFER grant will need to provide an institution in which their monies that have been approved can be sent directly to. Said institution and member will need to provide a receipt for payment of any funds being approved and expended. Those receipts will be attached to the original check stub and grant application for individuals for that semester. Also required will be a copy of the GPS showing completion of the semester so that we may consider their grant payment properly executed and it can be submitted at the end of the year for our third party audit.

Some of these corrective action plans have been in place since the original audit began but were not being followed. Others have been implanted since then and continue to be monitored and modified to meet and exceed the Comptrollers office standards. We anticipate any changes to be completed by April 28<sup>th</sup>, 2020 and will be implemented by the Board of Directors Majority. The President of the Akron Fire Company Inc. and the Head of the Board of Directors would be the individual responsible for the implementation.

We at the Akron Fire Company Inc. appreciate the cooperation that the Comptrollers office has given us during this unusually extended period of time of investigation. We also appreciate its recommendations and look forward to finishing our corrective action plan this spring. We would like to thank the Comptroller and the office staff here in Buffalo for a thorough job well done.

Sincerely,

Gary A. Baehr  
President  
Akron Fire Company Inc.

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