

Meridale Fire Department and Emergency Squad

Cash Receipts and Disbursements

JANUARY 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
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Report Highlights

Meridale Fire Department and Emergency Squad

Audit Objective

Determine whether Department officials established adequate controls over cash receipts and disbursements.

Key Findings

- Cash receipt and disbursement duties were not adequately segregated and mitigating controls were not implemented.
- Fundraising revenues of more than \$8,400 were deposited between 26 and 59 days after collection.
- Meeting minutes did not always contain adequate information regarding bills approved for payment.

Key Recommendations

- Segregate cash receipt and disbursement duties.
- Deposit all money timely.
- Ensure that the minutes contain adequate information regarding the bills that membership approved for payment.

Department officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Meridale Fire Department and Emergency Squad (Department) is located in the Town of Meredith in Delaware County. The Department provides fire protection and emergency rescue services to the Meridale Fire District residents. The Department is composed of volunteer members (membership) and is governed by its adopted bylaws.

Annually, the members elected a President, Treasurer and Secretary. These officials and the membership are responsible for overseeing Department financial activities and safeguarding resources. The Treasurer is the chief fiscal officer and is responsible for receiving and maintaining custody of all Department funds and disbursing and accounting for those funds. The Department's primary sources of income include fundraising events, grants and Foreign Fire Insurance funds.

Quick Facts

Active Members	24
Audit Period Cash Receipts	\$72,500
Audit Period Disbursements	\$105,000

Audit Period

April 1, 2017 – August 10, 2018

Cash Receipts and Disbursements

What Are Adequate Controls Over Cash Receipts and Disbursements?

It is essential that department officials establish controls to ensure that cash receipts and disbursements are properly safeguarded. Good controls include segregating duties related to the cash receipts and disbursements processes. For example, no one individual should collect, deposit and disburse cash, maintain the accounting records and report activity. If this is not possible, officials should implement mitigating controls, such as having someone separate from the processes periodically review bank statements and cancelled check images.

For fundraising events, at least two individuals should count and certify the money collected. When practical, the department should use press-numbered receipts or tickets. After a fundraising event is completed, the treasurer should promptly deposit all money received and prepare and present a report to the membership detailing the amounts collected and deposited, the number of items sold and the related expenses.

The Department's bylaws require that all bills, including credit cards, be approved by a majority of the membership present at the meeting before payment is made, and dual signatures on any checks for more than \$500. All bills should include adequate supporting documentation, such as receipts or vendor invoices before they are approved and paid. Lastly, the secretary should document the vendor names and amounts approved to be paid in the meeting minutes.

Controls Over Cash Receipts Could Be Improved

The Treasurer performed all cash receipt duties, including collecting, counting, depositing, recording and reporting, without any mitigating controls. In 2018, the Department held various fundraising events, including a chicken barbeque in June and food sales each Friday in July at a local farmer's market. Department officials informed us that the Treasurer and one other designated individual collected and counted the cash during these events. However, there was no certification of the counted money during any of the events. Further, press-numbered tickets or receipts were not used. Although the Treasurer prepared reports in August for both these fundraising events detailing the amounts collected and deposited and the related expenses, the reports did not include the number of items sold.

Due to these weaknesses, we tested all known cash receipts, including fundraising events, foreign fire insurance, grants and donations, totaling approximately \$72,500 and determined that these funds were recorded, reported and deposited. We were unable to determine whether additional money was collected due to the lack of adequate supporting documentation, such as certified cash counts and press-numbered tickets or receipts. Also, the fundraising revenues were not deposited timely. More than \$2,000 from the chicken barbeque

was deposited over two months later, while more than \$6,000 from the food sales was deposited three weeks after it was collected. Therefore, the Treasurer had more than \$8,400 located at her home during this time. The Treasurer told us that she was waiting for the membership to decide which account should receive the money.

Controls Over Cash Disbursements Could Be Improved

The Treasurer performed all cash disbursement functions including preparing and signing the checks and recording and reporting the disbursements. Although the bylaws require the membership to approve the bills prior to payment, no one reviewed the bank statements and canceled check images to ensure only disbursements approved were actually paid.

Due to these weaknesses, we reviewed all 101 canceled check images and electronic payments totaling more than \$85,000 and one electronic transfer totaling \$20,000 for the audit period and found all were for legitimate Department purposes. However, we were unable to determine whether 17 disbursements totaling more than \$4,400 were approved by the membership prior to payment because the meeting minutes did not consistently include adequate documentation of bills approved to be paid, such as vendor names and amounts. Additionally, six disbursements totaling almost \$2,000 were not adequately supported, lacking vendor invoices or receipts. Lastly, there were 14 checks totaling \$32,400 requiring dual signatures; none of them contained a second signature. The Treasurer was the sole signatory.

When there is a lack of segregation of duties or mitigating controls, there is an increased risk that errors and irregularities could occur and not be detected in a timely manner.

What Do We Recommend?

Department officials and the membership should:

1. Segregate the duties related to the cash receipts and disbursements processes or implement mitigating controls, such as reviewing the bank statements and canceled check images.
2. Provide adequate controls over fundraising revenues such as requiring that the individuals who counted the cash certify the cash collected or using press-numbered receipts or tickets, when practical.
3. Ensure that all disbursements are adequately supported prior to approving payment.
4. Ensure all checks for more than \$500 are signed by two individuals.

The Treasurer should:

5. Deposit all money received in a timely manner.
6. Include the number and price of the items sold in the fundraising event reports.

The Secretary should:

7. Ensure that meeting minutes contain adequate information regarding the bills approved by the membership, such as vendor names and amounts to be paid.

Appendix A: Response From Fire Department Emergency Squad Officials

In reply to your suggestions 18 Dec 2018

1. Deposit all cash & checks ASAP (48 hrs)
have targeted accounts (truck fund, equipment
and any other named account
Have invoice or bill for all outlays Status Name
address and price and what for
2. Number tickets sold in advance ~~and~~ with price
keep track of number items (chicken dinner sold,
hamburgers, fries, etc) any donations ever price
Total amounts each item brings in
3. All bills are presented and approved at regular
meetings
4. Two signature on checks over \$500

It is the dept intention to impliment all
your suggestions, I hope this meets with your
approval

William Hollard

Pres - Mendota FD

PS

I ~~planned~~ was going to type this up but my printer died

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, our audit procedures included the following:

- We interviewed Department officials and reviewed the bylaws and meeting minutes to gain an understanding of the cash receipts and disbursements processes, including member oversight.
- We reviewed vendor invoices, meeting minutes, bank statements, copies of deposit slips, Treasurer's reports and fundraising activity reports to determine the amount that should have been collected, was collected, recorded, reported and if it was deposited timely and intact. We also reviewed the fundraising activity reports to determine whether they were adequate.
- We traced 100 percent of the canceled checks, electronic payments and electronic transfers from Department bank accounts to vendor invoices, meeting minutes and the Treasurer's Reports to determine whether disbursements were adequately supported, approved prior to payment by the membership, reported to the membership and were appropriate Department expenditures. We also reviewed all canceled checks for more than \$500 to determine if they had a second signature as required by the bylaws.

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 officials have the responsibility to initiate corrective action. We encourage officials 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#lgmg

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

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