VFIS NEWS

Vol. 07 No.3

Bringing important information to emergency service organizations.

Published by the Glatfelter Insurance Group York, Pennsylvania

WHAT'S INSIDE...

We welcome comments, suggestions and questions from our readers.

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Financial Management Can Be a Challenge

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Managing the finances of a volunteer Emergency Service Organization is a daunting task. Typically, the records and procedures are established by the board based on what they believe makes sense for the organization.

In today's environment, there are many organizations and individuals who are interested in the financial dealings of non-profit Emergency Service Organizations. In Pennsylvania, the organization that receives funds from the state through premium taxes is called a relief association. Relief associations are audited every two years by the State Auditor's department. It is my understanding that many states have a similar audit process when state funds are involved.

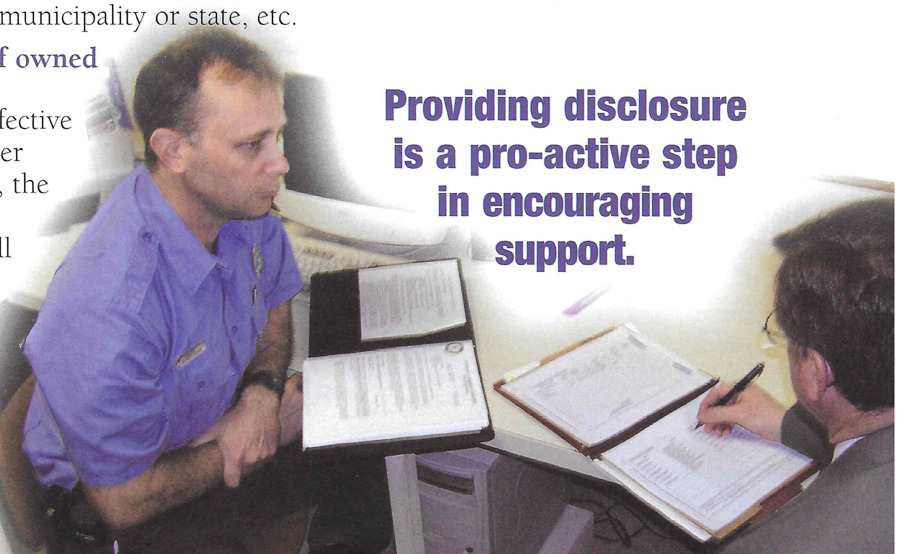
Late last year I visited the Auditor General's web site and reviewed some of the findings of these audits. I learned that negative audit findings were common in the majority of the association audits. I'd like to share some of these findings with you and offer some solutions to avoid these potential pitfalls. Please keep in mind that, while these audits are based on the specific regulations of Pennsylvania, many of the concepts apply across the country.

1. Inadequate bond coverage

- Generally speaking, the limit of bonds should be equal to the maximum amount of cash balance at any time during the fiscal year.
- Cash balances within brokerage accounts should be taken into consideration when determining adequate bond coverage.
- New state funds might be deposited prior to depleting the prior year's balance.
- When considering the amount of bond coverage, review your last few years' account balances, paying special attention to peak seasons such as fundraising events, the date funds come from the municipality or state, etc.

2. Lack of inventory of owned equipment

- In order to provide effective accounting control over equipment purchases, the organization should maintain a roster of all owned equipment.
- An inventory should be completed at least annually.



Providing disclosure is a pro-active step in encouraging support.

Continued on page 2

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Continued from page 1

- When the equipment becomes inoperable or disposed of, it should be noted on the inventory records, including the reason, date, and method of disposal. The disposal should also be noted in the board minutes.

3. Inappropriate signing of blank checks

- While we all like to trust our fellow members, the sad truth is there are many instances where someone in a position of authority has inappropriately used organization funds. One method of minimizing this risk is to establish a procedure where signing blank checks is prohibited.

4. Inadequate minutes of meetings

- At every membership meeting, notes should be taken and available for any interested party. This not only minimizes the potential for misunderstanding but it allows the public an efficient method for reviewing your organization.

5. Undocumented expenditures

- Depending on your state law or other statutes you might be restricted in what you can purchase with certain funds. Documenting expenditures provides your organization with the safeguards needed to ensure compliance.
- Providing as much disclosure as possible to your public and general membership is a pro-active step in encouraging support. Undocumented expenditures can lead to questions from the public, even if the expenditure turns out to be legitimate.

Establishing basic audit and expense procedures can minimize the risk of inappropriate spending and, in the case of inventory, provide documentation in the event of a loss. Please share any audit or accounting procedures that you believe would be of interest to our readers with us at vfisnews@vfis.com.