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August 23, 2013

Mr. F. Michael Kelly, President
Members of the Executive Committee
Ridgeway Volunteer Fire Company, Inc.
11392 Ridge Road
Medina, NY 14103

Report Number: 2013M-196

Dear Mr. Kelly and Members of the Executive Committee:

One of the Office of the State Comptroller's primary objectives is to identify areas where fire company 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 company officials to reduce costs, improve service delivery, and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Ridgeway Volunteer Fire Company (Company) which addressed the following question:

- Are Company controls adequate to ensure that financial activity is properly recorded and reported and that Company moneys are safeguarded?

We discussed the findings and recommendations with Company officials and considered their comments in preparing this report. The Company's response is attached to this report in Appendix A. Company officials generally agreed with our recommendations and indicated they would take corrective action.

Background and Methodology

The Ridgeway Volunteer Fire Company (Company) is located in the Town of Ridgeway, in Orleans County. The Company contracts with the Town to provide fire protection services and also receives moneys from fundraising and donations. The Company's receipts totaled \$229,038 for the 2012 fiscal year.¹

¹ The largest Company expenses in 2012 were Company events (\$52,206), equipment (\$39,395), utilities (\$39,337), and insurance (\$14,213).

The Company is operated in accordance with its Bylaws which stipulate that an Executive Committee (Committee) of 12 elected members is responsible for the Company's overall financial management. The Committee appoints the Treasurer who acts as the Company's chief fiscal officer. The Bylaws state that the Treasurer is responsible for the receipt and custody of Company funds, for disbursing and accounting for those funds, for preparing monthly and annual financial reports, and for meeting any other reporting requirements.

We examined the internal controls over the Company's financial operations for the period January 1, 2011, to June 11, 2013. We interviewed appropriate Company officials and reviewed financial records and Committee 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 Committee is responsible for overseeing the Company's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Committee establish a system of internal controls, which consists of policies and procedures that ensure transactions are authorized and properly recorded; that financial reports are accurate, reliable, and filed in a timely manner; and that the Company complies with its Bylaws and other applicable laws, rules, and regulations.

The Treasurer should maintain complete and accurate records to account for all of the Company's financial activities. The Treasurer should also prepare and submit monthly and annual reports to the Committee. These reports are important fiscal tools which provide the Committee with information necessary to monitor Company operations and give other interested parties a summary of the Company's financial activities. When Company revenue exceeds \$200,000 annually, General Municipal Law requires the governing board to obtain an audit of the Company's records by an independent public accountant. The Company is also required to file Form 990 with the Internal Revenue Service (IRS), disclosing certain financial and other information. Additionally, the Committee should ensure that all disbursements are supported by appropriate documentation prior to payment to ensure that Company funds are used for only legitimate Company expenditures.

We found that the Committee generally does not provide adequate oversight of Company financial activities. Since revenues for 2012 exceeded \$200,000, the Company was required to obtain an independent audit, but did not do so.² Furthermore, the Company has not filed Form 990 with the IRS since 2008.³ The Treasurer does not maintain critical accounting records, such as cash receipts and disbursements journals and ledgers, and does not routinely provide the Board with monthly reports. Moreover, the Committee did not receive an annual report from the Treasurer for the 2012 fiscal year.

² Company officials did establish an internal audit committee in 2012 to audit the Treasurer's books at least annually; however, as of the completion of our fieldwork in June 2013, the audit committee had not performed this function.

³ The Company recently retained a CPA firm to file the 990 forms.

We reviewed all Company disbursements made from January 1, 2011, through April 30, 2013. For 2011, company disbursements totaled \$256,401. The Company made 46 payments totaling \$18,717 to individuals, 24 of which, totaling \$8,243, were unsupported. This included \$5,525 for fire hall cleaning, \$1,678 in member reimbursements, and \$590 for miscellaneous supplies. It was unclear what the remaining payment of \$450 was for. For the period January 1, 2012, through April 30, 2013, Company disbursements totaled \$250,337. Of this amount, 35 payments totaling \$10,705 were unsupported. These unsupported payments were to various vendors for purchases related to Company events, utilities, training, cleaning, equipment, and mailings. While Company officials indicated they scrutinized the bills before they approved them for payment, they did not require critical documentation to ensure that Company funds were being used for only legitimate Company purposes.

Recommendations

1. The Committee must ensure that the required annual audit is performed and that Form 990 is prepared and filed in a timely manner.
2. The Treasurer should prepare and provide monthly and annual reports to the Committee as required by the Company Bylaws.
3. The Treasurer should maintain complete, current, and accurate accounting records to document all of the Company's financial activity.
4. The Committee should verify that disbursements are supported by appropriate documentation prior to approval for payment.

The Committee 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 Committee to make this plan available for public review.

Sincerely,

Andrew A. SanFilippo
Executive Deputy Comptroller
Office of State and Local Government
Accountability

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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

RIDGEWAY VOLUNTEER FIRE CO. INC



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Medina, NY 14103-0816
ridgeway@rochester.rr.com**



ASST CHIEF
Pat Kelly

CHIEF
Don Marchner

ASST CHIEF
Francis Woodward

Mr. Andrew A. SanFilippo
Executive Deputy Comptroller
Office of State and Local Government Accountability

Re: Report Number: 2013M-196

Dear Sir:

This letter is in response to your preliminary draft findings report pertaining to the audit of the Ridgeway Volunteer Fire Company, Inc.

The Ridgeway Volunteer Fire Company, Inc, Executive Board have all received and reviewed the "Report of Examination covering January 1, 2011 to June 11, 2013. The Board appreciates the experience and dedication shown by your staff in conducting this audit.

An exit meeting was held on August 6, 2013 with the auditors from the Officer of the State of New York and members of the Executive Board. The Executive Board views the audit and the report as an opportunity to review and improve upon our practices and procedures and we certainly intend to take this opportunity to improve these practices and polities. After careful review and considerations, we (the board) found a few items that needed clarification.

Recommendations stated in your report:

- The Committee must ensure the required annual audit is performed and that Form 990 is prepared and filed in a timely manner.
- The Treasurer should prepare and provide monthly and annual reports to the Committee as required by Company Bylaws.
- The Treasurer should maintain complete, current, and accurate accounting records to document all of the Company's financial activity.
- The Committee should verify that disbursements are supported by appropriate documentation prior to approval for payment.

Clarifications:

- During the time the audit was taken place, new personal was voted into their respected offices and still where learning their roles. It is during this time,

changes were made to ensure better records and documentations were being followed per Company Bylaws.

- Executive Board has taken steps to locate and retain a part time accountant to assist the Treasurer with record keeping.
- The fire company has already retained a CPA and filed past 990's and is in the process of filing the 2012.
- The audit committee will be meeting soon and checking the books.
- New Treasurer has already started the process and documentation of annual reports per month as stated in Company Bylaws.
- After review and discussions, a new system and process has been adopted and accepted by Company as to how records should be setup and completed. Audit committee will report to General Membership Quarterly and report their findings.
- Treasurer will report and document all income, expenses, disbursements, receipts, with the required and appropriate documentation prior to approval for payment. Audit Committee will verify that all records are complete for each quarter as per Company Bylaws.

The Executive Board would like to thank the Office of New York State Comptrollers Officer for their Audit and recommendations. All of the information, recommendations, contacts, will allow us to better keep fiscal records and documentations.

Sincerely Yours,

Francis Kelly - President

The Executive Board

CC: Francis Kelly – President
Lyell Caleb –Vice President-
Glen Busch II- Treasurer
Don Marchner- Fire Chief
Pat Kelly- 1st Chief