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August 30, 2013

Mr. Christopher Hilbert, President
Members of the Board of Directors
South Byron Volunteer Fire Company, Inc.
7389 Route 237
P.O. Box 30
South Byron, New York 14557

Report Number: 2013M-155

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

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 to account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the South Byron Volunteer Fire Company, Inc. (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 South Byron Volunteer Fire Company, Inc. (Company) is located in the Town of Byron, in Genesee County. The Company contracts with the Town to provide fire protection services and also receives moneys from fundraising and other activities. The Company's budget totaled \$109,400 for the 2013 fiscal year.¹

The Company is governed by a five-member Board of Directors (Board), which is responsible for the Company's overall financial management. The Board elects a Treasurer who acts as the

¹ The budget includes the following major categories of expenses: debt service, \$38,600; firematic and maintenance, \$23,200; utilities and fuel, \$13,000; insurance, \$11,800; legal fees, \$20,000; and events, \$2,800.

Company's chief fiscal officer. The by-laws 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, 2012, to March 31, 2013. We interviewed appropriate Company 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 Company'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 to ensure that Company financial activity is properly recorded and reported and that Company moneys are safeguarded. We found that the Company has established a system of internal controls with appropriate procedures to ensure that financial activity is properly recorded and that Company moneys are safeguarded, except for controls over the use of credit cards.

Company credit cards were issued to the President, Vice President, Chief, and Deputy Chief. The Company does not have a formal policy governing the use of these credit cards. However, purchases greater than \$100 require prior Board approval. The President and Vice President receive and review the credit card statements before they are given to the Treasurer for payment. However, Company officials do not ensure that invoices for all credit card purchases are retained and attached to the credit card statement.

We reviewed all 264 payments totaling \$122,007 made by the Company in 2012, including \$7,250 for credit card purchases. Company claims are generally itemized and supported with invoices. However, we found that claims for credit card purchases totaling \$1,570, or 22 percent of the 2012 credit card purchases, did not have adequate documentation on file. As a result, Company officials did not have the necessary information to approve the payments of all credit card purchases, and we found no evidence of prior approval for the credit card purchases greater than \$100. Although the purchases in question appear to be for Company purposes, this control weakness increases the risk that errors and/or irregularities could occur and not be detected and corrected in a timely manner.

We also reviewed Company accounting records and cash receipts and found that appropriate controls were in place. The Treasurer properly recorded cash receipts activity, prepared and distributed monthly financial reports to the Board, prepared and filed Form 990 with the Internal Revenue Service, and reconciled bank statement cash balances to the Company's accounting records. These reconciliations were reviewed by the Board.

Recommendations

1. The Board should adopt and maintain a policy governing the use of Company credit cards.
2. The Board should ensure that sufficient supporting documentation is available for all credit card purchases prior to approving them for payment.

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,

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 page.

South Byron Volunteer Fire Co., Inc.

7389 Route 237 PO Box 30
South Byron, NY 14557

Dear: [REDACTED]

On behalf of the South Byron Volunteer Fire Co. I have read the findings and understand the results.

As per the auditor's findings we will implement a credit card policy within the set guidelines so that we can reduce the risk of errors or irregularities of credit card usage should they occur. We then will be able to detect and correct any unauthorized activity in a timely manner.

The board will also ensure that supporting documentation will be available prior to payment.

Thank you for your attention to this matter.

Respectfully,

Christopher D. Hilbert

Christopher D. Hilbert President South Byron Volunteer Fire Co. Inc.

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