



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

April 25, 2014

Jeffrey Williams, President
Members of the Board
Claryville Volunteer Fire Company
1500 Claryville Rd.
Claryville, NY 12725

Report Number: 2014M-53

Dear Mr. Williams and Members of the Company:

The Office of the State Comptroller works 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 Claryville Volunteer Fire Company (Company) which addressed the following question:

- Are Company controls adequate to help 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 plan to initiate corrective action.

Background and Methodology

The Company is a volunteer organization and is associated with the Claryville Fire District (District), which covers the Town of Denning in Ulster County and part of the Town of Neversink in Sullivan County. The District owns the fire trucks and all related fire gear while the Company owns the buildings, furniture and fixtures. For the 2012 fiscal year, the Company reported approximately \$45,000 in revenues from foreign fire insurance taxes, fundraising activities, rental income, donations and grants, and also reported \$61,000 in disbursements.

The Company is operated in accordance with its by-laws and is governed by four officers and at least seven members¹ that collectively represent a Board for the purposes of Company oversight. This Board is responsible for the Company's overall financial management. The Treasurer acts as the Company's chief fiscal officer. 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 any other reporting requirements.

We examined the internal controls over the Company's financial operations for the period January 1, 2012 through December 20, 2013. We interviewed appropriate Company officers and members 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 comprises 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 applicable laws, rules and regulations.

It is also imperative that the Treasurer maintains complete, accurate and timely records to account for all of the Company's financial activities and submits reports to the Board monthly. The by-laws require the Treasurer to collect all moneys for the Company, keep an accurate and orderly account of all moneys, disburse moneys as authorized by the Company in accordance with certain guidelines and provide a written monthly report of the prior month's transactions. The Board should also perform a thorough audit of all claims before they are paid to ensure that Company funds are used for only legitimate Company expenditures. The by-laws require all bills to be presented to the Board for approval prior to payment.² A routine Board review of bank statements or the monthly reconciliation of the bank statements to Company records would also provide important controls over disbursements.

While the adopted by-laws dictate that financial activity should be properly recorded and reported to ensure Company moneys are safeguarded, these procedures are not always followed. Although the Board approves the monthly Treasurer's report, which details each payment along with corresponding check numbers, no one is reviewing support for those payments, including the monthly bank statements, canceled check images or invoices. In addition, the Board does not require the Treasurer to perform monthly bank reconciliations to ensure an accurate and orderly account of all moneys.

¹ The Company by-laws dictate that at least 11 active members, including the four officers (President, Vice President, Treasurer and Secretary), must be present at any meeting to conduct Company business.

² Company by-laws section 3, paragraph 3(e)

We selected all 54 disbursements made in the months of January, June and November 2013, totaling \$13,586. We found six disbursements totaling \$1,615 that did not have supporting documentation and seven disbursements totaling \$668 not paid in accordance with the Company's by-laws, as the Board never approved the payments before they were made. In addition, we selected both payments that were made to Company officers during our audit period, which totaled \$631, and found that they did not have any supporting documentation and were not presented to the Board prior to payment. Company officers told us they were unsure why these payments did not have supporting documentation and were not properly approved. Although all of these disbursements appeared to be for proper Company purposes and Company officers corroborated the legitimacy of these disbursements, the disbursement of Company funds without Board approval is a direct violation of Company by-laws.

We also selected all cash receipts for the months of February, June and October 2012 and February, June and October 2013, totaling \$33,408. We determined all cash receipts were properly deposited and recorded.

When established internal control systems are not sufficient or working properly, the Board cannot prevent or detect the theft or waste of Company moneys.

Recommendations

1. The Treasurer should prepare monthly bank reconciliations for all accounts and provide the bank reconciliations along with bank statements and canceled check images to the Board for review.
2. The Board should ensure that all bills are approved prior to payment as required by the Company by-laws.

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 the CAP available for public review.

We thank the officials and staff of the Claryville Volunteer Fire Company for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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

**CLARYVILLE VOLUNTEER FIRE DEPARTMENT**

BOX 146 CLARYVILLE, NEW YORK 12725
845-985-7270

STATION 65 email: jeffwilliams76@hotmail.com
President CVFD

To: H Todd Eames, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417
Tel 607-721-8306 Fax 607-721-8313

Jeffrey Williams - President
Claryville Volunteer Fire Company
1500 Denning Road
Claryville, NY 12725
845-985-7270 (firehouse)

Report Number 2014M-53

OSC Audit Report Response:

On behalf of the Claryville Volunteer Fire Company, its members, and its supporters, I am submitting our official response to the OSC Audit # 2014M-53.

First of all, I would like to thank the State Comptrollers Office for conducting a thorough and professional investigation of the Company's books and procedures. Our assigned auditor was always prompt, professional, and courteous. He gave clear and understood requests for information. He communicated well with me and all of my officers to do his best with expediting the process.

We, as an organization found this audit to be a much-needed evaluation of our systems, and look forward to making some sound improvements.

Therefore: I, as President of the Claryville Volunteer Fire Company, agree with the findings in the above-mentioned audit (2014M-53). Per the recommendations of the audit, We will design Corrective Action Plans to follow up with the recommendations of the OSC.

Thank you for all of your cooperation and information during this entire audit process.

Sincerely,

Jeffrey Williams – President
Members of the Board
Claryville Volunteer Fire Company
1500 Denning Road
Claryville, NY 12725
845-985-7270 (firehouse)

- President CVFD -