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February 7, 2014

Norma Pine, President
Officers of the Company
Dayton Volunteer Fire Company, Inc.
9512 Route 62
Gowanda, NY 14070

Report Number: 2013M-337

Dear Mrs. Pine and Officers 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 Dayton 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.

Background and Methodology

The Company is located in the Town of Dayton in Cattaraugus County. The Company receives moneys from fund raising, hall rentals and foreign fire insurance.¹ The Company is governed by an elected President, Treasurer and Secretary,² responsible for the Company's overall financial management, as stipulated by its by-laws. The membership elects a Treasurer who acts as the Company's chief fiscal officer. The by-laws state that the Treasurer is responsible for receiving and maintaining custody of Company funds, for disbursing and accounting for those funds and

¹ Company expenses for January 1, 2012 to October 8, 2013 included the following major categories: debt (\$55,175), fund raising costs (\$13,986), miscellaneous (\$2,282), banquet (\$1,364), supplies (\$905) and deposit returns (\$475).

² These are the Company's officers.

for preparing monthly financial reports. Each Company member also possesses the ability to provide input on decision making and to vote, including the approval of bills for payment.

We examined the internal controls over the Company's financial operations for the period January 1, 2012 through October 21, 2013. We interviewed appropriate Company officials and reviewed financial records and Company 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 Company's officers are responsible for overseeing the Company's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the officers 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 by-laws and other applicable laws, rules and regulations.

The Company by-laws state that the Treasurer should maintain complete, accurate and timely records to account for all of the Company's financial activities and submit them for audit at least once each year. The Treasurer should also prepare and submit monthly and annual reports to the Company. These reports are an important fiscal tool which provides the Company with information necessary to monitor Company operations and gives other interested parties a summary of the Company's financial activities. The by-laws also state that the bills must be approved by two-thirds of the members present, prior to payment, to ensure that Company funds are used for only legitimate Company expenditures.

We found that the Officers generally provide adequate oversight of Company financial activities. The Treasurer prepares monthly reports and the President reviews the Treasurer's records on an annual basis. Although Company minutes include motions to "pay all bills," it is unclear what bills are being approved for payment. In addition, the majority of payments made by the Treasurer were paid with cash from the petty cash fund, leaving no audit trail. Generally, payments from petty cash are for materials, supplies or services only when payment is required upon delivery and would typically be for small dollar amounts. The officers are responsible for establishing procedures to ensure that petty cash is used appropriately and for only legitimate purposes.

Due to these deficiencies, we reviewed all 162 disbursements from the petty cash fund totaling approximately \$14,000 from January 1, 2012 through October 8, 2013. Although we found that disbursements generally had receipts, recorded cash payments for 18 disbursements, totaling \$574,³ did not have receipts. Disbursing Company funds without proper supporting

³ The Treasurer indicated the purpose for the payments in his records were as follows: supplies \$426, cash prizes \$63, delivery of equipment \$50 and a memorial \$35.

documentation does not adequately safeguard Company moneys. We discussed other minor deficiencies with Company officials during the conduct of our fieldwork.

Recommendations

1. The Secretary should list in the Company minutes the bills approved for payment by the membership, indicating the vendor and dollar amount.
2. The Company should only approve bills for payment that have proper supporting documentation.
3. The officers should require that bills be paid by check.

The officers have 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 Company to make this plan available for public review.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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

Dayton Volunteer Fire Company Inc.

9512 Rt. 62
Gowanda, NY 14070



January 30, 2014

Robert Meller
Chief Examiner of Local Government
295 Main Street Room 1032
Buffalo, NY 14203-2510

Report Number 2013M-337

Re: Correction Action
Plain & (CAP)

Dear Mr. Meller:

In reference to your audit report number 2013M-337 dated (Month) 2014 we generally agree with your recommendations and accept them, however we do have some objection as follows.

Recommendation # 1

The Secretary should list in the Company minutes, the bills approved for payment by the membership, indicating the vendor and dollar amount.

We do agree with this and the Secretary will and does record all motions in regarding to the payment of bills. We have several fund raisers a year such as Chicken BBQ's turkey parties etc. In order to increase our profits, we do as any thrifty buyer would do; we buy our supplies such as carrots, potatoes, cabbage celery dressing, napkins etc. whenever we find them on sale at a reduced price. The purchase of these items are known to be needed as (supplies) for our functions so they are approved by a motion prior to each function without identify each item separately. The Secretary does not list each of them in his minutes and will not do so. The Treasurer lists each item separately plus the amount paid under his report which is attached to the Secretary's report. We feel this is adequate.

Recommendation # 2

The Company should only approve bills for payment that have proper supporting documentation.

We agree with this recommendation and the Treasurer will be and is required to have

receipts and or invoices for all items purchased starting from this date forward.

Recommendation # 3

The Officers should require that bills will be paid by check.

We agree with this recommendation and starting immediately the Treasurer will pay all major bills by check with smaller ones paid out of petty cash. Here again, we tried to save money where we can, as each check cost 40 cents to process.

We thank you for this audit and recommendations and please consider this our correction action plan and (CAP).

Thank you very much.

Sincerely

Norma Pine, President
Dayton Vol. Fire Co. Inc.