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February 21, 2014

Calvin Pataye, President  
Members of the Board of Trustees  
Delevan Volunteer Fire Company, Inc.  
1006 North Main Street  
Delevan, NY 14042

Report Number: 2013M-345

Dear Mr. Pataye and Members of the Board of Trustees:

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 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 Delevan 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?

The results of our audit and recommendations have been discussed with Company officials and their comments were considered in preparing this report. The Company's response appears in Appendix A. Company officials generally agreed with our recommendations.

### **Background and Methodology**

The Delevan Volunteer Fire Company (Company) provides services for the Village of Delevan in Cattaraugus County. The Company also contracts with the Towns of Yorkshire and Freedom to provide fire protection services to residents outside of the Village. In addition, the Company receives moneys from fundraising, foreign fire insurance tax, donations, hall and building rental and other activities. The Company's average annual cumulative disbursements totaled approximately \$201,000.<sup>1</sup>

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<sup>1</sup> The Company's average annual cumulative disbursements were calculated from six bank accounts: general operating, building, bell jar, training, rescue squad and bingo. The total does not include the bingo start-up cash disbursements, as that money gets redeposited with the bingo proceeds. Bingo start-up money disbursements totaled \$191,100.

The Company is operated in accordance with its by-laws which stipulate that a Board of Trustees (Board), consisting of five elected members, is responsible for the Company's overall financial management. The Board and Officers appoint a Treasurer<sup>2</sup> who acts as the Company's chief fiscal officer. The by-laws state that the Treasurer is responsible for the receipt and custody of all Company funds, for disbursing and accounting for those funds and for preparing and rendering monthly financial reports.

We examined the internal controls over the Company's financial operations for the period June 1, 2012 through October 4, 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 Board and Company officials are 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 that ensure transactions are authorized and properly recorded; financial reports are accurate, reliable, and filed in a timely manner; and the Company complies with its by-laws and other applicable laws, rules and regulations.

According to the by-laws, the Treasurer should maintain complete, accurate and timely records to account for all of the Company's financial activities, and should prepare and submit a report at each monthly meeting. These reports are an important fiscal tool, which provides the Board with information necessary to monitor Company operations, and gives other interested parties a summary of the Company's financial activities. The by-laws also indicate that the Treasurer should make disbursements only when duly ordered by the Company. This procedure helps to ensure that Company funds are used for only legitimate Company expenditures.

We found that the Board generally does not provide adequate oversight of the Company's financial activities. There was no evidence that the Board or Company membership adequately reviewed or approved all bills/claims prior to payment. The Treasurer did not provide the Board with monthly or annual reports and was not responsible for receiving and maintaining custody of all Company funds. Furthermore, the Treasurer did not prepare a budget or cash flow document to guide annual operations.

Although the Treasurer said he verbally provides a monthly report to the Board, the Company minutes indicate that it is simply a report on bank account balances and does not contain an adequate description of all monthly receipts and disbursements as required. According to the Treasurer, an individual from a local bank completes an annual audit of the Company's financial records. The local bank employee's signature was on the checkbook registers and bank

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<sup>2</sup> During our audit period, the Company President was appointed as the Company Treasurer.

statements; however, the Company minutes did not indicate what was reviewed, what was found, or what, if any, corrective action was necessary.

The average annual cumulative disbursements from the Company's six bank accounts were approximately \$201,000.<sup>3</sup> The Treasurer did not receive and maintain custody of all Company funds, as required in the by-laws. We found that, in addition to the appointed Treasurer, three Company members were allowed to manage five Company bank accounts. While the Company Treasurer managed the general operating bank account, one individual managed the building, bell jar and training accounts; another managed the rescue squad account; and one managed the bingo account. Generally, the individuals provided cancelled check images, supporting disbursement information and periodic reports (bell jar and bingo), reducing the risk for those accounts. Therefore, we focused our testing on the Company's general account.

We reviewed all 161 disbursements that were made from the Company's general operating account totaling approximately \$69,000, for the period June 1, 2012 through May 31, 2013, to determine if the financial activity was properly approved, reported and supported with appropriate documentation. Company expenses for this period included the following major categories: debt (\$9,637), supplies (\$8,322), food (\$3,943) and fundraising costs (\$9,499). We found that there was no supporting documentation on file for disbursements totaling \$37,754 made between June and December 2012. The Treasurer was unable to locate the documentation and indicated it may have been inadvertently discarded. Further, we obtained canceled check images from the bank for Company disbursements made in November 2012, totaling \$4,401, and in April 2013, totaling \$9,122. The disbursements generally appeared to relate to fundraising activities, routine utility and advertising payments, as well as certain services performed for the Company by the Treasurer, two Secretaries and an individual from the local bank described as performing an annual review of the financial records.<sup>4</sup> However, none of these payments were properly approved by the Board. Disbursing Company funds without proper supporting documentation and Board approval does not adequately safeguard Company moneys. We discussed other minor deficiencies with Company officials during the conduct of our fieldwork.

## **Recommendations**

1. The Treasurer should prepare and provide written monthly reports including all receipts and disbursements to the Board. These reports should be recorded in the Company minutes.
2. The Board should develop a budget or cash flow document to guide annual operations.
3. The Board should conduct or ensure that an annual audit of Company financial records is performed. The audit results should be recorded in the Company minutes.
4. The Treasurer should receive and maintain custody of all Company funds.

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<sup>3</sup> The total does not include the bingo start-up cash disbursements, as that money gets redeposited with the bingo proceeds. Bingo start-up money disbursements totaled \$191,100.

<sup>4</sup> The Company did not report the payments for services performed as payroll compensation.

5. The Treasurer should retain supporting documentation for disbursements and the Company's checkbooks which include the Treasurer's record of deposits, withdrawals and available cash balances.
6. The Board should review and approve all bills/claims prior to payment to ensure that all bills/claims have supporting documentation and are for legitimate Company purposes. The Treasurer should pay only Board approved bills/claims.
7. The Board should approve all rates of compensation for officers and other individuals conducting business for the Company.

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.

We thank the officials of the Delevan Fire Company for the 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.



## Delevan Volunteer Fire Department

85 S. Main St. P.O. Box 218

Delevan, NY 14042

**Jeffrey Holmes**  
*Chief*

**Robert Kuhn**  
*1<sup>st</sup> Asst. Chief*

**Jeremy Lavery**  
*2<sup>nd</sup> Asst. Chief*

**Caleb Washburn**  
*EMS Captain*

**Scott Ensell**  
*EMS Lieutenant*

**Joseph Neamon**  
*EMS Lieutenant*

**Calvin Pataye**  
*President*

**Caleb Washburn**  
*Vice President*

**Calvin Pataye**  
*Treasurer*

**Kaitlin Myers**  
*Secretary*

**Trustees:**

Joseph Kozak  
John Perrington  
Terry Gasper  
Greg Lavery  
Joseph Smith

Dear [REDACTED]

I Calvin Pataye had a meeting with the trustees on 2-9-14 at 4pm. We are in agreement with your audit findings.

President  
Calvin J Pataye

2-13-14