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December 5, 2014

Jeffrey Hontz, Company President
Fire Company Officers
West Corners Fire Company
500 Day Hollow Road
Endicott, NY 13760

Report Number: 2014M-215

Dear Mr. Hontz and Fire Company Officers:

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 West Corners Fire Company (Company) which addressed the following question:

- Did Company officials ensure that the Treasurer was properly accounting for cash receipts and disbursements?

We discussed the findings and recommendation 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 have initiated or indicated they planned to initiate corrective action.

Background and Methodology

The West Corners Fire Company is a volunteer organization that is located in, and provides fire protection services for, the Town of Union in Broome County. The Company is associated with the West Corners Fire District. For the 2013 fiscal year, the Company reported approximately \$20,000 in revenues from foreign fire insurance, fundraising activities and donations, and it reported approximately \$14,600 in disbursements.

The Company's officers (Officers) consist of four elected members who are 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 meeting

any other reporting requirements. The Board of Directors (Board) comprises five members and serves in an advisory capacity to ensure that the affairs of the Company are conducted in the best interest of the Company.

We examined the internal controls over the Company's financial operations for the period January 1, 2013 through May 16, 2014. 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 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 that includes policies and procedures that ensure transactions are authorized and properly recorded. The Company's bylaws, or supplemental policies and procedures, should detail specific requirements to ensure that all disbursements are for valid Company purposes and supported by invoices and that both cash receipts and disbursements are properly recorded, reported and reconciled. According to the bylaws, the Board of Directors is responsible for performing, or providing for, an annual audit of the Treasurer's records.

Although the Officers developed some policies and procedures, the Officers are not sufficiently ensuring that the Treasurer is properly accounting for cash receipts and disbursements because the Treasurer performs most accounting duties with only limited oversight. For example, the Treasurer collects and deposits money, signs all checks, records receipts and disbursements, reconciles bank accounts and reports monthly and annually to the members. Although the Officers review the Treasurer's reports and bills for payment at monthly meetings and the Board performs an annual audit, the Officers do not review monthly bank reconciliations prepared by the Treasurer or bank statements and the Officers are not receiving canceled check images to ensure that only previously approved disbursements are made as presented.

Further, the Officers have not included specific procedures in the bylaws regarding the support for disbursements and process to audit these payments. Moreover, the Company's bylaws do not contain specific cash receipt requirements. As a result, there are only limited procedures to verify cash receipt accountability. For example, two individuals and the Treasurer are responsible for counting fundraising cash receipts after the events but prior to depositing the moneys; however, no one initials the cash sheets used that list the amounts collected or compares the amounts received with the numbers of items sold.¹ Company officials informed us that they have begun looking into updating their controls over cash receipts, such as by having two members count cash at events. They also informed us they do not review check images from the bank because they are not printed on their statements or available to view online and they would incur a charge if they requested the check images from the bank.

¹ Such as chickens for a barbecue

Due to these weaknesses, we tested a sample of check disbursements paid during January 2013 through May 2014 that consisted of 17 claims totaling \$4,711. The disbursements appeared to be for proper Company purposes and were recorded in the Company's financial system; however without the canceled check images, we could not be certain. We also tested 36 cash receipts transactions totaling \$27,438 and verified that the Treasurer properly recorded and deposited these funds. We also determined that the receipts recorded on the net profit statements for the fundraising events were deposited in the bank. However, we could not determine if all moneys collected at the events were recorded and subsequently deposited because the records for fundraising events only listed the revenue collected with no additional information to support whether the revenues recorded were accurate.

Recommendations

The Officers should:

1. Revise their bylaws to include policies and procedures that establish controls over cash disbursements and receipts. These could include:
 - Segregating the Treasurer's duties or, if that is not possible, implementing mitigating controls, such as having someone other than the Treasurer review formal bank reconciliations, bank statements and canceled check images.
 - Ensuring that reconciliations of fundraising moneys received and deposited are performed. For example, reconciliations between items sold and moneys deposited per the bank statements and cash counts should be performed at the end of events, including verifications that the amounts match the bank deposits and accounting records.
2. Obtain and review canceled check images to ensure that all disbursements are proper.

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 Officers to make this plan available for public review.

We thank the Officers of the West Corners 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 pages.



West Corners Fire Co. No. 1, Inc.

500 Day Hollow Road
Endicott, New York 13760

November 17, 2014

H. Todd Eames, Chief Examiner
Office of the State Comptroller
Binghamton Regional Office
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Unit Name: West Corners Fire Company
Report Number: 2014M-215

Dear Mr. Eames

Enclosed please find our response to the draft audit report dated October 22, 2014 for the West Corners Fire Company. The Fire Company and its Officers would like to thank you for your efforts in conducting this audit. [REDACTED] and [REDACTED] were accommodating, helpful, courteous, and professional to us during this audit process. Our interactions with the audit team were informative and have guided us towards improvements concerning our fiscal operations. We acknowledge and appreciate the suggested recommendations listed in the report and outlined below is a response to each of these items and the corrective action plan.

1. Revise their by-laws to include policies and procedures that establish controls over cash disbursements and receipts.

During the audit we discussed our Company's efforts in forming a Finance Committee. We had set such a committee in place but the duties and the responsibilities of this committee were not finalized and formally documented. We currently have a by-law change in process that will formalize this Finance Committee. This by-law should be in place by January 2015. The change needs to be read before the membership, held for 30 days, and then voted upon. In summary, this committee will be responsible for:

- Adopting a yearly budget and tracking finances to this budget.
- Monthly review of payments, income, bank statement reconciliation, treasurer's report, and fundraising committee reports including money received and deposited.
- Maintain and update a Finance Policy. This policy will include procedures for the control of cash receipts from our fundraising events. It will address the controls needed for money and item counts with verification of deposit.



West Corners Fire Co. No. 1, Inc.

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Endicott, New York 13760

2. Obtaining and reviewing canceled check images to ensure that all disbursements are proper.

After the audit and in July 2014 we changed financial institutions. With this change, cancelled check images are now available online with no charge to us.

Respectfully Submitted,

Jeffery Hontz
President, West Corners Fire Company

11/19/2014
Date

Jack Singer
Treasurer, West Corners Fire Company

11/19/14
Date