



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

February 13, 2015

Stephen Lane, Chairman
Members of the Board of Directors
Candor Fire Company
74 Owego Road
Candor, NY 13743

Report Number: 2014M-302

Dear Mr. Lane 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 account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Candor Fire Company (Company) which addressed the following question:

- Are Company controls adequate to ensure that financial activity is properly recorded and that Company money is safeguarded?

The results of our audit have been discussed with Company officials and their comments, which appear in Appendix A, have been considered in preparing this report. Company officials agreed with our findings and indicated they planned to initiate corrective action.

Background and Methodology

The Company is located in Tioga County and provides fire protection and emergency services within the Town of Candor, including the Hamlet of Willseyville. Its primary sources of revenue are foreign fire insurance¹ taxes, donations and fund-raising activities. The Company's expenses for 2014 totaled approximately \$10,374.

The Company is operated in accordance with its bylaws and governed by a five-member Board of Directors (Board) which is responsible for the Company's overall financial management. The

¹ Any insurance company organized or incorporated outside of New York State which writes fire insurance policies on properties located in the State must pay 2 percent of the premium to the State, to be distributed to certain firefighting organizations.

Company's members elect a Treasurer,² who is responsible for the Company's financial duties, including receiving and maintaining custody of Company funds, disbursing and accounting for those funds and reporting monthly to the membership.

We examined the internal controls over the Company's financial operations from January 1, 2013 through August 31, 2014. We interviewed appropriate Company officials and reviewed financial records and meeting 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 comprising policies and procedures that ensure transactions are authorized and properly recorded and that financial reports are accurate and reliable. The Company's bylaws require the Board to audit the books and examine the accounts of the Company annually and to approve purchases when the amount exceeds \$1,000. The membership is required to review the finances and bills monthly.

The bylaws require the Treasurer to maintain complete and accurate records to properly account for all of the Company's financial activities, which include keeping an accurate account of the sources from which all moneys are derived and providing paper copies of financial reports at the monthly meetings. The Treasurer's financial reports are important fiscal tools which provide the Board with the necessary information to monitor Company operations and provide other interested parties with a summary of the Company's financial activities.

The Board established controls to ensure that financial activity is properly recorded and that Company money is safeguarded. However, certain controls are not operating effectively. The Board established adequate procedures over receipts, such as having at least three members count and sign off on cash collected at fund-raising activities, before turning over the cash to the Treasurer for deposit. Further, at least two Board members review the bank statements for reasonableness of deposits and they compare check images to supporting documentation (such as invoices) monthly at the meetings. While the Board established procedures over disbursements, weaknesses were found in the process. Although all purchases were generally approved by the membership or Board, including purchases exceeding \$1,000, the Board did not ensure that all disbursements were properly supported at the time of their review and approval. In addition, the receipt records available do not allow the Board to know how much was collected from donations and other revenue sources.

We reviewed 37 of 85 canceled check images totaling \$21,095 for disbursements made during the audit period to determine if the disbursements were adequately supported and approved. We found

² The Treasurer resigned from the Company at the end of March 2014. At that time, a Board member reconciled the bank accounts, recreated the financial records and presented these records to the Board beginning with the month of January 2014.

that 10 disbursements totaling \$3,373 were not properly approved by the Board in accordance with its procedures and eight payments totaling \$1,405 were not adequately supported. Based on this testing, we identified a documentation weakness with two vendors, whereby the monthly statements were kept on file but receipts that would show the actual items purchased were not always included. Therefore, we tested all 27 payments totaling \$7,574 for charges made on account at these two vendors during the audit period. We found that payments were made to the vendors for charges totaling \$2,419 without proper supporting documentation.³ In fact, the Board approved disbursements to these two vendors totaling \$832 without this support. As a result of the lack of approval and support for various disbursements, we question the adequacy of the Board's monthly review and approval process.

We reviewed 57 receipts totaling \$31,095 using various records.⁴ We traced these receipts to the bank statements and check register to ensure they were all properly deposited and recorded. We were able to verify that all receipts recorded as collected were deposited. Although the Company recorded receipts⁵ totaling \$19,426 during 2013 and \$11,670 during 2014, we could not verify that receipts totaling \$9,737 for the 2013 fiscal year represented all the receipts that were collected because of the lack of availability of all financial records and supporting documentation. Further, \$1,496 collected from donations, soda bottle deposits and clothing sales from January 1 through August 31, 2014 lacked sufficient documentation to verify the amount collected. The lack of supporting documentation reduces the effectiveness of the review conducted at the monthly meetings as the membership and the Board is not assured that all cash collected was in fact deposited.

Recommendation

The Board should:

1. Ensure that sufficient and appropriate supporting documentation for all receipts and disbursements is maintained and available for review at the monthly meetings.

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.

³ These two vendors sell grocery items and, based on verbal assertions from Board members, these expenses are mainly for food provided either at training events, the annual banquet dinner for the firefighters or for fund-raising activities.

⁴ 2014 fund-raising cash count sheets, 2013 cash receipts log, bank statements, membership minutes, check copies and the Treasurer's 2014 check register

⁵ Receipts collected from donations, foreign fire insurance taxes, fund-raising activities (pancake breakfast, annual wood carver breakfast, Dough Fish Fry), and other revenue sources (soda bottle deposits, clothing sales, membership dues and hall rentals).

We thank the officials of the Candor 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.

Candor Fire Company
P.O. Box 142, Candor, NY 13743
Tel 607-659-5600
info@candorfire.org
www.candorfire.org



JANUARY 29, 2015

**Office of the State Comptroller
Division of Local Government and School Accountability**

[REDACTED]
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

The Candor Fire Company Board of Directors agrees with the draft audit report received on 12/31/14. This audit response will also serve as the Corrective Action Plan. The Board appreciates the professionalism of the audit personnel who worked with us during the audit. The recommendation and plan are below.

Audit Recommendation:

The Board should: Ensure that sufficient and appropriate supporting documentation for all receipts and disbursements is maintained and available for review at the monthly meetings

Action Plan:

The company treasurer is now organizing by month the supporting documentation for all receipts and disbursements by month and will present it to the company members for review at the monthly company meetings. This process started with the January 2015 meeting.

Sincerely,

Stephen Lane, Chair

CANDOR FIRE COMPANY BOARD OF DIRECTORS