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January 30, 2015

Craig Follett, President
Chenango Bridge Fire Company
P.O. Box 12
Chenango Bridge, NY 13745

Report Number: 2014M-300

Dear President Follett and Board of Directors:

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 Chenango Bridge Fire Company (Company) which addressed the following question:

- Did the Board ensure that the Treasurer properly accounted for cash receipts and disbursements?

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 Chenango Bridge Fire Company is a volunteer organization in Broome County with approximately 55 active members. The Company contracts with the Town of Chenango to provide fire protection services. The Company also receives money from fund-raising, donations and foreign fire insurance money.¹ Revenues totaled approximately \$304,000 and expenditures totaled approximately \$234,000 in 2013.

¹ Foreign fire insurance money represents a tax on the premium paid on insurance policies as provided in New York State Insurance Law, which entitles fire companies protecting an eligible area to receive an appropriate share of the tax collected on insurance policies written by foreign insurers on policies within their area of protection.

We examined the internal controls over the Company's receipts and disbursements for the period January 1, 2013 through September 8, 2014. We interviewed 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 Board of Directors (Board) comprises five members and the Board is responsible for overseeing the Company's finances. To fulfill this duty, it is essential that the members adopt bylaws to provide internal control policies and procedures over the Company's cash receipts and disbursements. The Company operates in accordance with member-adopted bylaws, which specify the Company's officers and their responsibilities. The officers include a President, Vice President, Treasurer and Secretary. The President is responsible for enforcing the bylaws and other policies and procedures. The Treasurer is responsible for receiving, disbursing and accounting for Company funds. The Board is required to perform an annual audit of the Treasurer's financial records. Further, the Treasurer has developed a written manual detailing the cash receipt and disbursements processes, such as requiring a Board audit of all claims and two signatures on all checks.²

The Board generally ensured that the Treasurer properly accounted for cash receipts and disbursements. The Board audits the bills, reviews the bank statements and hired an external auditor to perform an annual audit of the Treasurer's records. As of May 2014, the Board began reviewing the canceled check images, based on recommendations from the Company's 2013 annual audit. Additionally, the majority of the checks were signed in accordance with the Treasurer's procedures.³ However, Company officials did not have sufficient controls over cash collected for fund-raising events to ensure that all moneys received were deposited. The Company held fund-raisers through cider sales, ice cream socials and chicken barbeques. The Company officials felt that their current procedures were sufficient to provide adequate oversight for fund-raising events.

However, although officials report the net profit to the membership, there is no documentation to verify the amounts that should have been collected. As a result of this weakness, we attempted to compare the amount of items purchased (number of chickens, gallons of cider, etc.) to the amount of items sold and the resulting amount collected for items sold to verify the reasonableness of the collections. Collections for two cider sales and one chicken barbeque totaled approximately \$11,400. We were able to verify that the amounts collected and deposited for the three events were reasonable as compared to the number of items purchased for the events, the number of items sold

² The Treasurer and Secretary indicated that certain exceptions to this requirement occur when one of them is not available, such as through illness, and the check needs to be cashed before both signatures can be obtained. Additionally, the bank only requires one signature.

³ Based on the manual of procedures created by the Treasurer

and the amounts collected. However, for one chicken barbeque and two ice cream socials, with collections totaling almost \$5,300, we were not able to verify the reasonableness of the amounts collected⁴ as compared to the amount of items purchased and sold because the records did not include enough detail about the types of revenue. However, the amounts reported as collected were deposited.

We also reviewed 52 disbursements totaling about \$19,100 and 10 transfers and loan payments totaling approximately \$79,600. All disbursements and loan payments reviewed appeared to be legitimate Company expenditures and all transfers were deposited into an authorized Company bank account. We found minor discrepancies with certain disbursements, which we discussed with Company officials during our field work.

While we commend Company officials for oversight of the disbursement processes, without supporting documentation to verify the amount that should have been collected for fund-raisers, there is an increased risk that all receipts that were collected were not deposited.

Recommendation

1. The Board should consider implementing procedures to track the amount of items purchased for fund-raising events and the amount of items sold during fund-raising events and reconcile those amounts to determine the expected gross profit and amounts deposited for these events.

The Company has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendation 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.

We thank the officials of the Chenango Bridge Fire Company for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

⁴ With the available records, we were unable to determine the reasonableness of the amounts collected because it was not possible to calculate an estimated gross profit for side dishes sold during the chicken barbeque. In addition, the available records for the ice cream socials did not include a breakdown of collections for admissions, raffles and games. Therefore, we could not determine the reasonableness of the amounts collected for these two events.

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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



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Attention-Chief Examiner

RE: Chenango Bridge Fire Company, Inc. Audit

Report Number 2014M-300

Response to Draft Audit report and Company CAP

January 16, 2015

Audit Recommendation:

1. The Board should consider implementing procedures to track the amount of items purchased for fund-raising events, the amount of items sold during fund-raising events and reconcile those amounts to determine the expected gross profit and amounts deposited for the events.

Dear Sir or Madam,

The Board of Directors of the Chenango Bridge Fire Company, Inc. has reviewed the draft report for the audit for the period of January 1, 2013 through September 8, 2014. We agree with your findings.

As stated in your findings Company officials felt that their current procedures were sufficient to provide oversight for fundraising events.

However, in an effort to increase oversight for Company fund-raisers effective January 1, 2015 the Company will implement procedural changes to improve the documentation of Company fund-raising events.

We have developed a fund-raising report for the purpose of tracking items purchased and items sold and reconcile amounts to gross profit and the amount deposited. This report will be prepared by the treasurer reviewed and signed by the chair-person of the fund-raiser and presented to the Board at the

first Board meeting following the event. Tickets will be used to calculate the sales at our ice-cream social event. The report will include a breakdown for admissions, raffles and games-donations will continue to be calculated and noted in the composition of the deposit.

In closing, we appreciate the comments and recommendations of the Examiners and will implement these changes to improve our current procedures.

Sincerely, _____

Craig W. Follett, President Chenango Bridge Fire Company, Inc.