



# Hughsonville Fire Company Financial Activities

## Report of Examination

Period Covered:

January 1, 2013 — February 28, 2014

2014M-201



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

January 2015

Dear Company Officials:

One important function of the Office of the State Comptroller is to help fire company officials manage company resources efficiently and effectively and, by so doing, provide accountability for moneys spent to support company operations. The Comptroller oversees the fiscal affairs of fire companies statewide, as well as compliance with relevant statutes and observance of good business practices, through the conduct of audits. Our audits may also identify opportunities for improving operations and fire company governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard fire company assets.

The following is a report of our audit of the Hughsonville Fire Company, entitled Financial Activities. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for fire company officials to use in effectively managing operations and in meeting the expectations of the public. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

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



## State of New York Office of the State Comptroller

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### EXECUTIVE SUMMARY

The Hughsonville Fire Company (Company) is located in the Town of Wappinger in Dutchess County and was established in 1913. The Company is operated in accordance with its constitution and bylaws and the laws of New York State. The Company provides fire protection for a nine square mile area. The Board of Trustees (Board) consists of three elected members from the Company's membership and is responsible for overseeing the Company's financial operations. The Board President is responsible for enforcing the Company's bylaws. The Treasurer is responsible for the receipt and custody of Company funds, disbursing and accounting for those funds and for preparing monthly and annual financial reports. The Company's gross receipts and disbursements for 2013 totaled \$60,520 and \$56,237, respectively.

#### **Scope and Objective**

The objective of our audit was to evaluate the Board's oversight over the Company's financial activities for the period January 1, 2013 through February 28, 2014. Our audit addressed the following related question:

- Did the Board implement adequate controls over the Company's financial operations?

#### **Audit Results**

The Board has not established adequate policies and procedures for the procurement of goods and services, credit card use, cash receipts, cash disbursements or the audit of claims. There is also an inadequate segregation of the Treasurer's duties, such as preparing and making deposits, recording receipts and disbursements, and preparing and signing checks and the Board does not require the Treasurer to submit an annual report nor does it conduct an annual audit of the Treasurer's records as required by Company bylaws. In addition, the Treasurer does not prepare monthly financial reports to the Board and Company. The Treasurer's profit and loss report for 2013 showed a net loss of \$14,300 when in fact the Company actually had a net profit of \$4,280. Furthermore, the Treasurer does not reconcile bank accounts in a timely manner or issue press-numbered duplicate receipts to individuals who turn money over to him.

In addition, the Company did not maintain adequate records of cash received from fund-raising events. The Board also did not properly audit claims prior to payment, resulting in 59 disbursements totaling \$10,515 that had no supporting documentation to identify their purpose and 96 checks totaling \$52,976 that had no evidence of Board or Company members' approval.

Due to these control weaknesses, the Board's ability to provide effective oversight of the Company's financial activities is limited. In addition, there is an increased risk that errors could be made when

recording activities in accounts, fund-raising moneys could be lost or misused or purchases could be made for illegitimate purposes and remain undetected.

### **Comments of Company Officials**

The results of our audit and recommendations have been discussed with Company officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, Company officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on the issues raised in the Company's response letter.

# Introduction

## Background

The Hughsonville Fire Company (Company) is a volunteer organization located in the Town of Wappinger in Dutchess County and was established in 1913. The Company is operated in accordance with its constitution and bylaws and the laws of New York State. The Company is a tax-exempt, not-for-profit organization that provides volunteer manpower to operate the fire equipment and fire house owned by the Hughsonville Fire District which covers a nine square mile area located between the Village of Fishkill and the Village of Wappingers Falls.

The Board of Trustees (Board) consists of three elected members from the Company's membership and is responsible for overseeing the Company's financial operations. The Board President is responsible for enforcing the Company's bylaws. The Treasurer is responsible for the receipt and custody of Company funds, disbursing and accounting for those funds and for preparing monthly and annual financial reports. The Company's gross receipts and disbursements for the fiscal year ended December 31, 2013 totaled \$60,520<sup>1</sup> and \$56,237, respectively.

## Objective

The objective of our audit was to evaluate the Board's oversight over the Company's financial activities. Our audit addressed the following related question:

- Did the Board implement adequate controls over the Company's financial operations?

We examined the Company's financial activities for the period January 1, 2013 through February 28, 2014.

## Scope and Methodology

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix C of this report.

## Comments of Company Officials and Corrective Action

The results of our audit and recommendations have been discussed with Company officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, Company officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on the issues raised in the Company's response letter.

<sup>1</sup> This amount includes higher than normal gross receipts due to additional fund-raising activities to offset the cost of the Company's 100th year anniversary celebration.

Fire Company 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 a Corrective Action Plan (CAP), please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage Company officers to make this plan available for public review in the Secretary's office.

## Financial Activities

The Board and officers are responsible for overseeing the Company's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that a system of internal controls is established. Controls consist of policies and procedures that ensure transactions are authorized and properly recorded; financial reports are accurate, reliable and filed in a timely manner; duties are properly segregated so that no one person controls all aspects of a transaction and that the Company complies with its bylaws and applicable laws, rules and regulations. Bylaws should clearly establish officer and member responsibilities.

The Board has not developed adequate policies and procedures for the procurement of goods and services, credit card use, cash receipts, cash disbursements or the audit of claims. The Treasurer's duties are not adequately segregated and the Board does not require the Treasurer to submit an annual report and does not conduct an annual audit of the Treasurer's records as required by the bylaws. In addition, the Treasurer does not prepare monthly financial reports and the Treasurer's profit and loss report for 2013 showed a net loss of \$14,300 when in fact the Company had a profit of \$4,280. Furthermore, the Treasurer does not reconcile bank accounts in a timely manner or issue press-numbered duplicate receipts. In addition, fund-raising deposits were less than collections in March 2013, disbursements totaling \$10,515 had no supporting documentation to identify their purpose and checks totaling \$52,976 had no evidence of approval of Board or Company members. As a result, there is an increased risk that errors, lost or misused moneys or inappropriate purchases could occur and remain undetected.

### Board Oversight

The Board is responsible for establishing policies and procedures that help ensure cash is properly safeguarded; transactions are authorized and properly recorded and financial reports are accurate, reliable and filed in a timely manner. Board oversight becomes particularly important in smaller operations which may not have an adequate system of controls because employees are required to perform duties that should optimally be segregated. Duties are not segregated when one person performs several key functions, such as receiving and disbursing cash, maintaining the accounting records and reconciling bank statements. If such a segregation of duties is not practicable, the Board should implement compensating controls, such as additional oversight or requiring that the Treasurer provide monthly financial reports that include all receipts, disbursements and cash balances. Another effective control would be an independent review of monthly bank reconciliations.



The Board needs to improve controls over the Company's financial activities. The Board has not established policies and procedures for the procurement of goods and services, credit card use, cash receipts, cash disbursements or the audit of claims. While Company bylaws detail the Treasurer's duties and responsibilities, they do not include detailed procedures that segregate day-to-day financial operations. As a result, the Treasurer receives money, prepares and makes deposits; records receipts and disbursements in the financial software program; handwrites checks and is the signatory on the Company's bank accounts. He also prepares the bank reconciliations for the Company's two checking account. Although the Treasurer provides a monthly verbal report of the bank balances to the general membership bank reconciliations, bank statements and check images are not reviewed by anyone other than the Treasurer. Further, the Board has not required the Treasurer to submit an annual report or conducted an annual audit of the Treasurer's records as required by the Company's bylaws.

The absence of written policies and procedures and the concentration of key financial duties with one individual, without adequate oversight or compensating controls, increases the risk of errors or irregularities occurring and not being detected. The Board's failure to require and review timely and accurate financial records and reports limits its ability to provide effective oversight of the Company's financial activities.

## **Records and Reports**

Timely, complete and accurate accounting records, reports and bank reconciliations provide the Board, Company officers and members with information needed to effectively manage and safeguard cash and monitor the Company's fiscal affairs. Company bylaws require the Treasurer to receive, record and deposit all moneys from the Secretary; maintain a current and accurate accounting of all financial transactions; disburse moneys as directed by the Board or vote of the members and to prepare and present a written report of the financial state of the Company at each regularly scheduled Company meeting. At a minimum, cash receipts and cash disbursement journals should be maintained that provide a record of all money received and disbursed and the journal activities should be summarized and reported to the Board and members monthly. Monthly, bank reconciliations provide the opportunity for an internal verification of cash receipts and disbursement transactions.

The Treasurer's use of the Company's financial accounting software is limited; revenue and income are posted by category (e.g., donations, membership dues). However, the Treasurer does not issue duplicate press-numbered receipts or maintain a separate cash receipt journal to provide a detailed record of the amounts and dates of moneys received, who received the moneys and the source of the

funds. Furthermore, the accounting software which is used to record disbursements by date, check number, amount, type and vendor, does not indicate the purpose for the disbursement. The Treasurer does not prepare and present monthly financial reports to the Board and Company members for the cash received or the disbursements made for the prior month or a list of disbursements to be authorized for the current disbursement cycle. While the Treasurer verbally reports the bank balances to the members and there are discussions about some receipts and disbursements, there is limited information recorded in the minutes.

We reviewed the Treasurer's profit and loss report for the 2013 fiscal year and found that it showed a net loss of over \$14,300 when in fact the Company actually had a net profit of \$4,280. The Treasurer's errors included five transfers totaling \$19,130 as expenditures which resulted in the overstating the loss. In addition, two bank charges and one electronic payment totaling \$199 were not posted to the Company's accounting records. Also, there was a discrepancy between the accounting records and the bank records in the amount of \$311. The Treasurer had mistakenly posted two purchases to balance sheet accounts rather than to the expenditure accounts.

Because the financial records and reports were incomplete, inaccurate or not maintained (e.g., cash receipts journal), the Board, officers and members cannot be assured the Company's fiscal affairs are properly safeguarded.

Bank Reconciliations — Bank reconciliations help ensure that account balances are accurate and reflect true financial position. With the timely preparation and review of monthly bank reconciliations, the Board has a tool for finding any discrepancies and can detect problems in account balances, cash receipts and disbursement transactions within a reasonable period of time.

We reviewed all bank statement reconciliations for the audit period and determined that the Treasurer did not prepare reconciliations in a timely manner. For example, the April through July 2013 bank statements were not reconciled to the Company's records until September 2013, the August 2013 statement was not reconciled until November 2013, the September and October 2013 statements were not reconciled until December 2013 and the November and December 2013 statements were not reconciled until February 2014. We also reviewed all bank statements for the audit period for any cash withdrawals and transfers and found no exceptions. One Trustee told us that he and the other Trustees review the bank statements and check images annually. However, they do not compare any reconciliations to the accounting records or bank statements.

A timely bank review of reconciliations and records can uncover differences that may need further investigating, such as the \$311 discrepancy mentioned previously. Bank reconciliations help to safeguard cash by detecting errors made by the bank or the Company when recording activities in accounts.

## **Fund-Raising**

The Company holds various fund-raising activities throughout the year, including an annual bucket drive (Company members gather at a busy intersection and solicit donations), a spaghetti dinner and several pancake breakfasts. The Company also hosted the Dutchess County Volunteer Fireman's Association (DCVFA) 2013 convention. Individuals involved in fund-raising activities are responsible for accounting for and turning over all moneys collected to the Treasurer. Good internal controls require that press-numbered duplicate receipt be issued for all cash received to help ensure that cash is properly recorded and that the accounting records are up-to-date, complete and accurate.

The Board has not established adequate internal controls to ensure all moneys are properly recorded and deposited. As a result, the Company follows different informal procedures for documenting receipts for fund-raising activities. For example, those responsible for the spaghetti dinner had no documentation of attendees or money collected; however, the individuals responsible for the pancake breakfasts maintained summary sheets of the number of attendees and money received. We compared these summary sheets to bank deposits for the six pancake breakfasts<sup>2</sup> that were held in 2013 and found that they did not match. The variances between the summary sheets and the deposits were as much as \$107 less than was collected in March 2013, but \$64 more than was deposited in October 2013.

The Treasurer also does not issue press-numbered duplicate receipts to the individuals who turn money over to him. Although deposit slips coincided with the dates of the fund-raisers, without receipts or transmittal documentation between the collecting individuals and the Treasurer, there is no chain of custody for the moneys received and there is no means for the Board to ensure that all moneys collected are deposited. Also, the Company did not have a press-numbered receipt or reimbursement advice from DCVFA to document the transmittal of funds for hosting the convention. Due to these deficiencies, there is an increased the risk that fund-raising moneys could be lost or misused and remain undetected.

## **Audit of Claims**

Conducting a proper audit of claims before the Company pays them is an integral part of any internal control system for cash disbursement. It is essential for each voucher to have supporting documentation

<sup>2</sup> Dates of pancake breakfasts were March 10, April 14, June 9, September 8, October 6 and November 10 in 2013.

that contains sufficient detail and itemization, including an original receipt or invoice for the goods or services purchased and a signed receiving slip to show confirmation that the goods or services were received by the purchaser.

We tested 180 disbursements and found that 59 disbursements (33 percent), totaling \$10,515, had no supporting documentation to identify the purpose for the payments. The Treasurer was unable to locate the documentation and indicated it may have been inadvertently discarded or never turned in. In addition, we found no evidence that the Board or Company members adequately reviewed or approved bills and claims prior to payment. Of the 105 checks issued during the audit period, 96 checks totaling \$52,976 had no evidence of Board or Company members' approval (91 percent). The majority of the disbursements were made between the monthly meetings.

The Board has not implemented procedures to address the review of claims or outlined the documentation that needs to accompany a purchase. Although some of the disbursements tested appeared to be for legitimate Company purposes, there were a significant number of disbursements that did not have documentation to substantiate their legitimacy. Without supporting documentation, particularly for groceries, kitchen items, flowers and other items commonly used by individuals for personal purposes, there is an increased risk that purchases may not be for legitimate and appropriate Company purposes.

## Recommendations

The Board should:

1. Adopt and enforce written policies and procedures that establish a strong system of internal controls over the Company's financial operations. This should include compensating controls over the Treasurer's unsegregated duties, such as regular reviews of financial records and reports, bank statements and reconciliations. In addition, the Board should conduct annual audits of the Treasurer's records.

The Treasurer should:

2. Prepare and document monthly bank reconciliations in a timely manner.

The Board should:

3. Compare bank reconciliations to check images, the accounting records and bank statements on a monthly basis.

The Treasurer should:

4. Issue duplicate press-numbered receipts and maintain a cash receipt journal documenting the purpose of the cash receipts. The Treasurer should also provide the Board and Company members with a list of disbursements to be authorized for the current disbursement cycle and monthly and annual financial reports.

The Board should:

5. Establish internal controls to ensure all fund-raising moneys collected are properly recorded and deposited.
6. Implement procedures to address the review of claims and outline the documentation that needs to accompany a purchase to ensure that all disbursements are supported with documentation and approved before payments are made.

**APPENDIX A**

**RESPONSE FROM COMPANY OFFICIALS**

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

# ***Hughsonville Fire Company, Inc.***

*P.O. Box 517*

*Hughsonville, NY 12537-0517*

*(845) 297-3735*

November 19, 2014

Office of the New York State Comptroller  
Division of Local Government and School Accountability

110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

Dear Sir or Madam:

I have reviewed the draft financial activities examination conducted by your office, and as the Company President, and on behalf of the Administrative Officers and the Board of Trustees of the Hughsonville Fire Company, Inc., I hereby submit our response.

## INTRODUCTION

The Hughsonville Fire Company, Inc. is a 100% volunteer member organization with the primary purpose of providing a volunteer membership of firefighters to protect the residents and visitors of the Hughsonville Fire District. Located within the Town of Wappinger in Dutchess County, New York, our organization proudly celebrated 100 years of volunteer service in 2013. The ‘fire company’, governed by five administrative officers and a Board of Trustees is separate and distinct as a non-profit organization from the ‘fire district’, which is governed by a publicly elected Board of Fire Commissioners. The fire company has no contract with the Board of Fire Commissioners or the Town of Wappinger, and as a result, the officers and members of the fire

company have no contact with taxpayer dollars. All revenue to the Hughsonville Fire Company is as a result of fundraisers held by the all volunteer membership.

When contacted about this audit, I initially thought the New York State Comptroller's Office had confused the fire company with the fire district, but then I was made aware that there were two simultaneous audits being conducted: the fire company *and* the fire district. As an elected councilman in the Town of Wappinger having recently been involved with a municipal audit, I was unclear on the jurisdictional authority and/or responsibility of the New York State Comptroller's Office – Division of Local Government and School Accountability to audit fire companies having no contact and/or responsibility over taxpayer dollars. I did, however, review NYS General Municipal Law Article 3, Section 34, giving examiners of the New York State Comptroller's Office authority to examine the financial affairs of fire companies, however, I believe the legislative intent of this law is to ensure taxpayer dollar protection and municipal fiscal oversight.

See  
Note 1  
Page 19

The New York State Comptroller's Office conducts these types of examinations to make recommendations to local government officials to use in effectively managing operations and in meeting the expectations of their constituents. As described in the cover letter of this draft report, *“a top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively, and, by doing so, provide accountability for tax dollars spent to support government operations.”* The administrative officers and members of the Board of Trustees are not local government officials and the Hughsonville Fire Company does not handle taxpayer dollars.

See  
Note 2  
Page 19



## FINDINGS AND RESPONSES

Examiners suggest that *“the Board has not established adequate policies and procedure for procurement of goods and services, credit card use, cash receipts, cash disbursements.”*

Since the Hughsonville Fire Company does not handle taxpayers dollars, a mandated procurement policy is not required. Instead, procurement practices are detailed within the fire company by-laws. The by-laws were amended in 2014 to more specifically address procurement practices and it has been reiterated to company membership that all receipts must be submitted to the fire company treasurer. It is simply unfeasible to expect a volunteer member to meet the same standards of practice as a municipal accountant or comptroller.

See  
Note 3  
Page 19

See  
Note 4  
Page 19

Further, examiners suggest that there is an *“inadequate segregation of the treasurer’s duties, such as preparing and making deposits, recording receipts and disbursements, and preparing and signing checks.”* The volunteer treasurer is elected annually by the fire company membership and is required to give monthly reports to the membership at monthly meetings. The treasurer’s books are reviewed by the Board of Trustees annually. In addition, one trustee is charged with fiscal oversight throughout the year.

See  
Note 5  
Page 19

In addition, the *“control weaknesses”* in which examiners point out that resulted in the \$4,280 net profit was as a result of the treasurer’s unfamiliarity with a process within the accounting software. Since this finding, the treasurer has become more familiar with the software. Despite the accounting error, there was no money unaccounted for in any accounts.

See  
Note 6  
Page 19

Examiners noted that *“while the company by-laws detail the treasurer’s duties and responsibilities, they do not include detailed procedures that segregate day-to-day financial operations. As a result, the treasurer receives money, prepares and makes deposits, records*

*receipts and disbursements in the financial software program; handwrites checks and is the signatory on the Company's bank accounts. He also prepares the bank reconciliations for the company's two checking accounts."* It is not uncommon for a volunteer fire company treasurer to have these duties. As an added layer of oversight, the fire company now utilizes the aforementioned fiscal oversight trustee. This trustee communicates regularly with the treasurer and is also an authorized signer on the accounts.

Examiners suggested that *"the board has not established internal controls to ensure all moneys are properly recorded and deposited. As a result, the company follows different informal procedures for documenting receipts for fundraising activities (i.e. spaghetti dinner, pancake breakfasts, firemen's convention)."* Each event held by the fire company is run by a special committee of volunteer members tasked with executing the event. As a result, each committee chairperson runs each event a little differently and occasionally there are minor discrepancies when receipts are not turned over to the treasurer. To standardize this practice, the trustee assigned to fiscal oversight will provide additional oversight on committee fundraising events.

The examiners stated that *"conducting a proper audit of claims before the company pays them is an integral part of any internal control system for cash disbursement. It is essential for each voucher to have supporting documentation that contains sufficient detail and itemization, including an original receipt or invoice for the goods or services purchased and a signed receiving slip to show confirmation that the goods or services were received by the purchaser."*

The fire company procurement practices as defined by the by-laws does not require voucher use and/or purchase order use as this organization has no contact with taxpayer dollars. There are occasions when receipts are either misplaced or not handed over to the treasurer within a

See  
Note 7  
Page 19

reasonable amount of time. In an effort to improve this process, the practice of submitting receipts for all authorized purchases will be reiterated to the membership.

The examiners recommend *“The treasurer prepare and document monthly bank reconciliations in a timely manner.”* To improve this process, this responsibility will be monitored by the trustee assigned to fiscal oversight. In addition, the examiners recommend that *“the treasurer issue duplicate press-numbered receipts and maintain a cash receipt journal documenting the purpose of the cash receipts. The treasurer should also provide the Board and the Company members with a list of disbursements to be authorized for the current disbursement cycle, and monthly and annual financial reports.”* This process will be adopted and will also be monitored more closely by the trustee assigned to fiscal oversight.

The examiners recommend that *“The Board should establish internal controls to ensure all fund-raising moneys collected are properly recorded and deposited.”* This process will be monitored and reviewed by the Board of Trustees. During ‘bucket drives’ where money is collected directly from the public, a trustee will continue to be present and oversee the counting of all monies received. The treasurer along with a trustee will be responsible for depositing any monies received directly into a designated bank account. The examiners further recommended *“The Board should implement procedures to address the review of claims and outline the documentation that needs to accompany a purchase to ensure that all disbursements are supported with documentation and approved before payments are made.”* In an effort to improve this process, the Board of Trustees will address the purchasing procedures ensuring better documentation exists and proper approvals are received before payment is issued.

## CONCLUSION

Holding an all volunteer fire company with an annual budget that normally doesn't exceed \$20,000 and has no contact with taxpayer dollars to the same standard as a municipality with a multi-million dollar budget purely funded by taxpayer dollars is impractical. The administrative officers and Board of Trustees, including the treasurer are all volunteers that can change from year to year based on an annual membership election. As a result, there will naturally be inconsistencies and discrepancies pertaining to standards and protocols.

See  
Note 8  
Page 20

See  
Note 9  
Page 20

After reading several audits of other fire companies and fire districts where funds were stolen over a course of years with improper oversight, I take comfort in knowing that after this financial examination, there is no evidence of misappropriation or misuse of funds. That being said, this process has highlighted some areas of needed improvement, and we will do our best to address these areas.

If you have any questions or concerns regarding our responses, please contact me direct at 914-475-4075 or via email at [BillBeale@aol.com](mailto:BillBeale@aol.com).

Sincerely,

William H. Beale, Company President

## APPENDIX B

### OSC COMMENTS ON THE COMPANY'S RESPONSE

#### Note 1

General Municipal Law Article 3, Section 34 does not distinguish between fire companies that receive direct taxpayer dollars and those that receive donations from taxpayers. The law gives the Office of the State Comptroller the authority to audit all fire companies.

#### Note 2

We agree that fire company officials are not local government officials and do not handle moneys derived from taxes. We have revised the authority letter accordingly.

#### Note 3

The audit report does not say that a “mandated” procurement policy is required. In addition, the Company’s bylaws do not include adequate procurement guidelines.

#### Note 4

The Company’s administrative officers and Board members should maintain adequate internal controls. Proper authorizations and oversight over the Company’s financial operations are necessary to decrease the risk of theft of company funds and errors or irregularities occurring and not being detected.

#### Note 5

The Treasurer provides a verbal report on the bank balance to the membership; however, he does not provide the amounts received or disbursed. In addition, he did not receive the authorization by the membership for the majority of the expenditures in our audit period. As per the Company’s bylaws, all expenditures in excess of \$1000 are required to have a three-quarters ( $\frac{3}{4}$ ) vote by the eligible members present and those amounts under \$1000 by a simple majority (51 percent). There was no evidence that the Board reviewed the Treasurer’s books at fiscal year-end 2013.

#### Note 6

The “control weakness” that we outlined in the report resulted in Treasurer’s profit and loss report for the 2013 fiscal year showing a net loss of over \$14,300 when in fact the Company actually had a net profit of \$4,280. This resulted from insufficient oversight by Company officers, not the Treasurer’s unfamiliarity of the accounting software.

#### Note 7

The term voucher, as used in our audit report, is a general term used to describe a packet of supporting documentation to demonstrate a purchase. The Company’s bylaws do not mention any procurement practices other than approval of purchases by the membership.

#### Note 8

Any organization, regardless of size, should be able to account for moneys received from the public. As pointed out by the Company's response, the Company receives donations from individuals who are entrusting the Company to use their donations for the benefit of the membership. The Company is therefore responsible for ensuring that moneys are used for the purpose for which they are intended and not for personal use.

#### Note 9

The possibility that the administrative officers could change from year to year is an important reason for the Company to establish policies and procedures for its financial practices. Such policies would provide newly elected administrative officers with a framework to continue normal Company operations.

## **APPENDIX C**

### **AUDIT METHODOLOGY AND STANDARDS**

The objective of our audit was to evaluate the Board's oversight over the Company's financial activities for the period of January 1, 2013 through February 28, 2014. To accomplish our audit objective and obtain valid and relevant audit evidence, we interviewed appropriate Company officials and tested selected records and transactions, examined pertinent documents, including meeting minutes, and performed the following procedures:

- We reviewed all bank statements for the audit period and selected all disbursements totaling \$56,237 for testing. We then attempted to trace them to supporting documentation, including invoices, purchase receipts, Treasurer's reports and Company minutes to ensure that the disbursements were supported by appropriate documentation, were Company-approved and were for legitimate Company purposes.
- We reviewed all bank statements for the audit period for any cash withdrawals and transfers. We traced all five transfers out of Company bank accounts to deposits or transfers into Company bank accounts to ensure they were appropriate.
- We compared the Company's collection spreadsheet for the pancake breakfasts to the deposit slips to determine if the amounts collected corresponded to the amounts deposited. We reviewed dates on the deposit slips and compared them to the dates of the fund-raising activities to determine if the money was deposited timely.
- We reviewed 180 disbursements to determine if they had documentation to identify the purpose for the payments, including 105 checks to determine if there was evidence of Board or Company members' approval.

We conducted this performance audit in accordance with GAGAS. 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.

## **APPENDIX D**

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**APPENDIX E**  
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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

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