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January 30, 2015

Dale Ford, President
Members of the Board
Newfield Fire Company, Inc.
77 Main Street
Newfield, NY 14867

Report Number: 2014M-346

Dear President Ford and Members of the Board:

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 Newfield Fire Company, Inc. (Company) which addressed the following question:

- Has the Board ensured that Company funds have been properly deposited and disbursed?

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 Newfield Fire Company, Inc. is a not-for-profit organization which is located in the Town of Newfield (Town) in Tompkins County. The Company contracts with the Town to provide fire protection and emergency services. The Company's adopted budget for 2014 was approximately \$360,000, funded primarily by the Town contract.

The Company operates in accordance with its established bylaws and is governed by a Board of Directors (Board), which is responsible for the Department's overall financial management. The Board is comprised of 10 members: five elected officers¹ and five additional elected members. The President is the Company's chief executive officer, while the Treasurer acts as the Company's chief fiscal officer. The Treasurer is responsible for

¹ The elected officers are the Company President, Vice President, Secretary, Treasurer and Chief.

receiving and maintaining custody of Company funds and disbursing and accounting for those funds.

We examined the internal controls over the Company's financial operations for the period January 1, 2013 through September 5, 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, the Board should establish a system of internal controls which consists of policies and procedures that ensure that transactions are properly authorized and recorded and that the Company complies with the applicable bylaws, rules and regulations.

The bylaws require the Treasurer to deposit all Company funds and disburse funds as approved by the President. The Treasurer is also responsible for preparing and recording these transactions for membership review. The bylaws permit the Board to appoint an Auditing Committee (committee). The committee is responsible for performing an annual audit of the financial records that includes a review of cash receipts, disbursements and bank statement information.

We found that the Board generally ensured that Company funds were properly deposited and disbursed. The Board-adopted bylaws established adequate controls over Company funds. The Board also hired an independent auditor and appointed a committee; each individually performed an annual audit of the Treasurer's records. However, both audits did not have procedures in place to obtain or review canceled check images. Therefore, these audits could not effectively ensure that disbursements were paid to Company vendors. Additionally, adequate documentation of the President's approval for disbursements was not always kept.

We reviewed 45 disbursements² during our audit period totaling \$121,324 to determine whether they were approved, supported and for a reasonable Company purpose. We found that each was for a proper Company expense; however, seven disbursements³ totaling \$1,131 did not have supporting documentation and/or written evidence of approval. The President was able to recall verbally approving them for payment.

² During the audit period the Company made 406 disbursements totaling \$434,855. We selected 15 random checks, 15 checks based on unusual payee name and dollar amount and 15 debit card transactions based on the five months (March, May and October 2013 and May and July 2014) with the most debit card activity.

³ The disbursements were for training and travel expenses, a charitable contribution, equipment and computer software.

We also reviewed the 2013 and 2014 fire protection contracts with the Town, totaling \$706,939, and verified that five payments to the Company totaling \$618,133 were deposited in a timely manner. The Company had not collected the remaining \$88,806 at the time of our audit fieldwork. In addition, we tested three months⁴ of reported hall rental receipts totaling \$1,405 to determine if they were deposited in a timely manner; we communicated minor discrepancies to Company officials regarding these receipts.

Board oversight is an essential control to ensure that Company funds have been properly deposited and disbursed for a legitimate expense. Without sufficient documentation, the independent auditor and the committee may be unable to adequately perform their annual audits. Without the ability to review canceled checks, there is not sufficient documentation of expenditures.

Recommendation

1. The Board should ensure that adequate documentation is available for the independent auditor and committee to perform their annual audits.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan or action that addresses the recommendations of this report and forward the plan to our office within 90 days. For 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 the Company officials to make this plan available for public review in the Secretary's office.

We thank the officials of the Newfield Fire Company, Inc. for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

⁴ We selected the months of May 2013, December 2013 and May 2014 based on the types of receipts collected during these months.

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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



Newfield Fire Company, Inc.

Organized March 17, 1917

Incorporated June 24, 1940

77 Main Street Newfield, New York 14867

newfield-fire-ems.com

Phone: (607) 564 - 7222

Fax: (607) 564 - 9432

Federal EIN: [REDACTED]

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Subject: Audit Response Letter & Corrective Action Plan

Report Number: 2014M-346

Date: 26 January 2015

Audit Response

This portion of our letter contains Newfield Fire Company's position concerning the audit findings. Firstly, we would like to express our thanks to [REDACTED] for their professional courtesy and aid in identifying discrepancies in our accounting system for Newfield Fire Company. We realize that we are responsible for and accountable to the citizens of Newfield Township, Tompkins County and New York State for the proper use of funds for which we have been entrusted. It is because of this we have welcomed the audit of our financial records and completely agree with the findings presented by our state comptroller's office in the following findings:

1. Audits do not have procedures in place to obtain or review cancelled check images.
2. Adequate documentation of the President's approval for disbursements was not always kept.

Corrective Action Plan

This portion of our letter contains Newfield Fire Company's CAP for the discrepancies listed above.

1. The bank with which the Newfield Fire Company keeps its checking account does offer cancelled check images, however it is at a cost of \$8.00 per month. This seems an unnecessary expense so we have implemented a plan to have the Treasurer bring a copy or the actual checks which are completed to various vendors, supply companies, etc., to the Board Meeting prior to mailing them out so that the Board can be assured of funds disbursement. This will ensure an audit trail for monies spent.
2. The documentation for the President's approval concerns mostly the Newfield Fire Company's debit card and small cash transfers. It was decided that a plan would be put in place to keep and record all sales slips within the meeting minutes of the Board. This will ensure that an audit trail exists for the miscellaneous expenditures.

Dale V. Ford, President
Newfield Fire Company