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April 3, 2015

Thomas Jaskolka, President
Members of the Board of Directors
Town of Olean Volunteer Fire Company No. 1, Inc.
1297 Old Rock City Road
Olean, NY 14760

Report Number: 2014M-380

Dear Mr. Jaskolka and Members of the 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 Town of Olean Volunteer Fire Company No. 1, Inc. (Company) which addressed the following question:

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

The results of our audit and recommendations have been discussed with Company officials, and their comments were considered in preparing this report. The Company's response is attached in Appendix A. Company officials agreed with our recommendations and indicated they plan to take corrective action.

Background and Methodology

The Company is located in the Town of Olean (Town) in Cattaraugus County. The Company provides fire protection within an area of the Town. The Company receives money from fund-raisers, foreign fire insurance, donations and other activities. During 2014 the Company received approximately \$43,400 in revenues¹ and incurred expenses² of approximately \$19,700.

¹ Company revenues comprised the following major categories: fund-raisers (\$29,327), sale of equipment (\$8,000), foreign fire insurance (\$4,490), donations (\$1,240) and other activities (\$382).

² Company expenses comprised the following major categories: fund-raisers (\$8,379), equipment (\$5,220), Company party and meeting supplies (\$2,172), miscellaneous (\$2,347) and utilities (\$1,597).

The Company is operated in accordance with its bylaws which stipulate that a Board of Directors (Board) consisting of five elected members is responsible for the Company's overall financial management. The Board elects a Treasurer who acts as the Company's chief fiscal officer. The bylaws state that the Treasurer is responsible for the receipt and custody of Company funds, for disbursing and accounting for those funds, for preparing annual financial reports and for meeting any other reporting requirements.

We examined the internal controls over the Company's financial operations for the period April 1, 2013 through November 24, 2014. We interviewed Company officials and reviewed financial records and Board 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 which consists of policies and procedures that ensure transactions are authorized and properly recorded; that financial reports are accurate, reliable and filed in a timely manner; and that the Company complies with its bylaws and other applicable laws, rules and regulations.

We found that the Board did not provide adequate oversight of the Company's financial activities. Additionally, the Treasurer did not maintain appropriate records or provide the Board with monthly financial reports. Due to these deficiencies, there is a risk that Company disbursements may not be for appropriate purposes and that all money due the Company may not be received and deposited.

Records and Reports – The Treasurer should maintain complete, accurate and timely records to account for all Company financial activities. Although not required by the bylaws, as a matter of sound business practice, the Treasurer should prepare and submit monthly and annual reports to the Board. These reports are an important fiscal tool which provides the Board with information necessary to monitor Company operations and give other interested parties a summary of financial activities.

The Treasurer did not maintain appropriate financial records and did not prepare or submit written monthly financial reports to the Board. The Treasurer's accounting records consisted of a report of revenues and expenses prepared annually, rather than on a more timely basis (e.g., monthly). The Treasurer also did not prepare bank reconciliations. As a result of these weaknesses, the Board could not monitor financial activity in a timely fashion.

Board Minutes – The Secretary is required by the bylaws to attend all Board meetings and keep a complete and accurate record of the proceedings of each meeting. The minutes are a permanent record of the Board's actions and key decisions. At a minimum the minutes should consist of a

record or summary of all motions, proposals, resolutions and any other matter that the Board voted upon.

We found Board minutes to be incomplete because minutes from 14³ meetings held during our audit period were missing. The Board President indicated that the previous Secretary had custody of the minutes and was trying to contact her to obtain them. Consequently, it is uncertain whether the Board approved all the Company's financial transactions and whether all Board decisions were adequately documented.

Disbursements – All disbursements should be for valid Company purposes, supported by a detailed invoice or receipt and accurately recorded. The Board should review and approve bills prior to payment to ensure that Company funds are used for legitimate expenses. The Secretary should document the bills that have been approved for payment in the Board minutes.

We reviewed 30 disbursements⁴ totaling \$6,950 and found that 15 totaling \$4,142 did not have supporting documentation, such as a bill or invoice, but appeared⁵ to be for Company purposes. Because the Board does not routinely review bills prior to disbursement, there is a risk that Company assets could be misappropriated.

Fund-Raising – The Board should establish procedures to ensure that all funds received from fund-raising events are properly accounted for and deposited in Company bank accounts. Records and receipts should be maintained for each fund-raising activity, reconciled with the bank deposits and start-up money and remitted to the Board for its review.

The Company held several fund-raising activities during our audit period, including various raffle events, a chicken barbeque, a clam bake and boot drive collections. Company members did not maintain records for each activity to show an itemized list of the receipts collected from each event. Records were also not maintained showing how many people bought tickets or attended each event. The Treasurer indicated that no reconciliation was prepared showing the number of tickets sold compared with the amounts collected before the money was deposited. Further, no records were maintained for the fund-raising start-up money.⁶

The Board's failure to properly oversee fund-raising activities is a significant control weakness that substantially increases the risk that these funds could be lost or misused and remain undetected.

Had the Board required the Treasurer to prepare monthly financial reports and annually audited or caused an audit of the Treasurer's records, it could have identified the weaknesses described in this report. We discussed other minor deficiencies with Company officials while conducting our fieldwork.

³ The Board held 20 meetings during our audit period. Company officials provided us with minutes for the six meetings held in 2014.

⁴ Twenty-four were randomly selected using a random number generator and the remaining six were selected because they were higher risk payments to Company officers and members.

⁵ Based on a review of canceled check images obtained from the bank.

⁶ Start-up money is a separate cash balance of \$200, retained in a safe, and replenished to the same amount after each fund-raiser is completed.

Recommendations

The Board should:

1. Require that the Treasurer provide monthly financial information.
2. Ensure that the Treasurer's financial records are annually audited.
3. Ensure that Board minutes are complete and remain in the Company's custody.
4. Review and approve bills prior to payment and ensure that each bill has appropriate supporting documentation.

The Treasurer should:

5. Provide the Board with written monthly and annual financial reports and prepare and present the Board with monthly bank reconciliations.
6. Maintain detailed financial records for all financial activity, including each fund-raising event. For each fund-raising event, records should indicate, at a minimum, the amount of startup money provided, receipts from each event activity, amounts disbursed (with supporting documentation) and net proceeds deposited. Such records should include, when applicable, the amounts of food and merchandise purchased, sold and remaining for each fundraising event.

Company officials should:

7. Ensure that tickets sold at each fundraising event are properly accounted for.

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.

We thank the officials and staff of the Town of Olean Volunteer Fire Company No. 1, Inc. for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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

TOWN OF OLEAN

FIRE DEPARTMENT

HONOR – COURAGE – COMMITMENT



Unit Name: Town of Olean Volunteer Fire Company No. 1, Inc.
Audit Report Title: Office of the State Comptroller's Audit
Audit Report Number: 2014M-380

Please let this letter serve as both the Audit Response Letter and the Corrective Action Plan. For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

1. *The Board should require that the Treasurer should provide monthly financial information.*
2. *The Board should ensure that the Treasurer's financial records are annually audited.*
3. *The Board should ensure that the board minutes are complete and remain in the companies' custody.*
4. *The Board should review and approve bills prior to payment and ensure that each bill has appropriate supporting documentation.*
5. *The Treasurer should provide the Board with written monthly and annual financial reports and prepare and present the board with monthly bank reconciliations.*
6. *The treasurer should maintain detailed financial records for all financial activity including each fund raising event. For each fund raising event records should indicate at a minimum, the amount of startup money provided, receipts from each event activity, amounts disbursed (with supporting documentation), and net proceeds deposited. Such records should include, when applicable, the amounts of food and merchandise purchased, sold and remaining for each fund raising event.*
7. *Company officials should ensure that tickets sold at each fund raising event are properly accounted for.*

Implementation Plan of Action(s):

The implementation plan should be in sufficient detail to –

a. Clearly demonstrate what actions have occurred or are planned OR

b. Why actions are not being taken.

1. The Executive Committee (President, will call a monthly meeting directly before the monthly member meeting (occurring on the first Tuesday of each month, barring a holiday). At this meeting the Treasurer will be required to present the information he has compiled according to CAP point five. This meeting will be held starting April 2015.
2. Three members of the Executive Committee and the President will meet immediately prior to the annual meeting to audit the treasury financial records.

TOWN OF OLEAN

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HONOR – COURAGE – COMMITMENT



3. The company secretary will type the minutes at each monthly and/or specially held meetings and upload those typed notes to the company google drive which is accessible anywhere online via password. The previously unavailable notes have been recovered and are within the Executive Committee filing cabinet.
4. At each monthly Executive Committee meeting, the bills will be presented with invoices, purchase orders or receipts and paid with the approval of the Executive Committee and the members.
5. The Treasurer will compile all financial information into a report each month for presentation at the monthly meeting. The report will show bills, deposits, and petty cash. The report will be supported with the invoices, receipts, checkbook, and current bank statement.
6. To address CAP point six, each fundraising event will use start-up funds from standard amount of petty cash on hand. Receipts will be turned into a locked box (to be installed within two months). Receipts pertaining to the event will be tracked along with start-up amount. Once the event has been completed a minimum of two, ideally three individuals will remain to count any and all funds made and record this. A report will be included regarding left over food and drink. All of this information will be kept in the treasurers secure filing cabinet.
7. Tickets for each event will be numbered when given to members to be sold. The numbers will be written down and kept on a master sheet to be tied back to who they were given to. At the end of an event the total number of tickets sold must match the funds received for tickets. If tickets are lost, their number will be identified and any person presenting to the event with a 'lost' ticket, will be asked to pay or turned away.

Implementation Date:

Provide the actual or planned implementation date of

CAP Item #1: To be implemented by April 7th 2015

CAP Item #2: To be implemented by April 7th 2015

CAP Item #3: To be implemented by April 7th 2015, with notes from January 2014-current uploaded already.

CAP Item #4: To be implemented by April 7th 2015

CAP Item #5: To be implemented by April 7th 2015

CAP Item #6: To be implemented by the most imminent event March 21st, 2015.

CAP Item#7: To be implemented by the next ticketed event on October 24th, 2015.

TOWN OF OLEAN

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Person Responsible for Implementation:

Indicate who is responsible for the actions.

- CAP Item #1: President
- CAP Item #2: President
- CAP Item #3: Secretary
- CAP Item #4: President
- CAP Item #5: Treasurer
- CAP Item #6: Treasurer
- CAP Item #7: Chief

Signed:

_____ Thomas Jaskolka President	<u>3/17/15</u> Date	_____ Scott Zink Chief	<u>3-17-15</u> Date
_____ Alicia Kaufman Secretary	<u>3/17/15</u> Date	_____ Tommy Wesley First Assistant Chief	<u>3-17-15</u> Date
_____ Ray Douthit Treasurer	<u>3/17/15</u> Date	_____ Chris Kellner Fireman's Representative	<u>3-17-15</u> Date