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June 2016

Nathaniel King, President
Members of the Board of Directors
Maple Avenue Volunteer Fire Company #4
613 Maple Avenue
Saratoga Springs, NY 12866

Report Number: 2016M-118

Dear President King 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 Maple Avenue Volunteer Fire Company #4 (Company), which addressed the following question:

- Are cash disbursements properly approved and made for appropriate Company purposes?

We discussed the findings and recommendation with Company officials and considered their comments in preparing this report. The Company's response is attached to this report in Appendix A. Company officials generally agreed with our recommendation and indicated they planned to initiate corrective action.

Background and Methodology

The Company is a volunteer organization composed of volunteer firefighters who serve the Greenfield Fire District (District) and provides fire protection services for portions of the Towns of Greenfield and Wilton in Saratoga County. The District provides the Company with fire equipment, safety gear and a fire house, and funds the Company's fire protection operations. The Company receives foreign fire insurance tax money,¹ fundraising and donations. For 2015, the Company's revenues totaled approximately \$18,000 and expenses totaled approximately \$10,700.

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.

The Company operates in accordance with its bylaws, which stipulate that a governing board of administrative officers (Board) composed of six elected members (i.e., President, Vice-President, Recording Secretary, Financial Secretary, Treasurer and Sergeant-At-Arms) are responsible for the Company's overall financial management. The Treasurer is the Company's chief fiscal officer. The bylaws state that the Treasurer is responsible for receiving and depositing Company funds, paying all bills (authorized by a majority vote of the Board members present at the meeting) and ensuring that all checks have two signatures, as required by the bylaws. The bylaws state that the President, Vice-President, Recording Secretary and Treasurer are authorized to sign Company checks.

We examined internal controls over the Company's cash disbursements process for the period January 1, 2014 through January 31, 2016. 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

In accordance with its bylaws, the Board is responsible for establishing policies and procedures to ensure all payments are approved before payment is made and that all disbursements are for an appropriate Company purpose. The Treasurer must ensure that cash is disbursed only after proper review and approval of claims, disbursements are supported by appropriate documentation and Company resources are used only for valid purposes. In addition, the checks should be signed after disbursements are approved and the Treasurer has completed the check information (date, payee and amount).

The Treasurer did not comply with the bylaws that require getting approval before making disbursements, even though all Company checks had two authorized signatures. The Treasurer provided the Board with a list of cash disbursements on each monthly Treasurer's report for bills that were previously paid. However, other than the Treasurer, Company officials did not review documentation supporting each cash disbursement to ensure payments were for valid Company purposes.

We reviewed all cash disbursements for our audit period, consisting of 106 disbursements totaling \$17,665, which included 92 checks totaling \$17,285 and 14 petty cash disbursements totaling \$380. We found that 28 disbursements totaling \$5,293 were not adequately supported, which prevented us from determining if these disbursements were for valid Company purposes. We identified the following deficiencies:

- Supporting documentation was not available for 14 disbursements totaling \$3,837. For example, the monthly Treasurer's report included a disbursement for hotel rooms for a conference (\$750), a not-for-profit status application (\$400) and corresponding legal fees (\$250) and supplies (\$293) that did not contain adequate supporting documentation.
- Supporting documentation for the remaining 14 disbursements, totaling \$1,456, consisted of vendor-provided statements that listed the goods and services to be paid for. For

example, the Company made disbursements for soda and water (\$766), hardware supplies (\$71) and food (\$121) with only vendor provided statements as support. While these statements included the date, invoice number and amount due, they did not include any additional itemized information to determine if the goods or services were actually received or whether they were for valid Company purposes. Based on our review of the vendors used and a discussion with the Board President, these payments were for legitimate Company purposes.

However, when the disbursements do not include this additional itemized documentation, there is an increased risk that payments could be made for inappropriate purposes and not be detected and corrected in a timely manner.

Recommendation

The Board should:

1. Ensure the Treasurer adheres to the bylaws when making disbursements by requiring that bills be paid only after they have been reviewed and approved.

The Board 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 Board to make this plan available for public review.

We thank the officials of the Maple Avenue Volunteer Fire Company #4 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.

Maple Avenue Fire Company

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

Date: 05/25/16

Unit Name: Maple Avenue Volunteer Fire Company #4
613 Maple Avenue
Saratoga Springs, NY 12866

Report Title: Audit Response Letter & Corrective Action Plan

Report Number: 2016M-118

Dear Sir,

The President, Vice President, Recording Secretary, Financial Secretary, Treasurer, and Deputy Treasurer of The Maple Avenue Volunteer Fire Company #4 have reviewed the draft of the audit report and agree with its findings.

For each recommendation included in the audit report, the following is the corrective action already taken.

Audit Recommendation

Ensure the Treasurer adheres to the bylaws when making disbursements by requiring that bills be paid only after they have been reviewed and approved.

Plan of Action

As of March 2016 the newly elected Treasurer began presenting an Accounts Payable Aging Report for Company approval at the monthly meeting. This report includes Vendor Name, Document #, Description of Expense, Transaction Date, Amount of Expense, Due Date, and

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Maple Avenue Fire Company

Current Aging of the Expenditure. The Aging Report is generated from receipts submitted by members or officers authorized to make purchases. This procedure will replace a past practice of submitting payables from monthly statements. This is being done in effort to keep our Company's terms to Net 30 days. Monthly statements also do not include itemized information. This information is needed to insure adequate support of monetary disbursements for valid Company purposes. After the presentation of the Aging Report, and any discussion, the Company votes to approve, or disapprove the report. Upon approval checks are written by the Treasurer and signed by two authorized officers.

Other Comments

A re-writing of the company bylaws has begun in an effort to further strengthen controls and improve operations.

To address the issue of documentation review the position of Deputy Treasurer has been created. The purpose of this position is to have multiple officers review correspondence and ensure honest and accurate reporting.

In Closing

The Officers and members of The Maple Avenue Volunteer Fire Company #4 are dedicated to developing a culture of fiscal responsibility. We will adhere to all aspects of compliance set forth by the OSC Audit Report. We will be progressive with our practices and have complete oversight of all financial matters.

Respectfully,

William Petel
Treasurer

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