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October 2016

Eric Henderson, President
Members of the Board of Directors
Vischer Ferry Volunteer Fire Company
360 Riverview Road
Rexford, New York 12148

Report Number: 2016M-245

Dear President Henderson 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 Vischer Ferry Volunteer Fire Company (Company) which addressed the following question:

- Did the Board ensure that cash disbursements were approved and for valid Company purposes?

We discussed the findings and recommendations 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 recommendations and indicated they planned to initiate corrective action.

Background and Methodology

The Company provides fire protection services for the Vischer Ferry Fire District in Saratoga County. The Company receives money from fundraising, foreign fire insurance tax, donations and other activities. For 2015, the Company's revenues totaled \$61,177 and expenses totaled \$62,862.

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

We examined the internal controls over the Company's financial operations for the period January 1, 2015 through March 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

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 internal controls, consisting of policies and procedures, which help to ensure that transactions are authorized and properly recorded; financial reports are accurate, reliable and presented to the membership; and the Company complies with its bylaws and other applicable laws, rules and regulations.

The Company's constitution requires that disbursements be made by the Treasurer only following approval by a majority of the Company's voting members present at any Company meeting. According to the bylaws, Company membership consists of five classifications¹ and voting rights are authorized when a member remains in good standing based on the requirement for each classification. Currently, the Company has 74 voting members and 14 nonvoting members. This procedure was intended to help to ensure that Company funds are used for legitimate Company expenses.

The Board needs to improve its oversight of the Company's cash disbursement process to ensure that cash disbursements are approved and for valid Company purposes. The Board did not review any disbursements before the Treasurer disbursed Company funds. Disbursements in the form of check, debit card and cash withdrawals were made without prior approval by a majority of the Company's voting members who were present at a meeting, as required by the constitution.

Check Disbursements – We reviewed all 167 check disbursements totaling \$68,889 made during our audit period to determine if the disbursements were approved by a majority of the voting members who attended Company meetings and if these disbursements were for valid Company purposes. Based on our review, these disbursements appeared to be for valid Company purposes. However, Company officials were unable to provide us with evidence showing that these disbursements were approved by a majority of the Company's voting members.

Debit Card Disbursements – Debit card use poses a significant risk because a purchase made with such a card is completed at the time of purchase and funds are immediately deducted from the Company's bank account. These types of purchases are also made before a majority of the Company's voting members have an opportunity to review and approve the payments. Furthermore, unauthorized use of a debit card may not be readily detected without establishing adequate controls. Therefore it is essential that all such card transactions be approved before the debit card is used to ensure that purchases are made for appropriate Company purposes.

Because Company officials did not establish policies or implement adequate procedures governing debit card use or approve any card-related transactions, we reviewed all 93 debit card transactions totaling \$14,464 made during our audit period. We found that 17 of these transactions totaling \$2,528 did not have any supporting documentation. These debit card purchases appeared to be for

¹ The bylaws authorize the following five classes of membership: active, life, social, honorary and armed forces. To remain in good standing, a member must continue to qualify for his or her class of membership and not be in arrears in dues by the regular November meeting. Social members are not eligible to vote.

legitimate Company purchases. However, without proper approval and supporting documentation there is an increased risk that unauthorized purchases may occur and be undetected.

Cash Withdrawals – During the audit period the Treasurer made cash withdrawals from Company bank accounts to cover expenses for fundraising activities. When a cash withdrawal is made, the Treasurer should maintain a record of the amount that was withdrawn and document the reason for the withdrawal.

We identified 10 cash withdrawals totaling \$1,300 made during our audit period. To determine if these withdrawals were properly accounted for and for legitimate Company purposes, we traced each withdrawal from the bank statement to the checking account or savings account register and then to the bank's cash withdrawal slip. When withdrawn cash was left over from any fundraising activity, we determined whether the remaining cash was deposited back into the Company's bank accounts.

We found that the Treasurer documented the purpose for each cash withdrawal on the bank's withdrawal slip and also documented the return of all of the funds to the bank accounts following fundraising activities. However, because cash withdrawals were not approved by a majority of the Company's voting members before they were initiated, there is a risk the Company funds could be used for inappropriate purposes.

Recommendations

The Board should:

1. Provide oversight of the Treasurer's disbursement activities.
2. Review and approve all debit card transactions before card purchases are made and implement policies and procedures for Company members to follow when using the card.
3. Ensure all Company disbursements are made in accordance with the constitution.

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 of the Vischer Ferry Volunteer Fire Company for the courtesies and cooperation extended to our auditors during this audit.

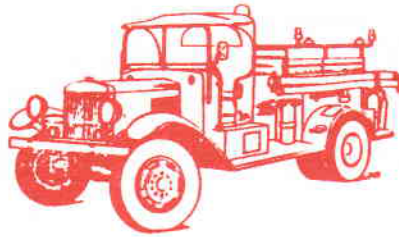
Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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



VISCHER FERRY VOLUNTEER FIRE COMPANY, INC.
360 RIVERVIEW ROAD
REXFORD, NEW YORK 12148

Jeffery P. Leonard
Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801

RE: Audit Report 2016M-245 - Response from Company Officials

Dear Mr. Leonard,

The Board of Directors of the Vischer Ferry Volunteer Fire Company have reviewed the provided draft audit report and, in general, we agree with its findings. The Board appreciates the diligent and thorough work done by your office in preparing this report. Although all of the transactions reviewed in the audit were for valid company purposes, the audit did uncover certain areas in which insufficient policies and procedures expose our Company to some financial risk. In order to mitigate these potential risks, the Board will review the recommendations from the audit and work with the Executive Committee to develop a detailed corrective action plan and submit it to your office within 60 days.

Sincerely,

Eric Henderson
President
Vischer Ferry Volunteer Fire Company, Inc.
360 Riverview Road
Rexford, NY 12148