



# Chestertown Volunteer Fire Company Financial Operations

Report of Examination

Period Covered:

April 1, 2015 — August 31, 2016

2017M-1



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**

June 2017

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.

Following is a report of our audit of the Chestertown Volunteer Fire Company, entitled Financial Operations. 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 Chestertown Volunteer Fire Company (Company) provides fire protection services for the Town of Chester, in Warren County. The Company also receives moneys from fund-raising, foreign fire insurance tax<sup>1</sup> and donations. For the 2015-16 fiscal year,<sup>2</sup> the Company's revenues totaled \$47,532 and the expenditures totaled \$39,209.

The Company is operated in accordance with its bylaws, which stipulate that a governing board (Board) composed of five officials elected by Company members (i.e., President, Vice-President, Secretary, Treasurer and a Company member) are responsible for the Company's overall financial management. The Board appointed the finance and audit committee<sup>3</sup> (committee) to perform periodic fiscal oversight functions. The Treasurer acts as the Company's chief fiscal officer and is responsible for the receipt and custody of Company funds, disbursing and accounting for those funds, and preparing financial reports for the Board.

#### **Scope and Objectives**

The objectives of our audit were to assess the adequacy of the Treasurer's records and reports and evaluate the internal controls over collections and disbursements for the period April 1, 2015 through August 31, 2016. Our audit addressed the following related questions:

- Did the Treasurer maintain adequate records and reports?
- Are internal controls over collections and disbursements adequately designed and operating effectively?

#### **Audit Results**

The Treasurer did not maintain accurate financial records and reports. Furthermore, the committee did not periodically review the records the Treasurer maintained, as required by the bylaws. This limited the Board's ability to provide adequate oversight, safeguard Company resources and make sound financial decisions. Consequently, the Company's accounting records were not properly maintained, bank reconciliations were not prepared and crucial financial reports were inaccurate or not prepared

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<sup>1</sup> Foreign fire insurance funds represent a tax on the premium paid on insurance policies as provided for 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.

<sup>2</sup> The Company's fiscal year is from April 1 through March 31.

<sup>3</sup> The committee is made up of three members appointed by the Board. The Treasurer is a member of the committee.

and submitted to the Board or to the Office of the State Comptroller. All 16 monthly reports<sup>4</sup> that the Treasurer prepared during our audit period were inaccurate. The adjusted checking account balances on all of these monthly reports ranged from \$14,138 more than the reconciled bank balance to \$8,263 less than the reconciled bank balance. These inaccurate records contributed to errors and irregularities with handling and accounting for the Company's assets occurring and remaining undetected by the Board.

The Board did not establish and implement adequate internal controls over the collections and disbursements processes. The Company's bylaws did not require adequate oversight over the Company's collections and disbursements. While the Treasurer was responsible for maintaining all of the Company's bank accounts and handling all moneys received and disbursed by the Company, the Board did not review or monitor the Treasurer's work. The Treasurer made three deposits totaling \$2,840 that were not recorded on the monthly reports. Furthermore, officials did not maintain documentation to determine whether \$1,410 listed on the monthly reports was actually deposited. We also found 24 checks totaling \$6,290 were deposited more than 20 days after the check dates. The Treasurer did not maintain adequate records to determine whether \$9,700 in cash included in the deposits was deposited in a timely manner. Due to the Company's poor recordkeeping practices and lack of oversight by the Board, the Board cannot be certain that all Company funds collected were deposited.

Additionally, controls over cash disbursements were not adequate to ensure that all disbursements were authorized, supported and for appropriate purposes. We reviewed all 115 check disbursements totaling \$57,008 and found 68 disbursements (59 percent) totaling \$42,928 were not approved by the Board. In addition, 30 disbursements (26 percent) totaling \$12,014 were not supported by adequate documentation. Although the Board required that all checks be signed by both the President and Treasurer, 22 disbursements (19 percent) totaling \$2,724 were issued and cleared the checking account with only a single signature during the audit period. Because the Board did not review and approve all disbursements or regularly review bank statements and canceled check images, it cannot be certain that disbursements were made for appropriate Company purposes and that all goods and services purchased were actually received.

Company officials did not maintain sufficient documentation to support that all receipts and disbursements were appropriate and accounted for. Because of the condition of the records, we could not rule out that money or other assets were missing. As a result, we have referred this matter to our Division of Investigations.

### **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. Company officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

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<sup>4</sup> There was no Treasurer's report prepared for the July 2016 meeting.

# Introduction

## Background

The Chestertown Volunteer Fire Company (Company) provides fire protection services for the Town of Chester, in Warren County. The Company also receives moneys from fund-raising, foreign fire insurance tax<sup>5</sup> and donations. For the 2015-16 fiscal year,<sup>6</sup> the Company's revenues totaled \$47,532 and the expenditures totaled \$39,209.

The Company is operated in accordance with its bylaws, which stipulate that a governing board (Board) composed of five officials elected by Company members (i.e., President, Vice-President, Secretary, Treasurer and a Company member) are responsible for the Company's overall financial management. The Board appointed the finance and audit committee<sup>7</sup> (committee) to perform periodic fiscal oversight functions. The Treasurer acts as the Company's chief fiscal officer and is responsible for the receipt and custody of Company funds, disbursing and accounting for those funds, and preparing financial reports for the Board.

## Objectives

The objectives of our audit were to assess the adequacy of the Treasurer's records and reports and evaluate the internal controls over collections and disbursements. Our audit addressed the following related question:

- Did the Treasurer maintain adequate records and reports?
- Are internal controls over collections and disbursements adequately designed and operating effectively?

## Scope and Methodology

We examined the Company's financial operations for the period April 1, 2015 through August 31, 2016.

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 are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional

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<sup>5</sup> Foreign fire insurance funds represent a tax on the premium paid on insurance policies as provided for 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.

<sup>6</sup> The Company's fiscal year is from April 1 through March 31.

<sup>7</sup> The committee is made up of three members appointed by the Board. The Treasurer is a member of the committee.

judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**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. Company officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

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 in the Company's office.

## Records and Reports

The Treasurer, as chief fiscal officer, is responsible for maintaining complete, accurate and up-to-date accounting records and providing the Board with essential information to effectively monitor the Company's financial affairs. The Treasurer should reconcile the bank account balances on a monthly basis to ensure that financial transactions are accurately recorded and cash is properly accounted for. It is also essential for the Board to regularly review those reconciliations and bank statements to fulfill its financial oversight responsibilities. The bylaws require the committee to audit the Company's books at least every other month and certify the accuracy of the Company's accounts before the annual meeting. The Treasurer is also responsible for filing an annual report of foreign fire insurance funds with the Office of the State Comptroller (OSC) no later than the last day of February each year for the preceding calendar year.

The Treasurer did not maintain adequate, accurate and timely accounting records or prepare and provide the Board with accurate periodic reports. The Treasurer also did not prepare and file an annual report of foreign fire insurance funds with OSC. As a result, errors or irregularities with handling and accounting for the Company's assets may have occurred and remained undetected.

Accounting Records and Bank Account Reconciliations – The Treasurer was unable to provide us with accounting records during our audit because of a computer failure that took place in February 2016. The Treasurer maintained the Company's financial information on this computer and did not print hard copies of the records or have appropriate backup procedures in place prior to the failure. The Board authorized the purchase of a new computer and accounting software on May 3, 2016. However, the Company did not purchase the computer and software until July 3, 2016. Furthermore, the Treasurer did not restore the accounting records' data from the failed computer to the new computer, despite Company officials' assertions they may be able to restore it.

The Treasurer did not use the new computer to maintain the accounting records during our audit period. Additionally, from the time the computer failure occurred, the Treasurer did not maintain manual records to account for the Company's financial operations. The only record of financial activity maintained was a checkbook register for the Company's checking account. The register included deposits and checks written but did not have a running cash balance. The Treasurer also did not prepare monthly bank reconciliations



for the checking account.<sup>8</sup> Furthermore, no Company official, other than the Treasurer, reviewed the bank statements, which would have been a compensating control for the lack of segregation of duties for control of cash.

Monthly Reports – The Treasurer prepared and provided monthly reports to the Board, which included a list of receipts and disbursements for the month and cash balances for each bank account, as required by the bylaws. We reviewed the 16 monthly reports<sup>9</sup> that the Treasurer prepared during our audit period and found that they were all inaccurate. For example, a deposit totaling \$8,748 made on June 19, 2015 was not recorded on the June 2015 monthly report. Instead, it was listed as a receipt for \$8,052 on the August 2015 report. In addition, a \$3,071 disbursement made on April 16, 2016 was included on the May 2016 report for \$3,079.

The adjusted checking account balances reported to the Board were not accurate on any of the 16 monthly reports we reviewed. The adjusted bank balances (reconciled) should have equaled the ending bank statement balance adjusted for any outstanding checks, deposits in transit and/or any other adjustments as of the date of the bank statement. However, on 10 of the monthly reports, the Treasurer reduced the month-ending bank statement balance by the total dollar amount of bills submitted to the Board for approval at the time the monthly report was prepared. This amount included bills submitted to the Board for approval that were already paid, bills which were paid during the month the Treasurer’s report was prepared and bills that were paid up to two months later. The Treasurer erroneously reported the difference as the month-end adjusted checking account balance.

For the other six months, the Treasurer could not explain how she calculated the adjusted checking account balance. The balance did not reflect either the ending bank statement balance or the bank statement balance minus the bills on hand. Further, the Treasurer did not include the total bills on hand on these six Treasurer’s reports.

We prepared bank reconciliations for the 17 months in our audit period and found that the checking account balances on the monthly reports ranged from \$14,138 more than the reconciled bank balance to \$8,263 less than the reconciled bank balance. For example, the Company’s reconciled checking account balance as of July 31, 2016 was \$29,615. However, the checking account balance listed on the monthly report was \$38,251, a variance of \$8,636.

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<sup>8</sup> The Company primarily uses one checking account for depositing and disbursing funds. The Company has two savings accounts that had no deposits or disbursements from the accounts during our audit period.

<sup>9</sup> There was no Treasurer’s report prepared for the July 2016 meeting.

Annual Reports – The Treasurer prepared and provided the Board with an annual report for the fiscal year ending March 31, 2016. However, the committee did not audit or certify the report as required by the bylaws. Furthermore, the annual report was not accurate. The annual report understated annual revenues and expenditures by \$12,395 and \$5,574, respectively, and overstated the Company’s cash balance by \$4,138. In addition, the Treasurer did not prepare and file the 2015 annual report of foreign fire insurance funds activity with OSC. The Treasurer told us that she was unaware of the statutory requirement to file the annual report.

The inaccurate annual report was the result of the Treasurer’s failure to maintain accurate and complete financial records. Furthermore, the committee’s failure to periodically review the records the Treasurer maintained, as required by the bylaws, limited the Board’s ability to provide adequate oversight, safeguard Company resources and make sound financial decisions. Consequently, the Company’s accounting records were not properly maintained, bank reconciliations were not prepared and crucial financial reports were inaccurate or not prepared and submitted to the Board or to OSC. As a result, errors or irregularities with handling and accounting for the Company’s assets may have occurred and remained undetected by the Board. Because of the condition of the records, we could not rule out that money or other assets were missing. Accordingly, we have referred this matter to our Division of Investigations.

## **Recommendations**

The Treasurer should:

1. Maintain and report accurate, complete and up-to-date accounting records, including a running cash balance in the check book register.
2. Perform monthly bank reconciliations for all Company bank accounts and present the reconciliations, bank statements and canceled check images to the Board for review.
3. Prepare and provide accurate monthly and annual reports to the Board.
4. File accurate annual reports with OSC in a timely manner.

The Board should:

5. Ensure that the Treasurer prepares and files an annual report of foreign fire insurance funds with OSC in a timely manner.

The committee should:

6. Periodically audit and certify the Company's books before the annual meeting and present a report of its audit to the Board at the annual meeting.

## Collections and Disbursements

The Board is responsible for ensuring that all money due the Company is collected, recorded and deposited, and that all money disbursed is for a proper Company purpose. To fulfill these duties, it is essential the Board establish internal controls which consist of policies and procedures to govern how collections and disbursements are to be handled. Additionally, incompatible duties should be segregated or mitigating controls should be implemented when it is not feasible to segregate duties. The Board should also ensure that collections are supported and deposited in a timely manner and disbursements are properly authorized, supported by adequate documentation and for appropriate Company purposes.

The Board did not establish and implement adequate internal controls over collections and disbursements. While the Treasurer was responsible for handling all moneys received and disbursed by the Company and monitoring and reconciling the Company's bank accounts, the Board did not review or oversee the Treasurer's work. The Treasurer made three deposits totaling \$2,840 that were not recorded on the monthly reports. Furthermore, officials did not maintain documentation to determine whether \$1,410 listed on the monthly reports was actually deposited. We also found 24 checks totaling \$6,290 were deposited more than 20 days after the check dates. The Treasurer did not maintain adequate records to determine whether \$9,700 in cash included in the deposits was deposited in a timely manner. Further, because records were so poor, the Company could not provide assurance that all cash had actually been deposited.

Additionally, controls over cash disbursements were not adequate to ensure that all disbursements were authorized, supported and for appropriate purposes. We reviewed all 115 check disbursements totaling \$57,008 and found 68 disbursements (59 percent) totaling \$42,928 were not approved by the Board. In addition, 30 disbursements (26 percent) totaling \$12,014 were not supported by adequate documentation. Although the Board required that all checks be signed by both the President and Treasurer, 22 disbursements (19 percent) totaling \$2,724 were issued and cleared the checking account with only a single signature during the audit period. As a result, the Board cannot be certain that collections were safeguarded and disbursements were made for appropriate Company purposes.

### Collections

Well-designed controls over collections require the Board to establish policies and procedures for the supervision of those charged with handling money; require the issuance of duplicate press-numbered

receipts or some other method to document the source, date, amount and purpose of collections; and require comparison of amounts deposited with amounts collected. The bylaws require the committee to ensure that all collections were properly deposited by comparing receipts to the deposit slips. In addition, good business practices require that cash and checks be safeguarded until deposit and deposited as soon as possible to prevent loss or misuse.

The Company's primary fund-raising activities include hosting a golf tournament and a fund drive, which supplement the donations collected throughout the year and the foreign fire insurance money received. For the golf tournament, the Company charges a tournament fee to participants. Company members also solicit local businesses for sponsorships and donations of gift certificates or items that could be raffled off. During the golf tournament, these donations are raffled off to participants, with the proceeds benefiting the Company. Additionally, the Company generates revenues by sending letters requesting donations to the residents of the Town of Chester.

Internal controls over collections were not adequate. The Board did not establish comprehensive written policies and procedures over collections, and the Treasurer was responsible for recording and depositing the amounts she and other Company members collected with minimal oversight. In addition, although the bylaws require the committee to compare receipts to deposits, they do not require the Treasurer or other Company members to issue duplicate press-numbered receipts. The Treasurer and other Company members who received money did not issue duplicate press-numbered receipts for the funds collected or maintain adequate documentation to support the collections received. The only documentation maintained by the Treasurer for collections were deposit slip stubs that listed the total amount and date of the corresponding deposit.

The committee did not ensure collections were properly deposited by comparing any of the Treasurer's collection records to the deposit slips. Additionally, fund-raising collections were placed in the Treasurer's bin in the Company's office at the fire station, which other Company officials also have access to. As a result, the Board could not be certain that all amounts collected were accurately accounted for, adequately safeguarded and deposited.

We examined all Company bank statements and monthly reports prepared by the Treasurer during our audit period to determine whether deposits agreed with collections recorded on the monthly reports. We found that the Treasurer made three deposits totaling \$2,840 that were not recorded on the monthly reports. Furthermore, there were two collections totaling \$1,410 listed on monthly reports,

but officials did not maintain documentation to determine whether these amounts were actually deposited. The records were in such poor condition that the Company could not provide assurance that all money was accounted for.

Due to the lack of collection records, we obtained bank deposit compositions<sup>10</sup> for five judgmentally selected deposits totaling \$19,450 made during our audit period to determine whether deposits were made in a timely manner and intact (i.e., in the same form and amount as collections). However, the Treasurer did not maintain adequate records to determine whether collections were deposited intact. Additionally, because the Company's records did not contain the date that collections were received, we used the date that the 59 checks included in the deposits were written to analyze the timeliness of deposits. We found 24 checks totaling \$6,290 were deposited between 23 and 88 days after the check dates. For example, one check totaling \$360 dated July 31, 2016 was not deposited until August 30, 2016, or 30 days later. The Treasurer did not maintain adequate records to determine whether \$9,700 in cash included in the deposits was deposited in a timely manner.

Company officials' and members' failure to issue duplicate press-numbered receipts for the amounts collected, adequately safeguard collections and deposit funds received in a timely manner increases the risk that errors or irregularities with the processing of collections, including fraud and abuse, could occur and remain undetected. In addition, due to the Treasurer's poor recordkeeping practices and lack of oversight by the Board, the Board cannot be certain that all Company funds collected were accounted for or deposited.

## Disbursements

Well-designed controls over cash disbursements require the Board to establish policies and procedures for the supervision of those charged with disbursing Company funds. The Board should review and approve bills before payment to ensure that Company funds are used for legitimate Company purposes and disbursements are supported by adequate documentation (e.g., itemized invoices or receipts). Additionally, when one individual is responsible for all phases of disbursement transactions, the Board must implement mitigating controls to ensure disbursements are authorized and appropriate.

For example, the Board could require an individual independent of disbursement responsibilities to compare prepared checks to approved disbursements. The Board also could require that checks be signed by an individual independent of check preparation or by more

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<sup>10</sup> A deposit composition provided from a bank generally includes an image of a deposit slip, including images of all checks and a record of the total amount of cash that comprise the deposit.

than one individual. Furthermore, access to blank check stock should be limited, and bank statements and canceled check images should be reviewed by an individual independent of the disbursements process. Additionally, the bylaws require the committee to ensure that disbursements are supported by adequate documentation (e.g., itemized receipts or invoices).

The Board did not establish adequate controls over cash disbursements. The Treasurer provided the Board with a listing of bills for payment and the Board discussed and approved the listing. However, the Board did not review the supporting documentation for the disbursements it approved, and the committee did not ensure that payments were adequately supported. Additionally, the Treasurer has access to blank check stock and is responsible for preparing and signing checks.

Controls have not been implemented to mitigate the lack of segregation of duties. The Company does not inventory check stock to ensure all checks are accounted for, and checks are not compared to the listing of bills approved by the Board for payment by someone independent of the disbursement process. Furthermore, while the Board requires that all checks be signed by the President and Treasurer, this practice was not effective because the Company did not notify the bank of this requirement. Therefore, checks signed by only the Treasurer or the Board President were processed by the bank.

We reviewed all 115 check disbursements totaling \$57,008 made during our audit period and found 68 disbursements (59 percent) totaling \$42,928 were not approved by the Board.<sup>11</sup> In addition, 30 disbursements (26 percent) totaling \$12,014 were not supported by adequate documentation. Company officials provided us with the purpose for each disbursement and told us that they were all for appropriate Company purposes. However, Company officials were unable to provide us with any documentation that they were for appropriate purposes. Without this documentation, the payments should not have been approved for payment.

In addition, 59 purchases totaling \$22,244 (including 46 purchases totaling \$20,355 that were adequately supported and 13 purchases totaling \$1,889 that were not adequately supported) were made for consumable items such as gift cards, flowers, food and alcohol. Company officials told us that the gift cards were used as prizes for fund-raising events, the flowers were purchased for events such as the birth of a member's child or a banquet, and the food and alcohol

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<sup>11</sup> The Board authorized the payment of 31 bills as presented in Treasurer's report totaling \$7,373 by passing a Board resolution. Additionally, the Board individually authorized the payment of 16 bills totaling \$6,707 as evidenced in the Board minutes.

were purchased for Company events. While it is acceptable for a fire company to make such purchases, due to the nature of them, we were unable to verify that they were in fact used to benefit the Company. The risk that these purchases were not used for appropriate purposes is increased when supporting documentation is not retained.

Additionally, 22 check disbursements (19 percent) totaling \$2,724 were issued and cleared the checking account with only a single signature<sup>12</sup> during the audit period. Furthermore, no Company official, other than the Treasurer, reviewed the bank statements and canceled check images. As a result, the Board cannot be certain the Treasurer issued checks only for appropriate Company purposes.

Because the Board did not review and approve all disbursements, ensure checks contained the signatures of both the President and Treasurer, or regularly review bank statements and canceled check images, the Board cannot be certain that disbursements were made for appropriate Company purposes. Because it did not properly review proposed payments prior to approval for payment and did not review canceled check images and bank reconciliations, the Board was not aware that payments were made without proper support and the policy for dual signatures on checks was not being followed.

## Recommendations

The Board should:

7. Establish written policies and procedures to provide adequate guidance and improve internal controls over collections and disbursements.
8. Ensure that all checks are signed by the Company President and Treasurer prior to payment.
9. Ensure that all collections are deposited timely and intact, and are supported by duplicate press-numbered receipts or other forms of supporting documentation.
10. Ensure that all disbursements are authorized, supported by adequate information and reviewed to ensure they are for appropriate Company purposes.
11. Review the monthly bank statements, canceled check images and reconciliations to make sure policies and procedures are being followed.

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<sup>12</sup> Seventeen checks totaling \$2,215 were signed only by the Treasurer and five checks totaling \$508 were signed only by the President.



## **APPENDIX A**

### **RESPONSE FROM COMPANY OFFICIALS**

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

# CHESTERTOWN VOLUNTEER FIRE CO., INC.

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www.chestertownfire.com

June 9, 2017

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

RE: Report Number: 2017M-001

Dear Mr. Leonard,

This letter is to advise that the Board of Directors of the Chestertown Volunteer Fire Company has received the draft audit report from your office dated May 2017. We reviewed this report with the members of our company at our June meeting and accept your findings and recommendations as outlined.

As of late 2016, we have taken measures to correct and improve our financial matters, we are in the process of completing new policies that comply with your recommendations. These will be outlined in our CAP.

We would like to thank your office for assisting us with our financial responsibilities. Your staff has been very helpful and professional during this process.

Sincerely,

Robert E. Swan  
President

James P. McDermott  
Treasurer

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Company officials and reviewed the Company's bylaws and various financial records and reports related to the Company's financial activities to gain an understanding of the internal controls over the collection, recording, depositing, disbursing, reconciling and reporting of financial transactions. We documented any associated effects of deficiencies in those controls.
- We assessed the adequacy of the Company's accounting records.
- We determined whether the Treasurer performed monthly bank reconciliations.
- We compared all of the reports prepared by the Treasurer and provided to the Board as required by the bylaws to the bank statements. We determined whether they included all collections and disbursements for the corresponding month and accurate cash balances for each of the Company's bank accounts.
- We reviewed the 2015-16 annual report prepared by the Treasurer and provided to the Board for accuracy as required by the bylaws.
- We determined whether the Treasurer prepared and filed an annual report of foreign fire insurance funds activity with OSC for 2015.
- We examined all Company bank statements during our audit period to determine whether there were any deposits made that were not recorded in the monthly Treasurer's reports.
- We attempted to trace all collections that were recorded in the Treasurer's monthly reports during our audit period to the Company's bank statements to determine whether the amounts recorded were actually deposited.
- We determined whether a corresponding deposit was made for all known fund-raising activities and revenue sources during our audit period.
- We obtained bank compositions from the Company's bank for five judgmentally selected deposits made to the Company's checking account during our audit period. We determined whether deposits were made in a timely manner and whether there were any checks included in the deposits that did not appear to be from a proper Company revenue source.
- We reviewed all check disbursements made during our audit period to determine whether they were approved before payment was made, supported by adequate documentation and for appropriate Company purposes.

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 C

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**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
Tracey Hitchen Boyd, Assistant Comptroller

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