



Canajoharie Volunteer Fire Department

Financial Activities

2023M-135 | February 2024

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Report Highlights

Canajoharie Volunteer Fire Department

Audit Objective

Determine whether Canajoharie Volunteer Fire Department (Department) officials ensured that financial activities were properly recorded and supported.

Key Findings

Department officials did not ensure that financial activities were properly recorded and supported. As a result, the ability to make financial decisions was hindered and officials lacked the information necessary to provide an annual report.

- The Treasurer did not accurately record 86 transactions (23 percent) totaling \$33,280, provide timely monthly reports to officials for eight of the 13 months in our audit period or prepare bank reconciliations to confirm the Department's recorded cash balances agree with the bank's records.
- Adequate cash collection controls were not established and 48 deposits totaling \$16,655 were not made in a timely manner.
- Two hundred forty-eight disbursements totaling \$81,595 were not audited and approved before payment and 111 disbursements totaling \$19,650 were made by debit card, circumventing the ability to be audited and approved before payment.

Key Recommendations

- Provide clear guidance for maintaining accounting records, receiving collections and reviewing and approving disbursements.
- Maintain timely and accurate records and reports, prepare bank reconciliations, issue duplicate receipts and deposit collections in a timely manner.
- Make payments only after a proper audit and approval of bills and discontinue the use of debit cards.

Department officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

Audit Period

January 1, 2022 – January 31, 2023

Background

The Department provides fire and rescue protection to the Villages of Canajoharie and Palatine Bridge, the Towns of Canajoharie, Palatine and Root, and approximately 24 miles of the New York State Thruway in Montgomery County.

The Department is composed of volunteer members and governed by its adopted bylaws. The members elect the following officers: President, Vice President, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Corresponding Secretary, Fire Chief and two Assistant Fire Chiefs.

The Treasurer is responsible for receiving, disbursing and maintaining custody of Department funds, maintaining accounting records and preparing monthly and annual financial reports.

The Department's sources of revenue included fundraisers, donations, foreign fire insurance funds (a tax on the premiums of insurance policies written by certain out-of-state insurers) and rental income. The Department's funds are maintained in four checking accounts and an investment account.

Quick Facts

Membership	54
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During the Audit Period

Deposits	\$86,280
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Disbursements	\$81,729
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Financial Activities

What Are Proper Records and Reports?

A fire department (department) treasurer should maintain proper records and reports, meaning complete and accurate records that detail the department's financial activity as it occurs in order to be relevant and useful for managing department operations. The records should include a cash ledger (e.g., checkbook register) for each bank account, listing all collections and disbursements and a running cash balance.

Officials should ensure records are supported with adequate documentation that accurately documents the source, date, amount, form (i.e., cash or check) and purpose of amounts collected and disbursed. For example, for collections, officials should issue duplicate press-numbered receipts or maintain some other documentation. For disbursements, officials should maintain original itemized receipts or invoices. Department officials should review and approve bills before payment is made with department funds to ensure that bills are legitimate department expenses. Officials should document the approval of bills in the meeting minutes by specifying the number and dollar amounts of the bills a treasurer is authorized to pay. In addition, departments should not use debit cards because, unlike credit cards where a statement is received and the purchase can be reviewed and approved before payment, debit cards provide direct access to the department's funds, posing significant risks such as unauthorized use or not being readily detected.

The treasurer should prepare complete, accurate and up-to-date financial reports to provide to officials at each regular meeting, including all funds received and disbursed in the prior month. The monthly reports should also include reconciled cash balances for each bank account. Reconciling bank account balances monthly allows officials to identify, document and investigate differences and serves as an internal verification of cash receipt and disbursement transactions. Furthermore, officials are required to provide an annual report at the annual meeting of members detailing the assets, liabilities, receipts and disbursements for all funds for the prior fiscal year.

Department officials should establish policies and procedures to convey expectations for maintaining accounting records, receiving collections, reviewing and approving disbursements and providing oversight. Policies and procedures should clearly define the records and supporting documentation that should be maintained and the approvals required for collections and disbursements. Officials should enforce the bylaws and provide oversight by routinely monitoring and reviewing the work performed by officers or volunteers handling money, including reviews of bank statements and reconciliations, to ensure the treasurer deposits collections intact and in a timely manner, or as soon as possible, and that funds are used for appropriate department purposes.¹

¹ <https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>

The Treasurer Did Not Maintain Accurate and Timely Records and Reports

The Treasurer prepared a monthly Treasurer's report including collections, disbursements and account balances for all the bank accounts. However, the Treasurer recorded collections when cash was deposited instead of when it was received, and recorded disbursements when checks cleared the bank instead of when the disbursements were made. As a result, the reports did not reflect accurate available cash balances and the risk that transactions will not be recorded increased.

We reviewed all 374 financial transactions during our audit period to determine whether the Treasurer properly recorded them. The Treasurer did not accurately record 86 transactions (23 percent) totaling \$33,280.

- Three disbursements totaling \$15,724 were recorded as negative revenue instead of an expense.
- Fifty-two disbursements totaling \$8,086 were recorded in the wrong month.
- Five deposits totaling \$5,834 had inaccurate deposit dates.
- Seven disbursements totaling \$2,050 had no date recorded.
- Two disbursements totaling \$477 had inaccurate check numbers and/or check dates and were recorded in the wrong month.
- Seven disbursements totaling \$457 had inaccurate dates recorded.
- Nine disbursements totaling \$453 were not recorded in the records as of January 31, 2023.
- One disbursement totaling \$199 had the wrong check number.

In addition, the Treasurer did not maintain or provide timely monthly reports to officials for eight of the 13 months in our audit period. The Treasurer provided four of these reports late, one report was read aloud instead of being provided to officials for review, and three reports were not provided. For example, the July 2022 report should have been provided in August but was not provided until October. The Treasurer told us that the reports were not timely because she did not receive the bank statements timely for five months and a meeting was not held for one month. However, even without the bank statements, the Treasurer could have still prepared and provided timely monthly reports with a notation that the reports may be updated after receipt of the bank statements and reconciled cash balances provided later.

Inaccurate records and untimely reports also occurred because officials did not provide oversight or review monthly reports for accuracy. As a result, officials lacked the information necessary to provide an annual report to the membership. Additionally, the Department does not have policies and procedures

for maintaining accounting records and providing monthly reports. During our fieldwork, officials were in the process of updating the Department's bylaws and creating policies and procedures but had not completed the process.

When accounting records do not reflect accurate available balances and reports are not consistently provided, officials' ability to make informed financial decisions is hindered.

Officials Did Not Prepare Bank Reconciliations

Neither the Treasurer nor another official prepared bank reconciliations for the Department's four bank accounts and one investment account during our audit period. In addition, officials did not independently review the bank statements received by the Treasurer.

We prepared 16 bank reconciliations for the Department's four bank accounts for four months during our audit period.² The adjusted bank balance did not agree with the Treasurer's cash balances at month-end for seven reconciliations (44 percent). Of the seven reconciliations, four were associated with the Department's general account (used for operational activities) and three were associated with the Department's fundraiser account. For each of the seven reconciliations that did not agree, the variances were equal to the total outstanding checks and ranged from \$79 to \$1,764.

The reconciled bank balances did not agree with the corresponding cash balance because the Treasurer recorded uncleared checks in the next month's records. As a result, inaccurate cash balances existed in the monthly reports that were provided for officials to make financial decisions. The Treasurer told us she reviewed bank statements and compared deposits and checks to her records but was not aware that she should prepare bank reconciliations.

When bank reconciliations are not prepared monthly and bank statements are not independently reviewed, there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

Officials Did Not Maintain Support for Collections or Deposit Collections in a Timely Manner

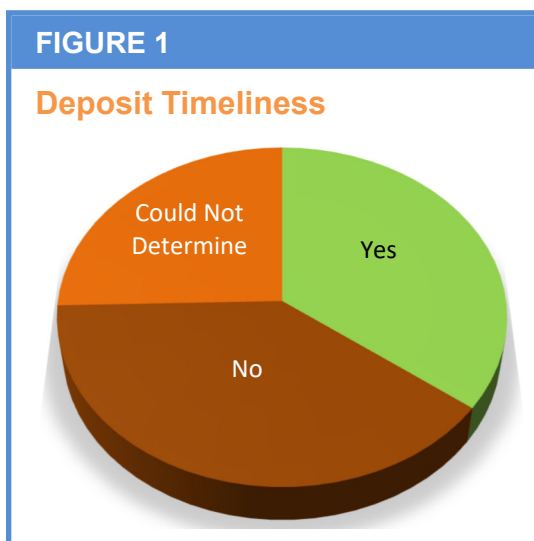
Officers and members did not maintain documentation to support the source, date, amount, form (i.e., cash or check) and purpose of money collected, such as using duplicate press numbered receipts.

Of the 122 deposits totaling \$86,280 made during the audit period, 40 deposits (33 percent) totaling \$60,078 were not adequately supported. Without supporting

² Refer to Appendix B for information on our sampling methodology.

documentation for collections, we could not determine whether 31 deposits totaling \$39,672 were made timely and intact. For the remaining 91 deposits, we used the available support and check dates from bank compositions (consisting of check copies and deposit slips) to determine whether they were deposited in a timely manner. Because checks were received in the mail, we allowed for a 10-day lag in addition to the best business practice of making deposits within five days, when determining whether checks were deposited in a timely manner. Forty-eight deposits (39 percent) totaling \$16,655 were not made in a timely manner because they were deposited between 16 and 395 days after the corresponding date recorded on the check or other support (Figure 1).

The lack of supporting documentation and untimely deposits occurred because officials did not provide oversight of the Treasurer, the bylaws lacked guidance for receiving collections and there were no policies or procedures defining the supporting documentation that should be maintained or deposit requirements and expectations. When duplicate receipts are not issued and deposits are not made in a timely manner, there is an increased risk that money could be lost or misused.



Officials Did Not Audit and Approve Disbursements

Officials were not provided with supporting documentation to audit and approve disbursements before the Treasurer paid bills. In addition, the Department had two debit cards that were held by the Treasurer and Assistant Treasurer. Because debit card transactions were directly charged to two of the Department's four checking accounts, the ability for the corresponding bills to be approved at a meeting before payment was circumvented. As a result, disbursements were made before approval.

We reviewed all 252 disbursements totaling \$81,729 (135 check disbursements totaling \$42,985, 111 debit card transactions totaling \$19,650, four transfers totaling \$18,494 and two direct withdrawals totaling \$600) for bills paid during the audit period to determine whether they were approved before payment, supported

by adequate documentation, and for appropriate Department purposes. Two hundred forty-eight disbursements (98 percent) totaling \$81,595 were not audited and approved before payment.

Although disbursements were supported and for appropriate purposes, when officials do not review and approve disbursements, there is an increased risk that disbursements could be made for inappropriate or unauthorized purposes. In addition, because the debit card payments were directly withdrawn from two of the Department's bank accounts at the time of purchase, officials did not have an opportunity to review and approve the purchase before payment, which increased the risk of inappropriate purchases. These purchases also circumvented the Department's requirement for two signatures on checks over \$500, as 10 debit card transactions totaling \$10,622 were over \$500 and circumvented this requirement.

The lack of review and approval of disbursements occurred because officials did not provide oversight of the Treasurer and the bylaws lacked guidance for reviewing and approving disbursements. When officials do not review and approve all disbursements, there is an increased risk that disbursements could be for inappropriate or unauthorized purposes.

Two hundred
forty-eight
disbursements
(98 percent)
totaling
\$81,595 were
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and approved
before
payment.

What Do We Recommend?

Department officials should:

1. Provide oversight and clear guidance for individuals maintaining accounting records, receiving collections and reviewing and approving disbursements. Guidance should define the records and supporting documentation expected to be maintained and deposit requirements.
2. Review monthly reports, bank statements and reconciliations and properly audit and approve bills before they are paid.
3. Consider discontinuing the use of debit cards.
4. Provide an annual report at the annual meeting of members detailing the assets, liabilities, receipts and disbursements for all funds for the prior fiscal year.

The Treasurer should:

5. Maintain timely and accurate records and reports.
6. Prepare bank reconciliations and investigate and correct any differences between adjusted bank balances and recorded cash balances.
7. Maintain support for collections and deposit collections in a timely manner.
8. Retain support for all payments.

Appendix A: Response From Department Officials



Canajoharie Volunteer Firefighters, Inc.

P.O. Box 28 ♦ Canajoharie, New York 13317



Unit Name: Canajoharie Volunteer Fire Department

Audit Report Title: Financial Activities Report of Examination

Audit Report Number: 2023M- 135

February 2, 2024

This document serves as both the response to the draft report and as our Corrective Action Plan.

Response to the Audit Report:

The Canajoharie Volunteer Fire Department has received, reviewed and are in agreement with the Audit's findings as stated in the Preliminary draft of the Fire Department Financial Activities Report of Examination, 2023M-135.

Recommendations from Audit and Fire Department Corrective Action Plan:

Department Officials Should:

- 1.) Provide oversight and clear guidance for individuals maintaining accounting records, receiving collections, and reviewing and approving disbursements. Guidance should define the records and supporting documentation expected to be maintained and deposit requirements.**

Corrective Action: The department acknowledges this recommendation and will develop a Financial Management Policy to establish more consistent and effective internal controls over the financial practices. The Policy will be reviewed by the Finance Committee for periodic review and revision if necessary, with any proposed changes to be adopted by the department.

- 2.) Review monthly reports, bank statements and reconciliations and properly audit and approve bills before they are paid.**

Corrective Action: The Department acknowledges this recommendation and plans to improve on the monthly review that is already provided to the membership at our monthly meetings. The President and/or Vice President will review and sign off on monthly reports and bank reconciliations. The treasurer and/or Assistant Treasurer will bring invoices and bills to be paid



Canajoharie Volunteer Firefighters, Inc.

P.O. Box 28 ♦ Canajoharie, New York 13317



to the membership for approval prior to payment. All requests for payment will be done through a check request form.

3.) Consider discontinuing the use of debit cards.

Corrective Action: The Department Officials acknowledge this recommendation and have already discontinued the use of the Department Debit Cards as of April 2023.

4.) Provide an annual report at the annual meeting of members detailing the assets, liabilities, receipts, and disbursements for all funds for the prior fiscal year.

Corrective Action: The Department acknowledges this recommendation and the Treasurer and/or Assistant Treasurer will provide an end of year report along with the monthly report at the beginning of the following fiscal year. The Treasurer's will be responsible for maintaining the yearly report throughout the year. The Department will also provide audited financial reports and a completed and signed copy of IRS Form 990 to the membership.

The Treasurer Should:

5.) Maintain timely and accurate records and reports.

Corrective Action: The Department acknowledges this recommendation although the Treasurer had timely and accurate reports, they were based on a cash flow system. The Treasurer and/or Assistant Treasurer will record any money, cash or check, when received or when dispersed. The Treasurers will utilize an accrual based system instead of the cash flow system that was being used to record when money was deposited or cleared from the bank account.

6.) Prepare bank reconciliations and investigate and correct any differences between adjusted bank balances and recorded cash balances.

Corrective Action: The department acknowledges this recommendation. The Treasurer and/or Assistant Treasurer will prepare monthly bank reconciliations for review at the Monthly meeting. In the event that the Bank Statement does not arrive on time to complete the Reconciliation, a report will be given to the membership based on recorded deposits and disbursements and review of the online banking statement.

7.) Maintain support for collections and deposit collections in a timely manner.

Corrective Action: The Treasurer and/or Assistant Treasurer will make and keep a copy of all deposit slips and receipts of money collected, they shall list the number of checks and currency included in the deposit. A copy of receipt from a pre-numbered receipt book shall be kept with



Canajoharie Volunteer Firefighters, Inc.

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the deposit slip. All money collected must be recorded and deposited as soon as possible, no later than 7 Bank Business days.

8.) Retain support for all payments.

Corrective Action: All requests for payment will be done through a check request form. The check request form will be kept along with a copy of the check written and with a copy of the bill or receipt for reimbursement.

The Canajoharie Volunteer Fire Department would like to acknowledge and thank the Auditing Team for all their work that they put into assisting the department with minimizing any possible risk. We are pleased with the findings of the audit to reveal no fraud, theft or misuse of any funds but are in no way surprised by this finding.

Gary Nestle
Department President

Date 02/08/2024

Appendix B: Audit Methodology and Standards

We conducted this audit 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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Department officials and reviewed the Department's bylaws, meeting minutes and various financial records and reports to gain an understanding of the Department's operations and determine whether annual reports were prepared and provided.
- We compared the Treasurer's records to bank statements and other support (i.e., bank compositions, receipts and invoices) for the audit period to determine whether they were complete and accurate.
- We judgmentally selected the first four months of the audit period and prepared 16 bank reconciliations for each of the Department's four bank accounts to determine whether the adjusted bank balance agreed with the Treasurer's monthly report cash balances. Our judgment was based on the Treasurer's process for maintaining records and following variances across consecutive months.
- We reviewed all 122 deposits totaling \$86,280 to determine whether collections were supported, deposited intact and deposited timely in accordance with best practices. If cash was deposited within five days of collection and checks were deposited within 15 days from check dates, we concluded it was deposited in a timely manner.
- We reviewed all 252 disbursements totaling \$81,729 to determine whether they were audited and approved before payment, supported and for appropriate Department purposes.
- We reviewed all disbursements over \$500 to determine whether checks had two signatures in accordance with the bylaws and to quantify the debit card transactions that circumvented this requirement.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

Unless otherwise indicated in this report, samples for testing were selected based on professional 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.

Good management practices dictate that Department officials have the responsibility to initiate corrective action. As such, Department officials should prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it 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 Department officials to make the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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