



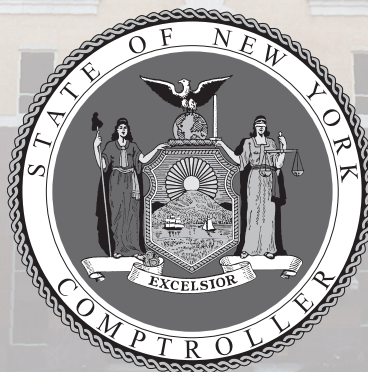
# West Ghent Volunteer Fire Company Treasurer's Activities

## Report of Examination

Period Covered:

January 1, 2013 – August 12, 2014

2016M-48



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**

November 2017

Dear Fire Company Officials:

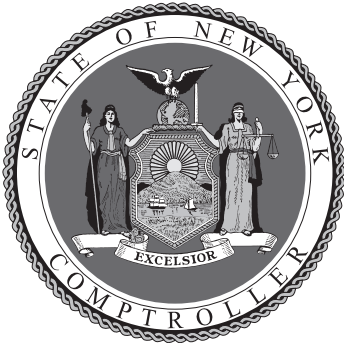
A top priority of the Office of the State Comptroller is to help fire company officials manage company resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of fire companies statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which 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 West Ghent Volunteer Fire Company, entitled Treasurer's Activities. 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 their constituents. 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 West Ghent Volunteer Fire Company, Inc. (Company) is a volunteer organization located in the Town of Ghent in Columbia County. The Company contracts with the Towns of Ghent and Claverack to provide fire protection for parts of the respective towns. The Company owns its firehouse, fire trucks, fire protection gear and all furniture inside the firehouse. As of the end of the 2013 fiscal year, the Company received approximately \$160,826 in revenue and disbursed approximately \$145,685. The Company also received \$12,431 in 2013 and \$19,736 in 2014 for foreign fire insurance premiums.

An elected three-member Board of Trustees (Board) is responsible for the Company's general and financial affairs. The Company is operated in accordance with its bylaws. Company officials include a President, Vice President, Secretary/Treasurer (Treasurer), Chief, Assistant Chief, Captain, First Lieutenant and Second Lieutenant and are responsible for managing the Company's operations. The President is the Company's chief executive officer and the Treasurer is the chief fiscal officer.

### **Scope and Objective**

The objective of our audit was to evaluate controls over the Treasurer's activities for the period January 1, 2013 through August 12, 2014. We expanded our scope to September 1, 2007 through December 31, 2014 to test the appropriateness of financial transactions. Our audit addressed the following related question:

- Did the Board, along with Company officials, properly monitor and provide adequate oversight of the Company's financial activities to ensure that resources were properly safeguarded?

### **Audit Results**

The Board and Company officials did not provide adequate oversight of Company financial activities. They allowed one individual, the Treasurer, to have complete control of the Company's finances without providing any oversight of her work. As a result, the Treasurer was able to make questionable and inappropriate transactions with Company funds from September 2007 through 2014 without detection.

We identified \$69,084 in unauthorized withdrawals and disbursements from Company funds. This amount includes \$51,228 in unapproved cash withdrawals, \$13,756 in unauthorized check disbursements and \$4,100 in unapproved purchases on the Company credit card. Because the Company did not require multiple signatures for withdrawing funds from its bank, the Board was unaware that the Treasurer had withdrawn such a significant amount of Company funds. In addition, because the Board did not review Company bills before they were paid each month, the Treasurer was able to write

checks totaling \$6,547 to herself, \$4,735 to cash, \$1,650 for waste removal services at her personal address and for her husband's cellular phone usage, and check disbursements totaling \$825 to her husband that were not approved by the Company. Without credit card policies or a review of monthly credit card statements and claims, the Board and Company officials were unaware that the Treasurer was misusing the Company's credit card.

The Treasurer also did not maintain complete and accurate records to account for all of the Company's financial activities and did not submit accurate periodic reports to the Board and other reporting agencies as required. The Treasurer under-recorded revenues by \$69,814 in the accounting records and underreported revenues by \$45,281 in the monthly Treasurer's reports. Because the Board did not perform a periodic or annual review of the Treasurer's records, it did not detect this manipulation of the Company's revenues, which provided a means for the Treasurer to conceal her misappropriation of Company funds.

We referred these audit findings to OSC's Division of Investigations. After we concluded our fieldwork, the Treasurer pleaded guilty in Columbia County Court to Falsifying Business Records in the First Degree and was sentenced in August 2017.

### **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 take corrective action.

# Introduction

## Background

The West Ghent Volunteer Fire Company, Inc. (Company) is a volunteer organization located in the Town of Ghent in Columbia County. The Company contracts with the Towns of Ghent and Claverack to provide fire protection services to parts of the respective towns. The Company owns its firehouse, fire trucks, fire protection gear and all furniture inside the firehouse. As of the end of the 2013 fiscal year, the Company received approximately \$160,826 in revenue and disbursed approximately \$145,685. The Company also received \$12,431 in 2013 and \$19,736 in 2014 for foreign fire insurance premiums.<sup>1</sup>

An elected three-member Board of Trustees (Board) is responsible for the Company's overall general and financial affairs. Company officials include a President, Vice President, Treasurer, Chief, Assistant Chief, Captain, First Lieutenant and Second Lieutenant and are responsible for managing the Company's operations. The President is the Company's chief executive officer and the Treasurer is the chief fiscal officer. The Treasurer also served as the Company Secretary until January 2015.

## Objective

The objective of our audit was to evaluate the controls over the Treasurer's activities. Our audit addressed the following related question:

- Did the Board, along with Company officials, properly monitor and provide adequate oversight of the Company's financial activities to ensure that resources were properly safeguarded?

## Scope and Methodology

We examined the internal controls over the Treasurer's activities for the period January 1, 2013 through August 12, 2014. We expanded our scope to September 1, 2007 through December 31, 2014 to test the appropriateness of financial transactions.

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

<sup>1</sup> New York State Insurance Law requires foreign and alien insurance companies to pay a 2 percent tax on premiums written for fire insurance on property located in the State. The tax collected from the insurance companies and brokers is distributed to fire departments, fire districts, fire department benevolent associations and the Firemen's Association of the State of New York. A foreign insurer is one formed under a state other than New York State, and an alien insurer is one formed under the laws of any country other than a state of the United States.

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.

**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 take 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, pursuant to Section 35 of General Municipal Law. 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 Company to make this plan available for public review in the Secretary's office.

## Treasurer's Activities

The Board is responsible for managing and overseeing the Company's fiscal affairs and safeguarding its resources. This responsibility includes establishing a system of internal controls, including comprehensive bylaws, written policies and procedures and a code of ethics. These controls help provide reasonable assurance that cash and other resources are properly safeguarded, transactions are authorized and properly recorded, applicable laws are followed and financial reports are accurate, reliable and filed in a timely manner.

The Board and Company officials did not provide adequate oversight of Company financial activities. The Board did not segregate the Treasurer's incompatible financial duties or provide any oversight of the Treasurer's work, such as reviewing monthly bills or the Treasurer's records. As a result, the Treasurer was able to inappropriately make \$69,084 in unauthorized withdrawals and disbursements from September 2007 through 2014 without detection. The Treasurer withdrew \$51,228 from the Company's bank account and made \$4,100 unauthorized credit card purchases without Company approval or detection. The Treasurer also wrote \$13,756 unauthorized checks that included \$6,547 in unauthorized payments to herself, \$4,735 in checks written to cash, \$1,650 check disbursements for personal expenses and \$825 in unauthorized payments to her husband, the Chief.

**Figure 1: Summary of Questionable and Inappropriate Transactions**

	Amounts
Cash Withdrawals	\$51,228
Check Disbursements	\$13,756
Credit Card Purchases	\$4,100
<b>Total</b>	<b>\$69,084</b>

We referred these audit findings to OSC's Division of Investigations. After we concluded our fieldwork, the Treasurer pleaded guilty in Columbia County Court to Falsifying Business Records in the First Degree and was sentenced in August 2017.

### Cash Withdrawals

The Company's bylaws state that Company approval is required for all withdrawals of funds. Withdrawals from checking, savings and investment accounts held by municipalities should be subject to a dual- or multiple-signature requirement. The requirement of multiple signatures reduces the likelihood of improper checks being written to unauthorized individuals or fictitious vendors.



The Company did not require multiple signatures when withdrawing funds from its bank accounts. We reviewed the Company's bank statements, Board and Company meeting minutes, monthly Treasurer's reports and withdrawal slips and found that from October 2007 through December 2014, the Treasurer made 40 cash withdrawals totaling \$51,228 from the Company savings account. The Company did not approve the withdrawals, and Company officials were unaware of these withdrawals of Company funds.

## Cash Disbursements

According to the Company's bylaws, the Treasurer must provide a detailed record of all moneys expended with claim vouchers at regular Company meetings and present records, claim vouchers and bills to Company officials upon their request. The Board is responsible for ensuring that the Treasurer complies with the Company's bylaws. The Board should review claims before they are paid to ensure they contain sufficient documentation to determine whether the charges are proper Company expenditures.

We reviewed 971 checks totaling \$648,751 and 400 electronic disbursements totaling \$270,289 comprising all disbursements from Company accounts from September 2007 through June 2014. The Treasurer wrote 46 checks totaling \$13,756 that were not approved by Company officials.

The Treasurer wrote 27 checks totaling \$14,455 to herself. Of these, six checks totaling \$7,908 were approved. The remaining 21 checks totaling \$6,547 were not approved by the Company. The Treasurer also wrote and cashed nine checks totaling \$4,840 to cash, of which eight totaling \$4,735 were not approved by the Company. All of these checks were cashed or deposited by the Treasurer. Furthermore, the Treasurer wrote three checks totaling \$885 to her husband, the Chief, of which two totaling \$825 were not approved by the Company.

In addition, the Treasurer wrote 15 checks totaling \$1,650 for monthly services at her personal address<sup>2</sup> or for her husband's cellular phone usage from 2007 through 2014, as follows:

- Ten payments totaling \$1,559 were for waste removal services at her home address.
- Five payments totaling \$91 were for her husband's use of a Company cellular phone, during the time that he had relinquished his Chief position.<sup>3</sup>

<sup>2</sup> The waste removal bills showed the Treasurer's personal address as both the mailing address and the service address.

<sup>3</sup> The Chief relinquished his position from February through June 2014, but reassumed his duties thereafter.

The Board did not ensure that the Treasurer provided it with claim vouchers on a monthly basis, and it did not review and approve claims prior to payment. As a result, the Treasurer was able to misappropriate Company funds without detection by writing improper and unauthorized checks.

## **Credit Card Use**

The Board may authorize credit cards issued in the Company's name for use by officials for approved, actual and necessary expenses. The Board must monitor credit card use and prescribe specific terms and conditions under which they may be used. Company membership must review the Company's credit card statements and supporting documentation (receipts and invoices) to ensure the purchases made were appropriate Company expenditures before approving the payment of the monthly credit card bill.

The Board did not establish a credit card policy to describe proper credit card usage, dollar limits for purchases or documentation required to be maintained to support credit card purchases. In addition, the Board did not ensure that the Treasurer provided it with claim vouchers for credit card purchases on a monthly basis or review and approve credit card claims prior to payment.

We reviewed 65 credit card purchases totaling \$8,290, made from October 2010 through September 2013, and found that 41 totaling \$4,100 were not approved by the Company. For example, the Treasurer spent \$3,200 on purchases from a kitchen supplies company for her personal business<sup>4</sup> and used the Company credit card to pay \$431 for a membership for a second-language teaching software package. In addition, the Company paid \$464 in annual fees and interest and late charges during the same period.

Because the Board did not ensure that the Treasurer provided it with claim vouchers on a monthly basis and did not review and approve credit card claims prior to payment, the Treasurer was able to use the Company's credit card to make inappropriate credit card purchases totaling \$4,100 without detection.

## **Accounting Records and Reports**

According to the Company's bylaws, the Treasurer must provide the Board and Company membership with a detailed record of all monies received and expended with claim vouchers at Company meetings. The Treasurer also must present all books, records, vouchers and bills to the Board for inspection upon request. It is the Board's duty to oversee the Treasurer's activities by reviewing and auditing the bank statements, accounting ledgers, claims, cancelled checks and deposit slips to ensure that transactions have been recorded correctly, cash has

<sup>4</sup> The Treasurer worked for the kitchen supplies company as a direct sales consultant.

been accounted for properly and that Company records and reports contain reliable information. The Treasurer should create a report that itemizes each deposit made. This would allow Company officials to match the itemized deposit reports to the deposit slips to ensure that Company revenues can be traced on a monthly basis. Company officials must also ensure that the Treasurer prepares and files the annual foreign fire insurance form with the State Comptroller's office and IRS form 990.<sup>5</sup>

The Treasurer did not maintain complete and accurate records to account for all of the Company's financial activities and did not submit accurate periodic reports to the Board and other reporting agencies as required. Although the Treasurer submitted monthly Treasurer's reports, the Board and Company officials did not verify the information on the reports. The Board and Company officials allowed the Treasurer to present Company revenues and expenditures verbally without formally reviewing them and verifying their accuracy.

Records and Reports — We reviewed revenue amounts reported in the monthly Treasurer's reports, recorded in the Company's accounting journal and deposited in the Company bank accounts. From January 1, 2013 through August 31, 2014, the Treasurer deposited \$342,071 in the bank. However, the Treasurer recorded revenue amounts totaling \$272,257 in the accounting journal and reported \$296,790 in the monthly reports for this period. Therefore, the Treasurer under-recorded revenues by \$69,814 in the accounting records and underreported revenues by \$45,281<sup>6</sup> in the monthly reports. In addition, the Treasurer did not create itemized deposit reports, which would have allowed Company officials to trace Company revenues to the deposit slips on a monthly basis. As a result, they were unaware that the Treasurer was not depositing all Company revenues.

Foreign Fire Insurance — The Company is required to file an annual report with the State Comptroller showing the activities for the foreign fire insurance premium tax received. From 2010 through 2013 the Treasurer consistently misstated the record of activities. For the four-year period, the Treasurer recorded revenues totaling \$19,128 and expenditures totaling \$17,269 of foreign fire insurance money in the Company's accounting journal. However, she reported revenues totaling \$19,021 and expenditures totaling \$19,307 to the State Comptroller, a net difference of \$2,145 over the four-year period. In addition, the Treasurer did not file IRS form 990 during our audit period.

<sup>5</sup> Form 990 is an information tax form that income tax-exempt organizations must file each year with the IRS.

<sup>6</sup> This amount includes \$2,101 of firehouse rental revenues.

Fire Hall Rentals — We reviewed the Company’s fire hall rental revenues reported in the monthly Treasurer’s reports and compared them to rental dates reported on the Company calendar. Monthly reports showed rental revenues totaling \$4,774 received from January through August 2014. However, the rental dates and fire hall usage recorded on the Company calendar indicated that it should have received \$6,875. Therefore, the Treasurer underreported and/or undercharged rental revenues by \$2,101 during this period.

The Treasurer was able to conceal the misappropriation of Company funds, in part, by under-recording and underreporting revenues received. Because the Board and Company officials did not provide any periodic review of records, such as reviewing monthly bank statements, they were unaware that the Treasurer was misappropriating Company funds.

## **Board Oversight**

The Board is responsible for establishing policies and procedures to help ensure cash is properly safeguarded, transactions are authorized and properly recorded and financial reports are accurate and reliable. Company officials are responsible for implementing the Company’s bylaws and ensuring the Company’s funds are secured. The Board must segregate incompatible financial duties to avoid having one individual control all aspects of financial transactions. If this is impractical, the Board should provide adequate oversight of the individual’s work, such as reviewing monthly Treasurer’s reports, bank statements and reconciliations and annually auditing the Company’s records. Additionally, the Board is responsible for overseeing the District’s purchasing and claims auditing functions to ensure that all claims are proper and include supporting documentation.

To carry out its responsibilities, the Board must establish a strong control environment. The control environment, or “tone at the top,” is the foundation of an entity’s internal control structure. It includes the integrity, ethical values and competence of the organization’s people, and management’s philosophy and operating style. When the control environment is strong, there is an expectation that everyone, including top management, will conform to established controls and avoid violating the public trust.

The Board and Company officials did not fulfill their stewardship, management and leadership responsibilities to protect the Company’s resources. They did not provide oversight of the Treasurer’s financial activities to ensure that amounts of revenues and expenditures were properly recorded and accounted for and did not review and compare monthly Treasurer’s reports with bank statements and check images to ensure that all amounts disbursed or withdrawn were reported and were for proper Company purposes. As a result, the Treasurer was able to misappropriate Company funds without detection.

Bylaws, Policies and Procedures — General Municipal Law requires the Company to adopt bylaws and a code of ethics. Good management practices include implementing financial policies and procedures that describe the records that Treasurer and Company officials must maintain and the duties and procedures they must follow to adequately safeguard Company money. The bylaws also should clearly specify which officials are responsible for overseeing the Company’s financial activities, ensuring proper segregation of duties, reconciling monthly bank statements and reviewing the Treasurer’s transactions.

The Company has not adopted relevant financial policies and procedures to help provide adequate oversight of Company resources. The Company has not adopted a code of ethics, and the bylaws do not describe the duties of Company officials and the records they should maintain. As a result, the Treasurer did not perform any bank reconciliations and no one in the Company reconciled any bank statements.

Further, the Board did not ensure that Company officials complied with existing bylaws. Although the bylaws state that all Company records must go to the firehouse, the Company allowed the Treasurer to retain all financial records and receive all bank statements and most monthly invoices at her personal residence. In addition, although the bylaws require the Treasurer to provide claim vouchers at Company meetings and the Board to inspect the vouchers, Board members did not review or audit any bills or require any supporting documentation or claim forms.

Because the Board did not adopt comprehensive bylaws, including written policies and procedures and a code of ethics, or comply with existing bylaws, this created an environment or opportunities that resulted in the misuse of Company funds.

Segregation of Duties — The Board is responsible for establishing policies and procedures to help ensure that no single individual is responsible for most or all phases of a transaction. It is important that key financial duties, including authorization, recordkeeping, custody and disbursement, be segregated so that the work of one employee is routinely verified in the course of another employee’s work. If it is not feasible to segregate incompatible duties, the Board must implement compensating controls, including appropriate oversight of the work performed by the individual who is performing incompatible duties.

The Board and Company officials did not establish appropriate internal controls to ensure that the Treasurer’s duties were segregated or her work was reviewed. The Treasurer maintained all accounting records, prepared and signed all checks, maintained custody of all

bank statements, prepared and filed all financial reports and received all revenues. The Treasurer also performed all aspects of the cash accounting function, including receiving and depositing cash, transferring funds between bank accounts, recording cash receipts and disbursements and receiving bank statements. She also opened the Company's bank accounts using her own personal social security number, instead of the Company's tax identification number. In addition, the Treasurer served as the Company Secretary and was responsible for maintaining a record of all Company proceedings. Company officials did not provide any independent review of any of the records, such as reviewing bank statements, accounting ledgers, claims, cancelled checks and deposit slips.

Because the Board did not adequately segregate the Treasurer's incompatible financial duties or provide oversight of the cash accounting function, the Treasurer was able to process transactions that were inaccurate, unauthorized and/or inappropriate and misappropriate Company funds without detection.

Annual Audit — An annual audit helps the Board fulfill its fiscal oversight responsibilities by providing Company officials with an opportunity to assess the reliability of the Company's books, records and supporting documents. Audit results also can help the Board to evaluate the performance of those who have been entrusted with recordkeeping and other financial responsibilities.

The Board did not perform an annual audit of the Company's records and reports. As a result, it was unaware that the Treasurer was hiding fraudulent payments. The Treasurer was able to hide these payments, in part, by underreporting and under-recording revenue amounts on the monthly Treasurer reports and in the Company's accounting records.<sup>7</sup>

Had the Board conducted an annual audit, it may have identified the discrepancies between the canceled checks, bank statements and monthly Treasurer's reports and the apparent misappropriation of Company funds.

Control Environment — The Company's control environment is significantly influenced by the Board, particularly in relation to the Board's involvement and scrutiny of financial activities and operations. One of the Board's most fundamental roles is setting the right "tone at the top" which requires the Board to take an active role in significant financial decisions and ensure that Company officials are complying with the Company's bylaws.

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<sup>7</sup> Refer to the Accounting Records and Reports section for further information.

The Board has taken a passive role and yielded much of its authority to the Chief and his wife, the Treasurer. According to former Company officials, the Chief criticized Company officials and members who attempted to review the Treasurer's records. As a result, multiple Company officials' resigned and no one reviewed the Treasurer's records. Without scrutiny, the Treasurer was able to make questionable and inappropriate transactions with Company funds without detection.

## **Recommendations**

The Board and Company membership should:

1. Ensure that Company officials require multiple signatures for the withdrawal or disbursement of Company funds.
2. Audit and approve claims prior to payment and ensure that all disbursements are supported by vouchers.
3. Establish a credit card policy to describe proper credit card usage, dollar limits for purchases and documentation required to be maintained to support credit card purchases.
4. Ensure the Treasurer maintains accurate, complete and up-to-date accounting records that document all cash receipt and disbursement transactions, including all revenues and cash receipts for fire hall rentals.
5. Require the Treasurer to submit detailed written deposit and disbursement reports on a monthly basis.
6. Provide adequate oversight and implement compensating controls over the Treasurer's financial duties by monitoring and reviewing her work periodically.
7. Review the Company's bank statements and reconciliation, deposit slips, and canceled checks on a monthly basis.
8. Ensure that the Treasurer prepares annual reports accurately and files them with appropriate entities as required.
9. Develop, adopt and implement written policies and procedures for cash management and a code of ethics and amend the bylaws to include a description of the duties of Company officials and the records they should maintain.
10. Ensure that the Treasurer prepares bank reconciliations and presents them with bank statements and canceled checks to the Board for review on a monthly basis.

11. Ensure that all Company officials comply with the bylaws.
12. Ensure that all Company records are maintained at the firehouse and monthly bills and statements are sent directly to the firehouse.
13. Annually audit the Treasurer's records.
14. Take immediate action to strengthen the control environment and foster the active role of Company officials and members in monitoring the Company's financial operations.



## **APPENDIX A**

### **RESPONSE FROM COMPANY OFFICIALS**

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

# *West Ghent Volunteer Fire Company*

September 21, 2017

Office of the State Comptroller  
Newburgh Regional Office  
33 Airport Center Drive  
Suite 103  
New Windsor, NY 12553

Attention: Tenneh Blamah Chief Examiner

Re: Draft Report of Treasurer's Activities 2016M-048

On behalf of the West Ghent Volunteer Fire Co. President and Board of Trustees, we would first like to say thank you to your staff for their professionalization shown throughout this process. We appreciate your willingness to assist us in surveying how we conduct our operations and resources to further grow. This letter will serve as our response to the "audit draft" as well as the Fire Company's corrective action plan.

Since the time this lengthy audit process began approximately September 2014, we have put into place a new Executive Board, including President, Treasurer/Secretary, and three Trustees who closely oversee the daily financial operations.

## Recommendations by Comptroller

1. *Ensure that Company officials require multiple signatures for Company funds.*
  - a) *Response by Fire Company: Implemented multiple signatures on all disbursements over \$1,000.00, since April 2015.*
2. *Audit and approve claims prior to payment and ensure that all disbursements are supported by vouchers.*
  - a) *Response by Fire Company: A payment voucher system is in place reviewed and signed monthly by rotating Trustees and Treasurer.*
3. *Establish a credit card policy to describe proper credit card usage.*
  - a) *Response by Fire Company: The credit card account has been closed. We have no intention of obtaining one in the foreseeable future.*
4. *Ensure the Treasurer maintains accurate, complete and up-to-date accounting records that document all cash receipts and disbursement transactions.*
  - a) *Response by Fire Company: Currently in place and reviewed monthly by Trustees*

# *West Ghent Volunteer Fire Company*

5. Require the Treasurer to submit detailed written deposit and disbursement reports on a monthly basis.

a) *Response by Fire Company: The Treasurer submits a detailed report to the Trustees prior to monthly meeting for approval and to membership on monthly basis.*

6. Provide adequate oversight and implement compensating control over the Treasurer's financial duties by monitoring and reviewing her/his work periodically.

a) *Response by Fire Company: Trustees are actively reviewing on a monthly basis also CPA on annual basis.*

7. Review the Company's bank statement and reconciliation, deposit slips, and canceled checks on monthly basis.

a) *Response by Fire Company: Trustees rotate monthly to review and physically sign off on all bank statements and review back up.*

8. Ensure that the Treasurer prepares annual reports accurately and files them with appropriate entities as required.

a) *Response by Fire Company: Board is currently working on correcting the company filing status (501) with the CPA and Legal Counsel.*

9. Develop, adopt and implement written policies and procedure for cash management and a code of ethics and amended their bylaws to include a description of the duties of Company officials and the records they should maintain.

a) *Response by Fire Company: Board is currently working with legal counsel to amend current bylaws to reflect recommendations along with a written code of ethics.*

10. Ensure that the Treasurer prepares bank reconciliations and present them with bank statements and canceled check to the Board for review on monthly basis.

a) *Response by Fire Company: As covered previous Trustees review statements and reconciliations on a rotating monthly basis.*

11. Ensure that all Company officials comply with the bylaws.

a) *Response by Fire Company: Currently in process and reviewing.*

12. Ensure that all Company records are maintained at the firehouse and monthly bills and statements are sent directly to the firehouse.

a) *Response by Fire Company: Has installed a mailbox on the property all mail is recorded in an incoming mail log and ALL records are housed at the location.*

13. Annually audit the Treasurer's records:

# *West Ghent Volunteer Fire Company*

a) *Response by Fire Company: Trustees review monthly, retained independent CPA who reviews and closes records annually.*

14. *Take immediate action to strengthen control environment and foster the active role of Company officials and members in monitoring the Company's financial operations.*

a) *Response by Fire Company: Immediate action has been taken to ensure the Executive Board plays a detailed active role in the company's financial operations.*

The West Ghent Volunteer Fire Company understands and has acknowledged the recommendations by the Comptroller's Office and that the company lacked serious active roles by previous Trustees and Board Members. The majority of the recommendations have been in place since we first met with the NYS Comptrollers in April 2015, with the exception of a few minor verbal recommendations. We were just made aware of these, and they are only verbal recommendations. The Corrective Action Plan will continue to be implemented by the Board of Trustees.

Thank you again for your time.

Sincerely,

Arthur Sherman, President  
West Ghent Volunteer Fire Co.

Cc: Board of Trustees  
Treasurer

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed the Company's bylaws that were pertinent to financial operations. We determined whether the Board adopted a code of ethics and additional relevant financial policies and written procedures.
- We examined bylaws, policies and procedures and determined how often they are reviewed and updated.
- We assessed the adequacy of the Company's accounting system and records.
- We determined whether the Treasurer performed monthly bank reconciliations and presented them to the Board for review.
- We reviewed the Treasurer's monthly financial reports to the Board and determined whether they were adequate. We also reviewed Board minutes and interviewed select Board members to determine the extent to which the Board reviewed these reports.
- We determined whether the Board performed an annual audit.
- We determined whether the Board reviewed claims (bills) and the Board minutes included any mention of the Board auditing and approving claims. We also scanned any available lists of approved claims and the claims themselves for adequacy and completeness and looked for evidence of review and approval (i.e., signatures and/or initials). We interviewed Board members to determine the extent of their audit and approval of claims.
- We determined whether the Company filed its required IRS 990 form.
- We compared the OSC foreign fire insurance reports with amounts received and disbursed in the Company records and examined them for accuracy and completeness.
- We traced all disbursements and withdrawals made during our audit period and determined whether they were for proper Company purposes.
- We examined the amount of fire hall rental revenues reported in the monthly Treasurer's reports for January 2013 through August 2014 and compared them with the rental and activity dates recorded on the Company calendar and standard Company rental charges.

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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