

Sempronius Fire Company

Financial Activities

JANUARY 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Sempronius Fire Company

Audit Objective

Assess whether the Board of Directors (Board) provided adequate oversight for the financial activities of the Sempronius Fire Company (Company).

Key Findings

- The Board did not provide adequate oversight for financial activities.
- The Board did not perform an annual audit of the Treasurer's records.
- Profit and loss (P&L) statements were not prepared for fundraising events held in 2016 with revenues totaling \$59,449.

Key Recommendations

- Review and update the bylaws or adopt policies and procedures for cash receipts and fundraising activities.
- Perform an annual audit of the Treasurer's records.
- Ensure that detailed P&L statements are prepared for each fundraising event.
- Adopt a code of ethics.

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

Background

The Company is affiliated with the Three Town Fire District in Cayuga County. The Company provides fire protection services for the Towns of Niles and Sempronius.

The Board is composed of five elected members and is responsible for managing the Company.

The elected Treasurer serves as chief fiscal officer and is responsible for receiving, disbursing, maintaining custody of and accounting for funds and preparing periodic financial reports.

The Company's primary sources of revenues are fundraising events, building rent and foreign fire insurance tax.

Quick Facts

2016 Revenues	\$71,639
2016 Operating Expenses	\$40,849

Audit Period

January 1, 2016 — August 31, 2017

Financial Activities

What Is Effective Board Oversight?

It is essential that the Board include in its bylaws, or that it adopt policies and procedures to establish, internal controls and provide guidance for cash receipts and fundraising activities. New York State General Municipal Law requires the Board to adopt a code of ethics that provides standards of conduct for officers and members. Although it is not addressed in the bylaws, good business practice requires the Board to annually audit the Treasurer's records.

The Board Has Not Established Adequate Controls Over Cash Receipts and Fundraising Activities

The Board did not provide adequate oversight for financial activities. The Board did not include in its bylaws, or adopt, policies and procedures for cash receipts and fundraising activities. Additionally, the Board did not establish a code of ethics or annually audit the Treasurer's records.

Therefore, we verified that all deposits were recorded in the monthly Treasurer's reports. We also reviewed cash receipts relating to the Company's two fundraising events during 2016. The Company raised significant income from a tractor/truck pull and a raffle, where food and beverages were also sold. The Treasurer did not maintain detailed financial records for the fundraising events. For example, although press-numbered raffle tickets and wristbands were used, they were not inventoried to account for those distributed and sold. Also, detailed P&L statements were not prepared for either event in 2016. Such statements should include the startup money provided, receipts from each event activity, amounts disbursed (with supporting documentation) and net proceeds deposited. Also, when applicable, the amounts of food and merchandise purchased, sold and remaining inventory.

The fire chief stated that the net profit reported to the membership was approximately \$10,000 from the tractor/truck pull and \$20,000 from a raffle. However, as a result of the lack of inventories and P&L statements we could not substantiate the net profits reported. The Treasurer told us that at various times during the tractor/truck pull money was counted and secured in the Company's lockbox before being recounted by three members and deposited by the Treasurer. However, this process does not offset the lack of inventories and P&L statements.

For the raffle, the Board set a goal to sell 400 tickets at \$100 each. The Company's minutes indicated 310 tickets were sold totaling \$31,000. The Company maintains separate bank accounts for each fundraising event. Accounting records showed revenues for these two events totaled \$59,449. Although a portion of the raffle money was misclassified as tractor/truck pull

money, it appears that the total revenues were reasonable and that all fundraising revenues reported to the membership were deposited.

When guidance for cash collected, standards of conduct, annual audits and supporting documentation for cash collected during fundraising events are lacking, there is an increased risk that receipts collected will not be accounted for and deposited into the Company's bank accounts.

What Do We Recommend?

The Board should:

1. Review and update the bylaws, or adopt policies and procedures, to establish internal controls and provide guidance for cash receipts and fundraising activities.
2. Adopt a code of ethics for officers and members.
3. Perform an annual audit the Treasurer's records.
4. Ensure that detailed P&L statements are prepared for each fundraising event that include startup money, receipts, disbursements and deposits. Also, when applicable, food and merchandise purchased, sold and remaining inventory.

The Treasurer should:

5. Ensure that press-numbered raffle tickets and wristbands are used and inventoried to account for tickets distributed and sold.

Appendix A: Response From Company Officials




January 12, 2018

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Audit Responses and Corrective Action Plans:

1. The Sempronius Fire Company Board of Director's has read the audit report and agree with the key findings for the 2016 year.
2. The audit findings were mainly from prior to the new Board of Directors elected in January 2017.
3. The board has implemented profit and loss statements for all fund raisers done in 2017. We have purchased accounting software to track deposits, disbursements and transactions vouchers. It will also help create a budget.
4. Sempronius Fire Company's code of ethics was aligned with Three Town Fire Districts, code of ethics. The Board of Director's are currently working on adopting a new code of ethics more in line with our Fire Company.
5. We agree the bylaws, policy and procedures need to be updated. A committee in being created to write the new policies to amend them to our bylaws.
6. Sempronius Fire Company appreciates your recommendations which will be implemented and continued in 2018.

Sincerely, 

Ricky Jandrew
Treasurer Sempronius Fire Company

CC: Roger Dewitt
Eric Burhans
Jessie Flynn

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

- We interviewed key Company officials and reviewed the Company's bylaws, minutes and financial statements to gain an understanding of the Company's procedures and processes for cash receipts and fundraising activities. We examined all Company bank statements during our audit period to determine whether there were any deposits¹ that were not recorded in the monthly Treasurer's reports.
- We reviewed all receipts from 2016 for two fundraising events to determine whether deposits were reasonable.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

¹ Deposits included fundraising events, building rent and foreign fire insurance tax. Foreign fire insurance money represents a tax on the premium paid on insurance policies. The law entitles fire companies or fire departments protecting an eligible area to receive an appropriate share of the tax collected on insurance policies written by foreign or alien insurers on policies within their area of protection.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

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

www.osc.state.ny.us/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

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