

West Niles Fire Company

Financial Activities

JANUARY 2018



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

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Report Highlights

West Niles Fire Company

Audit Objective

Determine whether the Board provided adequate oversight of Company operations to ensure financial activity was properly recorded and reported and money was safeguarded.

Key Findings

- The Board did not develop written policies and procedures for cash receipts, cash disbursements and fundraising events or adopt a code of ethics as required by New York State General Municipal Law (GML).
- The bylaws provided limited guidance to enable Company officials to adequately oversee financial operations.
- The Board did not ensure fundraising money was always reconciled and deposited intact.
- Company officials did not keep any supporting documentation for 16 disbursements totaling \$2,415.

Key Recommendations

- Adopt financial policies and procedures for cash receipts, cash disbursements and fundraising events and ensure that all receipts are deposited intact.
- Revise the bylaws to include more guidance for Company officials and the membership for properly exercising their financial responsibilities.
- Establish a code of ethics as required by law.
- Ensure all disbursements are supported by adequate documentation and audited and approved before payment is made.

Company officials indicated they plan to initiate corrective action.

Background

The West Niles Fire Company (Company) is a not-for-profit organization, incorporated in 1977 and affiliated with the Three Town Fire District (District) in Cayuga County. The Company provides fire protection services to District residents.

The Company is governed by its adopted bylaws. The bylaws stipulate that the Board of Directors (Board), composed of five elected members, is responsible for managing Company financial activities.

Quick Facts

2016 Revenues	\$49,781
2016 Operating Expenses	\$38,640

Audit Period

January 1, 2016 – July 26, 2017

Financial Activities

The Treasurer, elected by the Board, serves as chief fiscal officer and is responsible for receiving, disbursing and accounting for funds, preparing financial reports and meeting any other reporting requirements.

The Company's primary sources of revenue are from fire hall building rent, fundraising events, donations and foreign fire insurance funds.¹

What is Effective Board Oversight?

To effectively manage Company operations, good management practices require the Board to establish internal controls, which include policies and procedures and clearly defined bylaws to ensure that transactions are properly recorded, collections are deposited intact and bills are approved before payment. GML requires the Board to adopt a code of ethics that provides standards of conduct and disclosure of interest requirements.

Sufficient Guidance Was Not Provided Over Operations

The Board has not established written policies and procedures for cash receipts, cash disbursements and fundraising activities or adopted a code of ethics to guide officers and members regarding expected standards of conduct, as required by GML. Additionally, the bylaws provide limited guidance on the Board's responsibilities and the Treasurer's duties. For example, the bylaws state that the Treasurer shall pay out all money when property required to do so and the Directors shall audit and report on all bills as needed. Because the Board's and Treasurer's financial responsibilities are not clearly specified, adequate oversight was not provided over financial activities. As a result, there is an increased risk that errors and irregularities may not be prevented or detected in a timely manner.

Collections Were Not Always Reconciled or Deposited Intact

Company officials used press-numbered tickets for the clambake and beef raffle fundraising events and the Treasurer prepared reconciliations for the number of tickets sold compared with the amounts collected. However, for the pancake breakfast and election night supper events the cashier did not maintain an adequate record of amounts collected. The Treasurer prepared profit and loss statements for each fundraising activity but did not prepare reconciliations for these fundraising events.

¹ Foreign fire insurance funds represent a tax on the premium paid on insurance policies. The law entitles fire companies or 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.

We reviewed all 46 deposits from all the fundraising events held during the audit period totaling \$47,158. We prepared reconciliations for the clambake and beef raffle fundraisers and compared our analysis with the Treasurer's and found no material differences. However, because the Company lacked sufficient detailed receipt records for two pancake breakfast fundraisers, Company officials were unable to determine the number of meals sold or the amount that should have been deposited.

The Treasurer's profit and loss statement for the election supper indicated 317 dinners were served. However, the statement did not show a reconciliation of the number of meals sold at the election night supper with the \$3,523 amount collected. During our review, we found that receipts were not always deposited intact because certain expenses were paid directly with cash from fundraising proceeds and the change fund. Good business practices dictate that all money collected since the last date of deposit should be deposited together in the same form as received to provide accountability.

Disbursements Lacked Prior Approval and Supporting Documentation

The bylaws do not specify whether the Board or membership should audit and approve bills before the Treasurer pays them. Generally at each monthly meeting, the Treasurer informs the membership of the bills paid the prior month rather than gaining prior approval. The lack of oversight before payment increases the risk that errors or irregularities could occur and go undetected.

We reviewed all 180 disbursements from January 1, 2016 through May 31, 2017, totaling \$63,688. We found that 16 disbursements totaling \$2,415 (for office supplies, clambake deposits, tent rentals, utilities and reimbursements) were valid expenses, but did not contain any supporting documentation. Additionally, two cash payments totaling \$4,500 were paid to a vendor from fundraising proceeds and a change fund before deposit. While these payments were legitimate expenses, the practice of paying vendors in cash circumvents good business practices by weakening accountability over both revenues and expenditures.

What Do We Recommend?

The Board should:

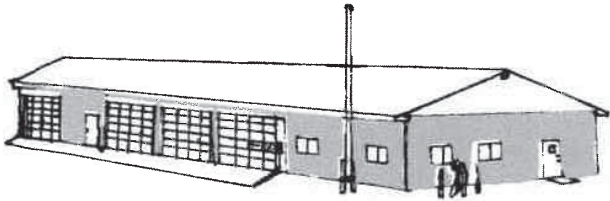
1. Adopt financial policies and procedures for cash receipts, cash disbursements and fundraising events.
2. Adopt a code of ethics as required by law.

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3. Review and update the bylaws to include more guidance for the Board, Treasurer and membership pertaining to the roles and responsibilities for financial activities.
 4. Ensure all fundraising receipts are deposited intact.
 5. Ensure all disbursements are supported by adequate documentation and audited and approved before payment is made.

The Treasurer should:

6. Keep accurate records for all funds collected at all fundraising events. Such records should indicate the amount of startup money provided, receipts from each activity and amounts deposited and disbursed and the amount of food purchased, sold and unsold after each fundraising event, when applicable.

Appendix A: Response From Company Officials



West Niles Fire Co.

3956 Valentine Rd.
Moravia, NY 13118
Phone: 784-5077

To The Office of The State Comptroller's

Dear OSC;

I am Gregory E. Palmer the President of the West Niles Fire Department. The West Niles Fire Department agrees with your Findings of our audit and is preparing to make the proper corrections. Thank you for help in these matters, this has been an educational experience for us.

Sincerely,

12/24/17

President
Gregory E. Palmer

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 Company officials and reviewed the bylaws to gain an understanding of the Company's financial procedures and processes.
- We reviewed fundraising deposits for all events that were held during our audit period to determine whether the Treasurer reconciled the number of tickets sold with the amounts collected and whether the amounts collected were deposited intact.
- We reconciled all receipts related to clambake and beef raffle fundraiser ticket sales to the amounts deposited and compared our results to Treasurer's reconciliations to determine whether deposits match the Treasurer's reconciliation.
- We reviewed all disbursements from January 1, 2016 through May 31, 2017 to determine whether they contain adequate supporting documentation.

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.

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.

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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