

Beaver Dams Volunteer Fire Company, Inc.

Financial Activities

JUNE 2018



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

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Report Highlights

Beaver Dams Volunteer Fire Company, Inc.

Audit Objective

Determine if Company officials ensured that financial activities were properly recorded and reported, and that Company moneys were safeguarded.

Key Findings

- The Board has not provided adequate oversight of financial activity.
- Treasurers did not maintain complete, accurate, and up-to-date accounting records and reports or perform monthly bank reconciliations.
- Company officials did not maintain adequate fundraising documentation.

Key Recommendations

- The Board should enforce the bylaws and adopted policies and procedures.
- The Treasurer should maintain complete, accurate and up-to-date records and reports, and perform monthly bank reconciliations.
- The Board should develop and adopt policies and procedures for fundraising activities.

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

Background

The Beaver Dams Volunteer Fire Company, Inc. (Company) is a not-for-profit organization that provides fire protection and emergency rescue services to residents in the Town of Catlin in Chemung County and the Towns of Orange and Dix in Schuyler County (Towns) pursuant to a contract.

The Company is governed by its adopted bylaws, with the elected administrative officers: President, Vice President, Secretary, Treasurer, who comprise the Board, and the Board of Directors (Directors). The Board and Directors are responsible for the Company's general management and oversight. The Company's primary sources of revenues are fire protection contracts and fundraisers.

Quick Facts

2016 Revenues	\$211,445
2016 Expenses	\$220,682
Active Members	46
Area Covered	52 square miles

Audit Period

January 1, 2016 – December 22, 2017

Financial Activities

The Treasurer is the Company's chief fiscal officer and is responsible for receiving, disbursing, maintaining custody of and accounting for Company money and preparing monthly and annual financial reports. During our 24-month audit period, the Company had four different Treasurers, each responsible for maintaining the Company's financial records and reports.

What Is Effective Board Oversight?

To effectively manage operations, good management practices require the establishment of policies and procedures and clearly defined bylaws to ensure that transactions are properly recorded and reported, collections are deposited intact and bills are approved before payment. The board is responsible for overseeing the financial activities and safeguarding its resources. An important aspect of this responsibility is to provide a process to routinely monitor and review the work performed by those who handle money as part of their duties. Oversight becomes particularly important in operations that do not have adequate segregation of duties. It is essential that all receipts, including cash received for fundraising activities, are properly recorded and promptly deposited and disbursements are made only when authorized by the board for proper and valid expenditures.

The Board Has Not Provided Adequate Oversight

The bylaws provide limited guidance on the Board's responsibilities and the Treasurer's duties. Additionally, the Board has not established written policies and procedures for fundraising activities. Furthermore, the Board has not enforced the bylaws or few Board-adopted policies. Specifically:

- The Treasurer did not issue receipts for all collections, deposit all money intact, or require adequate documentation prior to paying bills as required by the bylaws.
- The Board did not review or approve bills before payment as required by the bylaws.
- Members did not sign out the debit card prior to making purchases or provide signed receipts as required by Board policy.
- The Directors did not reconcile debit card receipts to the bank statements as required by Board policy.

As a result of the Board not properly overseeing the Company's financial activities and not enforcing the bylaws and policies, Company money was not safeguarded.

How Should Financial Transactions Be Recorded and Reported?

The treasurer should maintain complete, accurate and up-to-date accounting records to provide the board and membership with essential information to effectively manage cash and monitor the financial affairs. In addition, the treasurer should perform timely bank reconciliations to identify any errors and the board should review the bank reconciliations. Although the bylaws do not specify what financial records the treasurer should maintain, the bylaws do require the treasurer to make a report at each regular board meeting and an annual report detailing all receipts and disbursements by date, purpose and payee.

Records and Reports Were Incomplete and Inaccurate

Because the bylaws did not provide adequate guidance and the Board did not provide oversight, none of the four Treasurers maintained complete, accurate and up-to-date records or performed monthly bank reconciliations. In addition, no written monthly reports were prepared during 2016 and the 2016 Form 990 filed with the IRS was inaccurate. Although the last Treasurer during our audit period prepared written monthly reports and presented them to the membership, the reports did not include details of receipts and disbursements. Instead, the reports provided the bank balances as of the monthly meeting date.

Because of the Treasurers' incomplete records and lack of receipts and adequate fundraising reports, we were unable to determine if all money was deposited. We reviewed bank deposits totaling \$427,890 and found that deposits were not made intact because cash from various fundraising activities was used to make purchases for the activities, as needed.

To determine if Company expenses were properly supported and legitimate, we reviewed all 513 disbursements totaling \$381,314 from January 1, 2016 through October 11, 2017. We found that 55 disbursements (11 percent) totaling \$20,865 were unsupported. However, upon our request, Company officials were able to obtain supporting documentation for 41 of the 55 initially unsupported disbursements totaling \$17,231 by contacting vendors and reviewing emails. Six of these purchases totaling \$3,339, although unsupported, appeared to be reasonable Company purchases. The remaining eight were debit card purchases totaling \$295 and 10 more debit card purchases totaling \$856 were questionable because they were personal in nature,¹ including 19 gift card purchases. Company officials could not provide information regarding the recipients of the gift cards and the purpose of the other purchases, but believed the purchases were related to various fundraising events or other Company activities, such as their annual banquet and holiday party.

¹ The debit card purchases included purchases to a retail store for \$519, a mini mart for \$198, the post office for \$167, a grocery store for \$51, a pizza shop for \$36, a plumbing and heating store for \$16, an online membership for \$12 and four miscellaneous purchases totaling \$152.

Without complete, accurate and up-to-date financial records and reports, the Board and membership have no assurance that Company money is safeguarded.

How Should Fundraisers Be Documented, Supported and Recorded?

Individuals involved in fundraising activities are responsible for accounting for and remitting all money collected to the treasurer. Good business practices require the issuance of press-numbered duplicate receipts or tickets for all money received to help ensure that it is properly recorded and deposited intact. After a fundraising activity, a general fundraising report should be completed, which details the amounts collected and deposited, including the number of items sold and provide detail for the related expenses, such as whether they were paid by check or cash. In addition, at least two people should be on hand to count the money and certify how much was remitted to the treasurer for each fundraising event.

Fundraising Reporting Is Lacking or Inadequate

The Company engages in various fundraising activities, such as an annual chicken barbecue and golf tournament and the 2017 car show, to supplement money received from the fire protection contracts with the towns, donations and foreign fire insurance proceeds. Because the Company's bylaws are silent regarding fundraising activities, reports were not prepared for all activities and those that were prepared were inadequate. For example, there were no records indicating the starting and ending ticket numbers, the number and type of chicken dinners sold and the number of golf participants and sponsors as well as amounts received. In addition, fundraising expenses were not adequately reported. We were unable to determine if all fundraising money was recorded and deposited because press-numbered duplicate receipts were not issued for all receipts and sold tickets. In addition, golf team sign-up and sponsorship forms were not retained and cash from fundraising proceeds was used to make purchases. Because the golf tournament and barbecue were held at the same time and records and controls were inadequate or lacking, we could not determine how much the Company received from each event. Furthermore, we could not apply alternate procedures such as comparing the amount of chicken purchased to the amount sold to determine if recorded receipts were reasonable.

With no accountability for fundraising money, there is an increased risk that funds could be lost or stolen without detection.

What Do We Recommend?

The Board should:

1. Enforce and update the bylaws and Board-adopted policies and procedures, to ensure that transactions are properly recorded and reported, collections are deposited intact and bills are approved before payment.
2. Routinely monitor and review the work performed by those who handle money as part of their Company duties and perform an annual audit.
3. Develop and adopt written policies and procedures for fundraising activities.

The Treasurer should:

4. Maintain complete, accurate and up-to-date accounting records and reports.
5. Perform monthly bank reconciliations, promptly investigate differences and take corrective action as needed.
6. Issue duplicate press-numbered receipts for all money received by the Company when other adequate documentation is not available.

Appendix A: Response From Company Officials

caps@osc.state.ny.us

May 23, 2018

Office of the New York State Comptroller
Division of Local Government & School Accountability
PSU – CAP Submission

RE: Response to draft audit off Beaver Dams Volunteer Fire Dept

To the Comptroller:

Thank you for your time in completing the draft audit of our department. We are now responding to the draft audit with the following:

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

We do accept and acknowledge your findings and do not have any objections to your findings.

Financial Activities: In November 2017, we had contacted Laurie Beem who was the Treasurer of the Monterey Volunteer Fire Department. As that department was deemed defundt, Laurie agreed to come to our department and take over the position of Treasurer. Since her takeover of the position, she has compiled several reports to be approved and signed each meeting by the Officers and the Board (Cash Report of each bank account, Ledger Detail of each transaction, Monthly Recap of general ledger accounts, and Bank Reconciliations for all bank accounts). These reports require signatures of all Officers and Board members so that they acknowledge that they have seen and reviewed and questioned any items they feel need further discussion. Any expenses that are not routine will require prior authorization by two board members before payment is issued.

Fundraising Activities: We do agree that our records were in bad shape and have already put in place new forms for record keeping of raffle tickets sold, bbq tickets sold, and any other raffle item that is to be sold. These forms will also include the raffle ticket numbers and a head count if applicable. Any proceeds received will be recorded in a duplicate receipt book so that we can trail the change of custody of such funds and the deposit of such funds. A report will also be created to keep track of any golf sponsors, all golf participants, and of course, amounts paid or items donated. So that expenses are not taken out of any proceeds, we will be establishing a small petty cash fund to be used exclusively for each event. We are also revamping our fundraising forms of activity so that we can balance all expenses and income back to the event.

Due to these updates, we are in the process of reviewing our current by-laws and will be updating them to reflect our new procedures in these areas.

Thank you for your time and effort in completing this draft audit. It was a pleasure working with your team as we found them very helpful in their advise.

Sincerely,

Rachel Thurston
President, Beaver Dams Volunteer Fire Department

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, our audit procedures included the following:

- We interviewed officials to gain an understanding of the Company's financial operations.
- We reviewed the Company's bylaws and documented the roles and fiscal responsibilities of various officers.
- We reviewed Board minutes for information related to policies and procedures and to identify revenues, purchases, related disbursements, personnel changes and fundraising activities.
- We obtained and reviewed all deposit compositions for the period of January 1, 2016 through October 23, 2017 for all Company bank accounts to determine all deposited receipts. We also traced deposit compositions to the 2017 Treasurer's income record to determine if it was accurate.
- We obtained cancelled check images and bank statements from the Company's bank to determine expenses for the period of January 1, 2016 through October 11, 2017.
- We sent out 106 confirmations to determine the purpose of money received and deposited.
- We reviewed all 505 disbursements totaling \$378,069 from the general bank account and all 8 disbursements totaling \$3,245 from the fundraising bank account from January 1, 2016 through October 11, 2017 to determine if the expenses were supported and legitimate.
- We traced all disbursements from the bank statements for the period January 1, 2016 through October 11, 2017 to Treasurer's records to determine if they were accurate.
- We reviewed bank statements for the period January 1, 2016 through October 31, 2017 for unusual transactions, withdrawals and open and closed accounts.
- We obtained fundraising reports, interviewed Company officials, reviewed pictures from the fundraising golf tournament and reviewed invoices/receipts to determine the revenues and expenses related to fundraising events.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided 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 the CAP available for public review.

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

Contact

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