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December 30, 2011

Mr. Charles Lananger, President
Members of the Board of Trustees
Willing Volunteer Hose Company #1, Inc.
1728 Covell Road
Wellsville, New York 14895

Report Number: 2011M-233

Dear Mr. Lananger and Members of the Board of Trustees:

One of the Office of the State Comptroller's primary objectives is to identify areas where fire company officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage fire company officials to reduce costs, improve service delivery, and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Willing Volunteer Hose Company #1, Inc. (Company) which addressed the following question:

- Are Company controls adequate to ensure that financial activity is properly recorded and reported and that Company moneys are safeguarded?

We discussed the findings and recommendations with Company officials and considered their comments in preparing this report. The Company's response is attached to this report in Appendix A. Company officials agreed with our recommendations.

Background and Methodology

The Willing Volunteer Hose Company #1 is located in the Town of Willing (Town) in Allegany County. The Company contracts with the Town to provide fire protection services. The Company received \$65,430 for fire protection services and \$25,520 from fundraising and other activities in 2010. Company disbursements for 2010 totaled approximately \$52,000.¹

¹ Includes equipment and maintenance (\$15,423), insurance (\$9,645), fundraising (\$9,060), building and utilities (\$8,320), interest (\$3,933), annual dinner (\$2,100), fuel (\$1,230), and miscellaneous (\$2,349).

The Company's Constitution and By-laws stipulate that its officers include a President, Vice President, Secretary, Treasurer, and several firematic titles. In addition, the Company elects five Trustees for one-year terms. The Board of Trustees (Board) is responsible for the general supervision of the Company's financial affairs. The President is the chief executive officer, responsible for oversight of the Company's non-operational affairs. The Treasurer is the chief fiscal officer, whose duties include receiving and disbursing funds, maintaining financial records, and presenting written reports of receipts and disbursements and the Company's financial condition at each regular Board meeting.

We examined the internal controls over the Company's financial operations for the period January 1, 2010 to September 19, 2011. We interviewed appropriate Company officials and reviewed financial records and meeting minutes. We conducted this performance audit in accordance with 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.

Audit Results

It is essential that the Board establish a system of internal controls based on policies and procedures that ensure transactions are authorized and properly recorded; that financial reports are accurate, reliable, and filed in a timely manner; and that the Constitution, By-laws, and other applicable laws, rules, and regulations are complied with. The By-laws require the Treasurer to account for all monies received and paid, and that an annual audit of the Treasurer's accounting records is performed. The issuance of duplicate press-numbered receipts is an important control for tracking monies collected for fundraising events and for checking the accuracy of the accounting records. The By-laws also indicate that the Board is to take action on bills before they are paid.

We found that the Treasurer maintained suitable records to account for financial activities and submitted monthly and annual financial reports to the Board. However, the Board did not develop written policies and procedures for, or provide adequate oversight of, Company financial activity. For example, the Board did not review monthly bank reconciliations prepared by the Treasurer to confirm they were accurate, and there was no indication that an audit of the Treasurer's records was performed as required. These control weaknesses increase the risk that errors and/or irregularities could occur and not be detected and corrected in a timely manner.

Additionally, the Treasurer did not issue any receipts to individuals from whom he received money for fundraising activities. The former Chief² was responsible for all ticket sales, remitting all monies collected to the Treasurer, and maintaining the custody of all unsold tickets. We reviewed two 2010 fundraising events:

² The former Chief resigned in April 2011.

- One event involved the sale of \$5 raffle tickets for the chance to win a riding lawnmower. Company officials provided us with 510 unsold tickets of the original 2,000 printed. Therefore, total sales should have been \$7,450 for 1,490 tickets. However, the Treasurer's records indicated that total sales amounted to only \$4,680, which represents the sale of 936 tickets. The Treasurer said that he recorded and deposited all monies he was given, while the former Chief said that his records indicated 986 tickets were sold (50 more than the Treasurer's records indicated), based on the stubs from which the winning ticket was drawn. However, the former Chief did not provide any documentation to support his statements. The Company was unable to account for 554 raffle tickets or the potential revenue totaling \$2,770.
- Another fundraising event involved the sale of \$5 raffle tickets for the chance to win one of five guns. We were provided 291 unsold tickets of the original 1,000 tickets printed. Therefore, total sales should have been \$3,545 for 709 tickets. However, the Treasurer's records indicated that total sales amounted to only 513 tickets,³ or \$2,565. As of September 19, 2011, the Company was unable to account for the remaining 196 tickets or their potential value of \$980.⁴

We have referred the above findings regarding fundraising moneys to the appropriate law enforcement authorities. We discussed other minor deficiencies with Company officials during the conduct of our fieldwork.

Recommendations

1. The Board should develop and adopt applicable financial policies and procedures.
2. The Board should review the monthly bank reconciliation performed by the Treasurer and properly document this review.
3. The Board should ensure that an annual audit of the Treasurer's accounting records is conducted and documented in the minutes.
4. The Treasurer should issue duplicate press-numbered receipts for all cash collected.
5. The Board should review fundraising activity and attempt to locate additional unsold tickets or moneys collected.

The Company 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. For more information on preparing and filing your CAP,

³ Includes seven sold ticket stubs found within packs of unsold tickets that members returned to the Company. These seven sold tickets apparently were not entered in the drawing.

⁴The Treasurer's records were inconsistent because, while showing that 513 tickets were sold, the records also indicated that the Company retained 413 unsold tickets, and that 100 tickets issued to members for sale were not turned in. The recorded quantities of 513 sold tickets + 413 unsold tickets + 100 unaccounted-for tickets equals 1,026, which exceeds the total number of tickets printed.

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.

Sincerely,

Steven J. Hancox
Deputy Comptroller
Division of Local Government
and School Accountability

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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

Willing Volunteer Hose Co. #1

1395 State Route 19S

Wellsville, NY 14895

December 23, 2011

State of New York
Office of the State Comptroller
295 Main Street, Room 1032
Buffalo, NY 14203

Dear Sir/Madame:

The Board of Trustees of the Willing Volunteer Hose Co. #1, Inc. have reviewed the draft audit report dated December 14, 2011.

The Board has determined that the facts set forth in the report are accurate. The Board also accepts the recommendations in the report.

Sincerely,

Charles Lanzetta, 12-23-2011