



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

February 2017

Frank Doolittle, President
Members of the Board
Summitville Fire Company
3978 State Route 209
Summitville, NY 12781

Report Number: 2016M-423

Dear Mr. Doolittle and Members of the Board:

The Office of the State Comptroller works 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 Summitville Fire Company (Company) which addressed the following question:

- Did Company officials ensure that cash receipts were deposited and cash disbursements were for appropriate Company purposes?

The results of our audit 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 that they planned to initiate corrective action.

Background and Methodology

The Company provides fire protection services for the Town of Mamakating, in Sullivan County. The Company receives money from fundraising events, foreign fire insurance tax, donations and other activities. During our audit period, Company deposits totaled \$48,200 and disbursements totaled \$57,600.

The Company is governed by its bylaws, which stipulate that a Board of officers (Board) composed of five elected members is responsible for the Company's overall financial management. The Treasurer is responsible for the receipt and custody of Company funds and for disbursing and accounting for those funds.

We examined the internal controls over the Company's financial operations for the period January 1, 2015 through October 28, 2016. We interviewed appropriate Company officials and reviewed financial records and Board 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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not our 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.

Audit Results

Company officials are responsible for overseeing the Company's financial activities and for safeguarding its resources. To fulfill this duty, it is essential that the Board establish adequate internal controls, consisting of policies and procedures to ensure transactions are authorized and for the benefit of all Company members, all receipts are deposited and Company officials comply with the Company bylaws and other applicable laws, rules and regulations. According to the bylaws, the Board must perform, or contract for, an annual audit of the Treasurer's records.

Company officials have ensured that disbursements were for the benefit of the entire Company membership; however, they have not ensured that all cash receipts were deposited in full.

While the Board has established an adequate process over disbursements, it did not audit the Treasurer's records during our audit period. Further, no one compares the bank statements and canceled check images to the Board-approved vouchers to verify that all disbursements were approved and paid to the correct payee in the correct amount. We reviewed 32 disbursements¹ totaling approximately \$5,900 and found that they were for appropriate Company purposes and generally had sufficient documentation of approval before being paid.

Company officials have not established adequate internal controls over cash receipts. They did not maintain sufficient documentation to indicate the amount of money received at each fundraising event and did not always maintain adequate records to identify the source of each bank deposit. We reviewed all eight fundraising events in our audit period, for which the Company recorded gross receipts of approximately \$43,100, and found that, with minor discrepancies, all moneys recorded as collected were deposited or used to offset event expenditures. We also reviewed the two receipts for foreign fire insurance that the Company received, totaling approximately \$4,600, and found that both receipts were properly deposited.

While our audit did not find any significant exceptions, the inadequate internal controls increase the risk that disbursements could be made for non-Company purposes or receipts collected may not be deposited, and such errors or irregularities may not be detected or corrected.

¹ We randomly selected 21 disbursements by choosing the second check written on each monthly bank statement during the audit scope period. We then judgmentally selected all six payments made to the President or Treasurer, all three non-check disbursements and both checks made out to cash.

Recommendations

The Board should:

1. Complete an annual audit of the Treasurer's records.
2. Compare bank statements and canceled check images to the Board-approved vouchers.
3. Establish controls over cash receipts, such as maintaining adequate documentation of the amount of money collected at each fundraising event and the source of each bank deposit.

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. 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 this plan available for public review.

We thank the officials of the Summitville Fire Company for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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



P.O. Box 296 · Summitville, NY 12781
Phone/Fax: (845) 888-5531

Office of the New York State Comptroller
Division of Local Government & School Accountability
PSU- CAP Submission
110 State Street
Albany, N.Y. 12236

February 2, 2017

Dear Mr. Deyo:

The Executive Officers of the Summitville Fire Company Number 1, Inc., is writing this in response to your draft audit report. We agree to the findings of this audit. We have already made some corrective actions that we hope will remedy the issues in this audit. We have instituted a Finance Committee to do an internal audit on our books every quarter. They will give a detailed report on their findings. We have also made changes to the way our bank statement is checked every month. The President compares the canceled checks to our voucher and signs they match. We are also in the process of initiating a fund raising form to track all cash donations to coincide with the cash deposits.

This board would like to take this opportunity to thank the auditors for their input and help with making our company more proficient in our record keeping.

Sincerely,

Franklin E, Doolittle, Jr.

President

Summitville Fire Company Number 1, Inc.