



Jamison Road Volunteer Fire Company, Inc.

Internal Controls Over Financial Operations

Report of Examination

Period Covered:

March 1, 2013 – February 5, 2015

2015M-95



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2015

Dear Fire Company Officials:

One important function of the Office of the State Comptroller is to help fire company officials manage company resources efficiently and effectively and, by so doing, provide accountability for moneys spent to support company operations. The Comptroller oversees the fiscal affairs of fire companies statewide, as well as compliance with relevant statutes and observance of good business practices, through the conduct of audits. Our audits may also identify opportunities for improving operations and fire company governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard fire company assets.

Following is a report of our audit of the Jamison Road Volunteer Fire Company, Inc., entitled Internal Controls Over Financial Operations. This audit was conducted pursuant to Article V, Section 1 of the New York State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for fire company officials to use in effectively managing operations and in meeting the expectations of the public. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Jamison Road Fire Company, Inc. (Company) is a volunteer organization located in the Town of Elma (Town) in Erie County. The Company provides fire protection services for the Town's residents. The Company operates in accordance with its bylaws, which stipulate that a Board of Directors (Board), consisting of the President, Chief and nine elected members, is responsible for the Company's overall financial management. The Board appoints a Treasurer¹ who acts as the Company's chief fiscal officer.

During 2014, the Company received \$231,000 from the Town for fire protection services. The Company also receives money from fundraising and other miscellaneous activities. The Company's budget totaled \$235,000 for the March 1, 2014 through February 28, 2015 fiscal year.

Scope and Objective

We examined the Company's internal controls over its financial operations for the period March 1, 2013 through February 5, 2015. We extended our audit period back to August 2012 to review bank fees incurred on the Company's bank accounts. Our audit addressed the following related question:

- Did the Board provide adequate oversight of the Company's financial operations?

Audit Results

The Board did not provide adequate oversight or controls over Company financial activities. Although the Company was defrauded by more than \$150,000 approximately ten years ago by a former Treasurer and his spouse, the Board and Company membership still have not taken steps to provide adequate guidance for and oversight of those who maintain the Company's finances. For example, although a portion of this past fraud involved these individuals paying for their personal utility bills with Company funds, the Board did not take action to adequately review and approve the Company's utility bills after the fraud. This led to the Board being unaware that the Company made more than one payment within an unusually short time period to its utility provider in twelve instances and overpaid one of its utility bills by \$1,075 during our audit period.²

The Treasurer did not obtain Board and membership approval for all bills before paying them and did not retain adequate supporting documentation to demonstrate that all purchases were for valid Company purposes. We found that for 248 (69 percent of our sample) out of 362 payments, totaling

¹ Shortly after our audit fieldwork began, the Treasurer resigned on December 31, 2014. The Board appointed a new Treasurer on January 1, 2015. Our audit testing focused on the period prior to the Treasurer's resignation.

² For example, two payments were initiated during the same month.

\$297,729, the Treasurer did not obtain approval before making the payments, did not retain supporting documentation, or both.

Also, the Company did not have policies governing the use of debit cards or online payments. Approximately one quarter of the payments in our sample (91 totaling \$40,538) were made with debit cards or electronically (online payments). Because these payments and purchases can, by nature, circumvent the claims audit process, it is even more important for the Company to have policies governing their use.

We found that the Treasurer's financial records and monthly reports were incomplete and inaccurate, and he did not retain all records at the fire hall, as required in the Company's bylaws. The Board also did not ensure that the Treasurer performed and retained monthly bank reconciliations. As a result, the Board was unaware that the Treasurer had not closed out four bank accounts with funds totaling \$14,378, which led to the Company incurring nearly \$500 in bank fees. Without complete and accurate financial records, the Board cannot properly monitor the Company's financial condition, which greatly diminishes its ability to have accountability over Company financial resources.

Furthermore, the Treasurer did not always deposit all Company receipts and cash advances in a timely manner. We reviewed deposits for fundraising and cash advances totaling \$9,720 and found that the Treasurer did not deposit fundraising proceeds totaling \$2,589 and a \$600 cash advance until six months after the event occurred. When receipts are not deposited in a timely manner, the Company has an increased risk that funds could be lost or stolen.

Comments of Company Officials

The results of our audit and recommendations have been discussed with Company officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as indicated in Appendix A, Company officials generally agreed with our findings and recommendations and indicated they would take corrective action. Appendix B includes our comments on issues raised in the Company's response letter.

Introduction

Background

The Jamison Road Fire Company, Inc. (Company) is a volunteer organization located in the Town of Elma (Town) in Erie County. The Company has 43 active volunteer members and provides fire protection services for approximately 3,100 Town residents. The Company operates in accordance with its bylaws, which stipulate that a Board of Directors (Board), consisting of the President, Chief and nine elected members, is responsible for the Company's overall financial management.

The President is the Company's chief executive officer. The Board appoints a Treasurer who acts as the Company's chief fiscal officer. The Treasurer is responsible for several duties that include maintaining all of the Company's financial records, accounting for cash receipts and expenditures of Company funds, recording matters of information pertaining to the Company's financial condition, providing monthly financial reports to the membership and providing monthly and annual financial reports to the Board. Shortly after our audit fieldwork began, the Treasurer³ resigned on December 31, 2014. The Board appointed a new Treasurer on January 1, 2015. Our audit testing focused on the period prior to the former Treasurer's resignation.

The Company also has a Financial Secretary, who is elected by the Company's membership. The Financial Secretary is responsible for duties that include maintaining the accounts between the Company and its members; collecting all fees, dues and other sums owed or paid to the Company; and paying these cash receipts to the Treasurer within ten days after receiving them.

During 2014, the Company received \$231,000 from the Town for fire protection services. The Company also receives money from fundraising and other miscellaneous activities. The Company's budget totaled \$235,000 for the March 1, 2014 through February 28, 2015 fiscal year.

The Company was defrauded by more than \$150,000 approximately ten years ago by a different former Treasurer and his spouse.

Objective

The objective of our audit was to examine the Company's internal controls over its financial operations. Our audit addressed the following related question:

³ For the purposes of this report, "Treasurer" refers to the former Treasurer unless indicated otherwise.

- Did the Board provide adequate oversight of the Company's financial operations?

**Scope and
Methodology**

We examined the Company's internal controls over its financial operations for the period March 1, 2013 through February 5, 2015.⁴ We extended our audit period back to August 2012 to review bank fees incurred on the Company's bank accounts.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

**Comments of
Company Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Company officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as indicated in Appendix A, Company officials generally agreed with our findings and recommendations and indicated they would take corrective action. Appendix B includes our comments on issues raised in the Company's response letter.

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 in the Company Secretary's office.

⁴ Our testing focused on the period March 1, 2013 through September 2014.

Financial Operations

Good internal controls help ensure that financial activity is properly recorded and reported, and appropriate Board oversight of financial operations can help safeguard Company money. Detailed documentation of all transactions, proper authorization of expenses and timely deposit of cash are essential in accounting for Company money.

The Board generally did not provide adequate oversight of Company financial activities to ensure that the Company's resources are safeguarded. The Treasurer did not obtain Board and membership approval for all bills before paying them and did not retain adequate supporting documentation to demonstrate that all purchases were for valid Company purposes. Also, the Treasurer's records were incomplete and inaccurate, and he did not always deposit all Company receipts and cash advances in a timely manner. Furthermore, the Treasurer's monthly reports did not provide sufficient information for the Board to adequately monitor the Company's operations and financial condition.

Board Oversight

To fulfill the Board's financial management duties, it is essential that the Board establish a system of internal controls. Effective internal controls consist of policies and procedures that help ensure the Board authorizes all transactions and the Treasurer properly records them, the Treasurer creates accurate and reliable financial reports and files them in a timely manner and the Company complies with its bylaws and other applicable laws, rules and regulations. The bylaws require the Board to obtain an audit of the Company's records by an independent public accountant once every five years. The bylaws also require that the Treasurer's records be reviewed by the Board annually.

Despite the Company being defrauded by more than \$150,000 approximately ten years ago by a former Treasurer and his spouse, the Board and membership have not taken steps to provide adequate guidance for and oversight of those who maintain the Company's finances. There was no evidence that more than \$135,150 in payments were authorized by the Board and the Company's membership or had adequate supporting documentation to demonstrate that they were for valid Company purposes. Approximately \$47,350 in other payments also were not authorized by the Board before they were paid and an additional \$115,220 in other payments had no supporting documentation. We reviewed these payments with Company officials who determined that they appeared to be for legitimate Company

business. We also found that the Company overpaid its electric, heating and telephone utility providers by \$2,200 and made an overpayment to a grocery store totaling \$559. While the utility overpayments identified in our audit were credited on the next bill, it is particularly troubling that the Board was unaware of the overpayments as a portion of the previous fraud was the result of the couple paying their personal utility bills with Company funds.

The Board also did not ensure that the Treasurer deposited cash receipts within a timely manner, performed monthly bank reconciliations or submitted accurate monthly Treasurer's reports. Consequently, it was unaware that the Treasurer had not followed its directive to close four bank accounts, which caused these accounts to incur nearly \$500 in bank fees.

Although the Board retained the services of a certified public accounting firm (firm) to perform an annual audit of the Treasurer's 2011 records and reports, this does not relieve the Board of its ongoing oversight responsibilities. The firm's management letter from this audit contained recommendations that would have addressed some of our findings had they been implemented. For example, the firm recommended that the Company closely review cash functions, such as cash deposits, disbursements and bank reconciliations, indicating that it is important the Board remain closely involved in oversight of the Company. The Board failed to take appropriate corrective action in response to the recommendations in the management letter. Additionally, the Board did not perform an annual review of the Treasurer's 2013 records and reports. Had it reviewed the Treasurer's records on an annual basis, the bank fees could have raised questions for the Board.

Without a proper audit of bills and sufficient Board oversight, the Company has a significant risk that funds could be misspent or stolen.

Audit of Bills

The bylaws require bills to be submitted to the Board and membership for approval and the Treasurer must pay them after they are approved. The Treasurer pays the Company's bills by check, debit card or electronically (online). During the audit of bills, the Board should determine whether each bill has adequate supporting documentation, such as receipts and invoices, to demonstrate whether it is a legitimate Company expense. In addition, the Company should have a comprehensive cash disbursement policy that addresses the specific circumstances for debit card use and online payments. This would include a description of the authorized person, the type of prior approval needed, purchase dollar limits, types of expenses for which they may be used and the supporting documentation that must be retained to demonstrate that the payments are for a legitimate Company expense. The policy should also include procedures for monitoring

debit card use and online payments to assess the reasonableness of the nature and number of charges and for promoting accountability and responsibility by outlining the risks, such as liability for damage, loss or improper use.

We found that the Treasurer did not obtain Board and membership approval for all bills before paying them and did not retain adequate supporting documentation to demonstrate that all purchases were for valid Company purposes. Also, the Company did not have policies governing debit card use or online payments. The use of debit cards represents significant risks because, unlike credit card usage, for which a statement is received and the purchases can be examined, the Company may have no opportunity to determine the legitimacy of the expense before it is paid. If a Company official makes debit card or online purchases or payments without first obtaining Board approval for these purchases and neglects to retain supporting documentation to indicate the nature of the purchases, the Company has an increased risk that its funds could be used inappropriately.

We reviewed all 362 check, debit and online payments totaling \$546,674 that were more than \$100 and found that for 248 payments (69 percent) totaling \$297,729 the Treasurer did not obtain approval from the Board to make these payments, did not retain supporting documentation to demonstrate that these purchases were for valid Company purposes or both (Figure 1).

Figure 1: Analysis of Payments						
Method of Payment	No Approval or Documentation		No Documentation ^a		No Approval	
	Number	Amount	Number	Amount	Number	Amount
Check	60	\$108,844	90	\$114,860	12	\$35,993
Debit Card	28	\$12,079	1	\$362	5	\$1,846
Online Payment	29	\$14,232	0	\$0	23	\$9,513
Totals	117	\$135,155	91	\$115,222	40	\$47,352

^a After we completed our fieldwork, Company officials located supporting documentation for 33 payments totaling \$27,517 and provided it to us for our review. They told us that the Treasurer had not properly filed this information in the fire hall and, therefore, it was unavailable for review during our fieldwork.

Some of the more significant purchases included the following:

- The Treasurer paid \$9,061 to a gun supplier for the Company’s gun raffle but did not retain adequate supporting documentation to indicate that the entire purchase was for the fundraiser.
- Of five payments totaling \$31,307 made from the building fund in our sample, the Treasurer did not retain supporting documentation for four totaling \$27,559. Company officials told us these purchases were related to renovations for the fire hall’s kitchen due to water damage.

- The Treasurer did not retain supporting documentation for 14 debit card transactions totaling \$5,571 for special events initiated at restaurants, grocery stores and hotels. According to the Financial Secretary's record of authorized bills, the Treasurer did not present these debit charges to the Board for approval.⁵
- Although the January 2014 bank statement indicated that the Treasurer made a debit card purchase of \$2,430 from a home improvement store, Company officials could not provide us with supporting documentation to indicate the nature of the purchase. According to the Financial Secretary's record of authorized bills, the Treasurer did not present this debit charge to the Board for approval.⁶ Based on the timing of the purchase (January 14, 2014), Company officials thought this purchase was for the annual awards banquet.

Because the Board did not properly audit and approve all bills prior to payment, the Company has an increased risk that it could make inappropriate payments to ineligible parties for improper purchases and pay for services not rendered or goods not received. In addition, because the Treasurer was able to make debit card and online payments without oversight from the Board, the Company has an increased risk that its funds could be misappropriated.

Overpayments – During our review of the 362 payments, we found that the Company overpaid \$2,700 for electric utilities (\$2,000), groceries (\$500) and telephone services (\$200).⁷ The overpayment for the electric utilities was disconcerting because when the Company was previously defrauded, a portion of the fraud involved personal utility bills being paid with Company funds.

While reviewing utilities payments, we found twelve payments totaling \$7,344 where the Treasurer had made repeated payments within an unusually short time period.⁸ However, because the Treasurer did not retain any statements or other documentation, we were unable to confirm that they were, in fact, for fire hall utilities and not payments for utilities at the Treasurer's personal residence.

⁵ The Financial Secretary's records contain the initial approval from the membership for bills to be paid. As such, we were able to compare these records to the Treasurer's records that reflected the actual bill payment activity, including check numbers and amounts for each bill to be paid.

⁶ Ibid.

⁷ The grocery store applied the overpayment to a credit balance on the Company's account with the store.

⁸ For example, two payments were initiated during the same month.

We asked the President to obtain additional information from the respective businesses, which he provided after the end of our audit fieldwork. The President provided us with information regarding a \$1,075 payment to a utility company, a \$200 payment to the telephone service company and a \$500 payment to a grocery store account that demonstrated all were overpayments. In each case, the businesses issued refunds to the Company or applied credits to future purchases on the Company's accounts. The President also was able to obtain account statements relating to the remaining nine payments and all appeared to be reflected in the Company's account history.

Had the Board and membership properly reviewed and monitored the bills, they may have detected the overpayments made by the Treasurer. When overpayments are made to a vendor and future purchases applied to the Company's credit balance without its knowledge, a Company official could make purchases using the credit balance without the Board and membership being aware of or anticipating the transaction, which could lead to the misappropriation of these funds.

Treasurer's Records

The Treasurer should maintain complete and accurate records for all of the Company's financial activities. The bylaws require the Treasurer to maintain all financial records to account for receipts and expenditures of funds entrusted in his care. The bylaws also require the Treasurer to keep a copy of all records at the fire hall. In addition, the Treasurer is responsible for preparing bank reconciliations on a monthly basis.

We found that the Treasurer's records were incomplete and inaccurate. The Treasurer did not maintain adequate records of cash receipts and expenditures and did not retain supporting documentation to demonstrate that all payments and purchases were for valid Company purposes.⁹ In addition, the Treasurer did not retain all records at the fire hall, as required in the bylaws.

We prepared an inventory of all bank statements for our scope period and found that 72 of the 171 bank statements for the Company's nine bank accounts were missing. The Treasurer told us that he had misplaced some of the statements. Additionally, the Board did not ensure that the Treasurer obtained check images from the bank. Without check images of the payments that had cleared the bank, the Board would not have been able to monitor Company disbursements by verifying that the cleared checks corresponded to approved payments.

The Board also did not ensure that the Treasurer performed and retained monthly bank reconciliations. While some of the bank

⁹ Refer to the Audit of Bills section for further information.

statements had a check mark on them – according to the Treasurer this meant that he had performed a reconciliation for those statements – the Treasurer could not provide us with any actual bank reconciliations. The Treasurer told us that he prepared the reconciliations on the computer but could not print them out. When we asked to view the bank reconciliations on the computer, the Treasurer was not available to retrieve this information and the President did not have access to the Company’s computer records.¹⁰

Without complete and accurate financial records, the Board cannot properly monitor the Company’s financial condition, which greatly diminishes its ability to have accountability over Company financial resources.

Deposits

The Board should ensure that the Treasurer deposits cash receipts and advances in a timely manner. As a best practice, the Treasurer should deposit all cash receipts at least once per month.

The Treasurer did not always deposit Company receipts and cash advances in a timely manner. We reviewed the four largest fundraising events and the annual fund drive during this time period and all six cash advances totaling \$9,720 made payable to the Treasurer for these fundraising events for the period March 2013 through September 2014. We found that the Treasurer did not deposit proceeds from the March 2014 fish fry dinner totaling \$2,589 and a \$600 cash advance for the event until September 2014, which was six months after the event.

During our review of claims,¹¹ we identified a refund of approximately \$200 that was returned to the Company from a telephone company. Although the refund check was issued in August 2014, the Treasurer did not deposit the check until January 2015, five months later.

When receipts are not deposited in a timely manner, the Company has an increased risk that funds could be lost or stolen.

Monthly Reports

The bylaws require the Treasurer to prepare and present financial reports to the Board and membership on a monthly basis and provide all of the Treasurer’s records annually to the Board for its review. The Board is responsible for overseeing the Company’s fiscal activities and safeguarding its resources, which includes a monthly review of the Treasurer’s report and all of the Treasurer’s records, including bank statements and bank reconciliations to ensure that Company records agree with the reconciled bank statements. These reports

¹⁰ The President told us that the new Treasurer was in the process of obtaining access to the Company’s computer records.

¹¹ Refer to the Audit of Bills section for information on our sample selection.

are an important fiscal tool that provides the Board with information necessary to monitor Company operations and gives other interested parties a summary of the Company's financial activities.

The monthly Treasurer's report did not provide sufficient information for the Board to adequately monitor the Company's operations and financial condition, such as bank statements and reconciliations. They did not include bank statements and reconciliations and consisted only of the cash balances for each of the Company's bank accounts. We reviewed all 12 monthly Treasurer's reports that were available for our audit period and found that the Treasurer did not include \$14,378 in cash on those reports. These funds were being held in four bank accounts that the Board had directed the Treasurer to close, but the Treasurer had not done so.

Because the Treasurer did not close these accounts in a timely manner, the Company incurred nearly \$500 in bank fees since August 2012. The President told us he did not know that these accounts were still open. Because the Board receives all bank statements directly and opens them before giving them to the Treasurer, it should have been aware that the Treasurer had not closed these accounts. In addition, the Board did not require the Treasurer to provide it with documentation of the account closures, such as the account closure statements that the bank would have generated.

Had the Board provided adequate oversight of the Treasurer's work and the Company's financial documents, the Company could have avoided paying the bank fees and used the \$14,378 in a manner that would have benefitted the membership and taxpayers.

Recommendations

The Board and membership should:

1. Properly approve bills prior to payment as required by the bylaws.
2. Ensure that all bills have adequate supporting documentation to demonstrate they are valid Company expenses before approving them for payment.

The Board should:

3. Annually review the Treasurer's records as required by the bylaws.
4. Verify that disbursements by check, debit and online have adequate supporting documentation and proper approvals.

5. Develop and adopt comprehensive cash receipt and disbursement policies that include provisions for debit cards and online payments.
6. Ensure that the Treasurer recovers all outstanding overpayments.
7. Ensure that fundraiser cash advances and receipts are deposited in a timely manner by comparing receipts with bank deposits.
8. Monitor the Treasurer's records and reports to ensure the Treasurer's monthly and annual reports and monthly bank reconciliations are accurate.

The Treasurer should:

9. Pay bills only after the Board and the membership approves them.
10. Retain all original financial documents (including bank statements and invoices) at the fire hall.
11. Prepare and print monthly bank reconciliations and submit them to the Board with the monthly Treasurer's reports.
12. Deposit all cash receipts at least once per month.
13. Prepare accurate and complete Treasurer's reports that reflect all bank account activity.

APPENDIX A

RESPONSE FROM COMPANY OFFICIALS

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

Please note that the Company officials' response letter refers to page numbers that appear in the draft report. The page numbers have been changed during the formatting of this final report.

Jamison Road Volunteer Fire Company, Inc.

1071 Jamison Road • Elma, New York 14059 • (716) 652-6760 • Fax:(716) 652-6793

www.jamisonroadfire.com

Jamison Road Fire Company
James Geary, President
1071 Jamison Road
Elma, New York 14059
October 15, 2015

State Of New York
Office Of The State Comptroller
Attention: Jeffery Mazula
110 State Street
Albany, New York 12236

Mr Mazula,

The Jamison Road Fire Company Board of Director has reviewed the State Financial Audit of the Jamison Road Fire Company for the years of March 1 2013 to February 5 2015. The Board feels the investigation was thorough and informative. The Jamison Road Fire Company Board however disagrees with the comments on page 8 "Board Oversight", which states no corrective action was taken after the embezzlement approximately ten years ago. The board did make By-Law changes that included, two signatures on checks, monthly review of the bills and checks paid at general board meeting, and has had yearly audits performed by a private accredited firm. Additionally February 1, 2015 a new treasurer was appointed who met with [REDACTED] (the individual performing the audit) and made these additional changes. Changes include the following;

1. Each invoice or expenditure is approved by the general body
2. The cancelled check is attached to each invoice or expenditure
3. A expenditure, invoice summary is approved by the general body monthly
4. All bank statements are reconciled monthly and approve by the board of directors,
5. All deposits and deposit slips are included with the reconciled statements
6. Starting in October of 2015 the body made a motion to have a committee made up of the Financial Secretary, President, and Chairman of the Board that can approve and sign off on bills to be paid throughout the current month. This is per the recommendation of [REDACTED] who reviewed the draft audit with the current treasurer and myself in September 2015.

See
Note 1
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See
Note 2
Page 17

Jamison Road Volunteer Fire Company, Inc.

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recommendation of [REDACTED] who reviewed the draft audit with the current treasurer and myself in September 2015.

As you can see the Jamison Road Fire Company has made several changes prior to February 2015 as well as after and will continue to audit or financial processes and look for improvement opportunities.

The Jamison Road Fire Company requests that any official release of our audit to the public be accompanied by this response to your office.

Sincerely,

Jamison Road Fire Company
James Geary, President

APPENDIX B

OSC COMMENTS ON THE COMPANY'S RESPONSE

Note 1

While we recognize the Company implemented certain corrective actions after the prior embezzlement, we also determined that control deficiencies remained. We encourage the Board to continue to take action to improve oversight of the Company's financial operations.

Note 2

As of the end of our audit fieldwork, the most recently completed audit performed by a private firm was for the year 2011.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the Company's internal controls over its financial operations from March 1, 2013 through February 5, 2015. Our testing focused mainly on the period March 1, 2013 through September 30, 2014. We extended our audit period back to August 2012 to review bank fees incurred on the Company's bank accounts.

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

- We interviewed Company officials to gain an understanding of Company operations and determine the internal controls in place.
- We reviewed Company policies, bylaws, its CPA report, Board meeting minutes, financial records and reports and requested to review bank reconciliations performed by the Treasurer.
- We accounted for all bank accounts and bank statements for our audit period. We reviewed bank account activity for unusual transactions, withdrawals and active and closed accounts. Where there were multiple bank accounts, we tested interbank account activity.
- We compared disbursements with claim vouchers and supporting documentation for 362 disbursements totaling \$546,674. We chose to review all disbursements during our audit period that were more than \$100. We interviewed the President and Treasurer, as well as compared the Financial Secretary's list of authorized bills to disbursements, to determine if vouchers had Board approval and if disbursements were adequately supported and for proper Company expenses.
- We requested vendor statements where appropriate and compared Company payments to the vendor account history to determine if any disbursements were made for non-Company purchases.
- We reviewed transfers in all nine of the Company bank accounts to ensure they were made intact and in a timely manner and were properly supported to demonstrate they were for appropriate Company purposes.
- We compared cash balances on the Company's annual IRS 990 form to bank statements to ensure that all bank accounts were reported properly.
- We examined all six cash advances totaling \$9,720 made payable to the Treasurer to determine if they were properly approved, for legitimate fundraisers and subsequently deposited in a timely manner.
- We selected to review two of the Company's major fundraisers (the gun raffle and the annual fund drive) to determine if receipts were reasonable, compared to historical activity and if they were deposited intact and in a timely manner.

- We inquired with Company officials about other business interests and outside employment for Company officers and scanned disbursements to determine if there were any potential conflicts of interest.

We conducted this performance audit in accordance with GAGAS. 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.

APPENDIX D

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