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May 1, 2015

Danny Sowle, President
Members of the Board of Directors
Sir William Johnson Volunteer Fire Company, Inc.
102 County HWY 131
Johnstown, NY 12095

Report Number: 2015M-004

Dear President Sowle and Members of the Board of Directors:

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 Sir William Johnson Volunteer Fire Company, Inc. (Company) which addressed the following question:

- Are internal controls adequate to ensure that the Company's financial activity is recorded and reported accurately?

We discussed the findings and recommendations with Company officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. Company officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background and Methodology

The Company is a not-for-profit organization which was incorporated in 1951. The Company contracts with the Town of Johnstown (Town), which is located in Fulton County, to provide fire protection to a portion of the Town. During 2014, the Company received approximately \$79,000 from the Town for providing fire protection services and approximately \$20,000 from donations, member dues, rental fees and fees for filling swimming pools. The Company's 2014 budgeted expenses were approximately \$99,000.

The Company is governed by a seven member Board of Directors (Board) who are elected by Company members and are responsible for the Company's overall financial management. The Treasurer, who is elected by the members, is the Company's chief fiscal officer and is responsible for the receipt and custody of Company funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and all other reporting requirements.¹ The acting Treasurer was appointed by the Board in May 2014 after the former Treasurer resigned.

We examined the Company's financial operations for the period January 1, 2013 through September 30, 2014. We interviewed 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

Company officials are responsible for overseeing the Company's financial operations and safeguarding its resources. To fulfill this duty, it is essential that officials establish a system of internal controls which consist of policies and procedures that ensure transactions are properly recorded, financial reports are accurate and reliable and that the Company complies with its bylaws and other applicable laws, rules and regulations.

The Treasurer should maintain complete, accurate and up-to-date accounting records to provide Company officials with essential information to effectively manage the Company's fiscal affairs. Additionally, to ensure that cash is accurately accounted for, the Treasurer should prepare monthly bank reconciliations, and any discrepancies between the adjusted bank balances and cash balances contained in the accounting records should be promptly investigated and resolved. Finally, to help the Board monitor the Company's financial operations, the Treasurer should prepare and submit detailed monthly and annual financial reports that include all cash balances, revenues and expenses, along with the monthly reconciliations and bank statements.

Neither the former nor the acting Treasurer maintained accurate, complete and up-to-date accounting records. Additionally, neither Treasurer consistently performed monthly bank reconciliations or provided the Board with monthly and annual financial reports.

Accounting Records and Bank Reconciliations – Since May 2014, the acting Treasurer did not record revenues or expenses in the financial accounting system or report the Company's financial activity to the Board. We reviewed the Company's Statement of Net Assets, prepared by the acting Treasurer, as of December 31, 2013 and September 30, 2014 and the Statement of Activities for the periods January 1 through December 31, 2013 and January 1 through September 30, 2014 and found the following accounting record discrepancies:

- The former Treasurer did not record the Town's contractual payment of \$79,000 that was received and deposited into the Company's bank account in March 2014.

¹ Other reporting requirements include preparing and filing the Company's foreign fire insurance tax report and completing and issuing IRS Form-1099s to applicable vendors.

- The Company's accounting records did not include cash balances or revenues deposited totaling \$34,981 for a checking account opened in May 2014. These deposits were comprised of money received for filling swimming pools, donations and various fund-raising events.

We also reviewed 20 disbursements² totaling \$11,134. We found that six of these disbursements, totaling \$4,534, were not recorded in the accounting records. For example, these unrecorded disbursements included one payment totaling \$2,385 for firefighters' physicals.

Furthermore, the former and acting Treasurers did not consistently prepare monthly bank reconciliations. When the Company's 2014 independent audit was performed, the independent auditor assisted the acting Treasurer with updating the records. During this time, the acting Treasurer completed bank reconciliations for January and February 2013 and March through August 2014 for one Company checking account. However, the acting Treasurer did not perform any bank reconciliations for the Company's other five bank accounts.

We reviewed the bank reconciliations the acting Treasurer prepared for these months and found that, although the reconciled bank balances agreed with the check register balances, these balances did not agree with the cash balances recorded in the accounting records. Additionally, the acting Treasurer did not submit any bank statements or bank reconciliations she prepared to the Board. The acting Treasurer told us she was unaware of the need and benefit of preparing bank reconciliations.

The lack of accurate accounting records prevents the Board and Company officials from having a clear picture of the Company's financial operations. Furthermore, because cash can easily be misappropriated and accurate cash balances are not maintained in the accounting records, along with bank reconciliations and bank statements not being presented to the Board, there is a risk that errors or irregularities could occur and remain undetected.

Financial Reports – The Company's bylaws require the Treasurer to report all receipts and expenses for the month at every monthly meeting. However, the former and the acting Treasurers did not provide a report of the Company's revenues, expenses and cash balances to the Board at the regular monthly meetings. While the Board requested the former Treasurer to present monthly financial reports, it did not request the acting Treasurer to present any such reports during the audit period. In addition, the former Treasurer did not prepare annual financial reports.

The lack of monthly and annual financial reports prevents Company officials and other interested parties from knowing whether revenues are sufficient to sustain operations, how much is being spent on Company operations and whether cash balances appear reasonable based on the funds received and spent. Furthermore, the Board's ability to identify questionable transactions, errors or other irregularities in a timely manner is inhibited.

² A random number generator was used to select our sample from the 328 disbursements checks totaling \$164,001 issued during our audit period.

Recommendations

The Treasurer should:

1. Maintain accurate, complete and up-to-date accounting records that include cash balances and an accounting for all revenues and expenses.
2. Perform monthly bank reconciliations in a timely manner for all Company bank accounts and ensure the adjusted bank balances agree with the related check register and the cash balances recorded in the accounting records. The reconciliations and bank statements should be presented to Board on a monthly basis.
3. Prepare and submit written monthly and annual financial reports to the Board as required by the bylaws that contain a detailed accounting of the Company's revenues and expenses and all cash balances.

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 Sir William Johnson Volunteer Fire Company, Inc. 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.



SIR WILLIAM JOHNSON VOLUNTEER FIRE CO. INC.

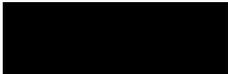
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Johnstown, NY 12095

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Monday, April 27, 2015



NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

To: 

We, the Board of Directors of the Sir William Johnson Volunteer Fire Company, are in receipt of your draft audit report and are in agreement with it's findings. We knew there were issues with our accounting practices and procedures.

The Board of Directors contacted the State Comptroller's office requesting this audit voluntarily. The Board of Directors are aware the books were not completely up to date at the time of the audit as our fire company CPA was still working on his audit of our books. The Board of Directors and President will be working on a Corrective Action Plan and will get that plan to your office as soon as completed.

Sincerely,

Danny So~~w~~le