

Lake Pleasant Volunteer Fire Department, Inc.

Financial Activities

DECEMBER 2019



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

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Report Highlights

Lake Pleasant Volunteer Fire Department, Inc.

Audit Objective

Determine whether Department officials provided adequate oversight of operations to ensure financial activity was properly reported and money was safeguarded.

Key Findings

- The Treasurer did not provide sufficient oversight of the bookkeeper hired to account for the Department's financial transactions.
- Forty-four credit card charges totaling \$5,087 were paid without sufficient supporting documentation.
- Thirty-five check collections totaling \$26,751 were not deposited in a timely manner.
- The Department's audit committee did not audit the Treasurer's records as required in the bylaws.

Key Recommendations

- Perform all of the Treasurer's duties as required by the bylaws and review the bookkeeper's work.
- Ensure all disbursements have the President's prior authorization and are adequately supported.
- Adopt procedures to ensure that collections are documented, safeguarded and deposited in a timely manner.
- Review the Treasurer's books and records as required.

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

Background

The Lake Pleasant Volunteer Fire Department, Inc. (Department) is a not-for-profit organization which contracts to provide fire protection services to the Town of Lake Pleasant outside the Village of Speculator in Hamilton County.

The Department is governed by its adopted bylaws. The Executive Board (Board), composed of a member-elected President, Vice-President, Secretary, Treasurer, Chief and one Trustee, is responsible for all business functions and upholding and enforcing the bylaws.

The Treasurer is the chief fiscal officer and responsible for receiving, disbursing and accounting for funds, preparing financial reports and meeting other reporting requirements. The Board contracts for bookkeeping and accounting services.

Quick Facts

2018 Revenue	\$180,114
2018 Expenses	\$175,597
Active Members	24

Audit Period

January 1, 2017 - March 31, 2019

Financial Activities

The Department's primary sources of revenue are from a contract with the Town of Lake Pleasant to provide fire protection services, grants, donations and foreign fire insurance.¹

How Can Department Officials Provide Effective Financial Oversight?

To effectively manage operations, good management practices require a board to establish policies, procedures and clearly-defined bylaws to ensure that transactions are properly recorded, collections and disbursements are adequately accounted for and bills are approved before payment.

The Department's bylaws require the President to approve all vouchers prior to the Treasurer paying them. The President is also required to approve any withdrawals² from the Department's bank account prior to the Treasurer making them. The bylaws also require the Treasurer to keep a correct account of all cash collections and disbursements and to deposit all money received and belonging to the Department within three days of receipt. The Treasurer is also required to provide a written report at each monthly meeting showing all amounts received and expended and present a year-end financial statement. Prior to the annual meeting, the Department's audit committee³ (committee) is required to examine the Treasurer's accounts and present a report on its examination of the Treasurer's records at the annual meeting. The committee's report must include a written certification of the Department's financial records and bank balances.

Although the bylaws allow the Board to contract for bookkeeping and accounting services, the Treasurer is the chief fiscal officer and should review the bookkeeper's⁴ work to ensure disbursements and collections are accurately recorded in the accounting records. The Treasurer should verify the accuracy of the cash balances, revenues and expenses on the financial reports the bookkeeper prepares. In addition, the Treasurer should ensure disbursements are supported with adequate documentation and that all collections are supported and have been deposited intact and in a timely manner.

1 Foreign fire insurance funds represent a tax on the premium paid on insurance policies. The law entitles fire companies or departments protecting an eligible area to receive an appropriate share of the tax collected on insurance policies written by foreign or alien insurers on policies within their area of protection.

2 Withdrawals include electronic payments for the monthly credit card bill.

3 The audit committee is comprised of the three Department Trustees.

4 The bylaws allow the Board to contract for office manager/bookkeeping, accounting and legal services.

The Treasurer Did Not Sufficiently Perform His Duties or Oversee the Bookkeeper's Work

The Department hired a bookkeeper to maintain the accounting records. However, Department officials did not clearly define the responsibilities for this position.⁵ The Treasurer did not perform his duties as required by the bylaws⁶ and instead delegated his responsibilities to the bookkeeper. For example, the bookkeeper was responsible for depositing most of the Department collections into the bank and authorizing all Department disbursements. The Treasurer did not adequately review the bookkeeper's work to ensure that all money collected and disbursed was accurately recorded in the accounting records. In addition, he did not ensure the checks given to the bookkeeper were deposited intact and in a timely manner. He also did not review disbursements to determine whether each payment was adequately supported and for a valid purpose. For example, the Treasurer did not review the bank statements and canceled check images and compare them to the records to verify whether collections and disbursements were recorded accurately in the accounting records.

The Treasurer received monthly reports from the bookkeeper that included the monthly collections, disbursements and cash balances.⁷ However, he did not prepare, nor did he require the bookkeeper to prepare, monthly bank reconciliations. He also did not require the bookkeeper to provide him with the bank statements and canceled check images to review. The Treasurer also allowed the bookkeeper to sign Department checks⁸ and would occasionally pre-sign blank Department checks as the second signature, allowing the bookkeeper to process checks without his review.⁹

We reviewed the accounting records and monthly reports.¹⁰ Except for minor discrepancies, which we discussed with Department officials, we found collections and disbursements were accurately recorded and the cash balances on the monthly reports were accurate.

5 Services performed by a bookkeeper generally include recording collections and disbursements in the accounting records, reconciling bank accounts and maintaining a running balance of the cash accounts.

6 The bylaws require the Treasurer to keep a correct account of all cash collections and disbursements, deposit all money received and belonging to the Department, pay all disbursements, and provide a written report at each monthly meeting showing all amounts received and expended.

7 Balances include one checking account, two savings accounts, one certificate of deposit and two investment accounts.

8 The bylaws only allow the Treasurer, President and Vice President to sign Department checks. However, Department officials allowed the bookkeeper to sign Department checks.

9 The bylaws did not require dual signatures on checks. However, Department officials implemented this practice.

10 We reviewed 12 months including five months in 2017 (January, April, June, August and November), five months in 2018 (April, May, October, November and December) and two months in 2019 (February and March).

Because the Treasurer failed to perform his duties and oversee the bookkeeper, there is an increased risk that collections could be lost or misused, inappropriate payments could be made and errors could occur in the accounting records and not be detected and corrected in a timely manner.

Disbursements Were Made Without Adequate Support and Authorization

Department officials did not establish adequate controls over disbursements. Although the bylaws require the President to approve bills prior to payment, the Treasurer and bookkeeper paid bills that the President had not approved. Additionally, although the President approved some of the bills for payment, the Treasurer did not ensure the bookkeeper always provided sufficient documentation, and the President did not request any documentation, for some of the proposed disbursements.

The Department made 314 disbursements totaling \$730,649 during our audit period. We selected and reviewed 120 check disbursements totaling \$362,302. Except for minor discrepancies, which we discussed with Department officials, we found the disbursements were accurately recorded in the accounting records. We also reviewed all 27 credit card payments totaling \$16,937 during our audit period. We found that 44 credit card charges totaling \$5,087 (30 percent) were paid without receipts to support the purchases were for a valid purpose. We found five credit card payments totaling \$3,422 were never approved by the President as required by the bylaws. The Treasurer and bookkeeper told us they paid the bills without approval so they could pay them in a timely manner. In addition, if the Treasurer had reviewed the bookkeeper's disbursements, he would have been aware that disbursements were not adequately supported. While it is important to pay credit card bills promptly to avoid fees and interest costs, it is also important for the purchases to be supported by receipts and to be reviewed for appropriateness prior to payment.

We reviewed the six unsupported check disbursements and 44 unsupported credit card charges to determine whether they were for a valid Department purpose. When able, we traced the purchased goods listed on the claims and credit card statements to the actual items located at the Department, discussed them with the Treasurer, bookkeeper and Chief, and reviewed the meeting minutes and vendor websites to determine whether all payments were for an appropriate purpose. For example, we verified the purchases of two laptop computers totaling \$1,103, membership to a wholesale club for all Department members totaling \$775, fire apparatus totaling \$606, and a sump pump totaling \$389 were for valid purposes.

The President authorizing disbursements without sufficient documentation and the Treasurer and bookkeeper paying bills not authorized by the President increased the risk that money could have been spent for inappropriate purposes. Although it is important for Department officials to address this control weakness, our audit did not find any inappropriate payments in the sample we tested.

Collections Were Not Adequately Supported

Collections were not adequately supported to allow us to determine whether they were deposited. The Department did not maintain any records of the money collected at its two fundraisers (annual pancake breakfast and picnic).¹¹ At the end of these events, the Treasurer and a member count the money and the Treasurer deposits the money into the bank. The Treasurer did not prepare a count sheet to support the amount of money collected at these events, and the Department did not use controls – such as a profit and loss statement presenting total revenue and expenditures for each of these events. As a result, we were not able to determine whether all money collected was deposited into the bank.

With the information available, we reviewed all 77 collections totaling \$750,046¹² made during our scope period to determine whether collections were deposited timely,¹³ intact (in the same form and amount as collected) and accurately recorded in the accounting records. We reviewed all 66 check collections for non-fundraising events totaling \$743,313 by comparing the check date¹⁴ to bank deposit date to determine whether the checks were deposited within the timeframe established by the bylaws. We found 35 checks totaling \$26,751 (53 percent) were not deposited timely.¹⁵ These checks were deposited 11 to 85 days after the date of the check. For example, the June 26, 2017 deposit totaling \$2,700 included two checks dated May 10 and June 6, 2017. We found that, aside from minor discrepancies which we discussed with the Treasurer and bookkeeper, all checks received in the mail were deposited intact and accurately recorded in the accounting records. Although the Treasurer was aware the bylaws require collections to be deposited within three days of receipt, he did not ensure the bookkeeper made timely deposits, and he did not make the deposits himself to ensure they were made in a timely manner. The bookkeeper told us she made

11 There is no set fee for these events. It is based on a donation only basis. During the event, the money is placed in a jar, and it is monitored by one Department member.

12 The receipts included Town contract \$397,500 (53 percent), grants \$306,000 (41 percent), fundraisers/donations \$27,935 (4 percent), insurance refunds \$5,643 (1 percent), foreign fire insurance \$8,647 (1 percent) and sales of vehicles of \$4,320 (1 percent).

13 Department bylaws require collections to be deposited within three business days of receipt.

14 Check dates were determined by the copies of the checks maintained by the bookkeeper.

15 We allowed a 10-day lag in the three-day deposit requirement because checks were received in the mail.

deposits late because she was not notified in a timely manner that checks were received by the Treasurer or the member responsible for picking up the mail.

We also reviewed all 11 deposits totaling \$6,682 (of this \$3,838 were in cash) for the fundraising events during our audit period by comparing the date of the events to the bank deposit dates to determine whether deposits were made in a timely manner. We found these deposits were made timely and accurately recorded in the accounting records. However, since there were no records maintained for these events, we could not determine whether they were deposited intact and in their entirety. The Treasurer stated that since the fundraising event fees were based on donations and counted by one member and himself, the Department did not maintain records of the money collected at the events.

The Treasurer and the Board did not provide adequate oversight over the Department's collections and ensure money was deposited as required in the bylaws. As a result, there is an increased risk that collections could be lost or misused and not be detected in a timely manner.

The Audit Committee Did Not Review Financial Records and Reports

The audit committee did not annually audit the Treasurer's financial records for the 2017 and 2018 fiscal years as required. The Department hires an independent accountant to prepare annual IRS forms. However, the accountant does not prepare or audit the Department's financial records to satisfy the audit requirements of the bylaws.¹⁶ Board members were aware the Treasurer's records were required to be audited by the committee on an annual basis and never completed one. The Treasurer told us that the 2017 records were reviewed by a Trustee in December 2017. However, there is no written report of this review as required in the bylaws and it was not documented as being completed in the Department's meeting minutes. Additionally, a single Trustee's review does not meet the requirement for the entire committee to audit the records.

Without providing proper Board oversight and reviewing the Treasurer's records, there is an increased risk financial information could be inaccurately reported and that all collections and disbursements may not be properly accounted for.

What Do We Recommend?

The Treasurer should:

1. Perform his duties as required by the bylaws and review the bookkeeper's work to ensure collections and disbursements are accounted for and recorded accurately in the accounting records.

¹⁶ The Department filed a Federal Form 990 with the IRS in both 2017 and 2018, which was completed by an independent accountant.

The President should:

2. Review all proposed disbursements to be sure they are supported and for appropriate Department purposes prior to approving them.

The Board should:

3. Ensure that all disbursements have prior authorization from the President and are adequately supported.
4. Adopt procedures to ensure that collections are documented, safeguarded and deposited within three days of receipt as required by the bylaws.
5. Ensure the audit committee reviews the Treasurer's books and records or provide for such a review, as required.

Appendix A: Response From Department Officials

Lake Pleasant Volunteer Fire Department Inc.

114 South Shore Road
P.O. Box 545
Lake Pleasant,
New York, 12108



Telephone 518-548-3760
Emergency Telephone:
911 or 518-548-6603
TDD 1-800-662-1220

11/05/2019

Jeffrey P. Leonard, Chief Examiner
One Broad Street Plaza
Glens Falls, NY 12801-4396

To Jeffrey P. Leonard, Chief Examiner:

Please be advised that this letter will serve as our response as well as corrective action plan concerning the recent audit of the Lake Pleasant Volunteer Fire Department, Inc.

Concerning Recommendation Number 1 –

The Treasurer should:

Perform his duties as required by the bylaws and review the bookkeeper's work to ensure collections and disbursements are accounted for and recorded accurately in the accounting records.

The Treasurer's position in a small fire department is not one that many aspire to. Normal duties of a treasurer also include grant writing, loan applications, contacts and letters to our representatives for the possibility of support and dealing with federal government requirements. Most recently I was involved in grant/loan applications through the USDA in order to replace a thirty year old fire truck and to purchase new turn out gear. This and all of the duties listed above take a great deal of time. This is also a person who volunteered to be a firefighter 100% of the time. I have held the position of Treasurer for almost 40 years and during that time have had more and more added to what at one time was a relatively manageable position. As time has gone on help in any form was welcomed and utilized as much as possible. Certain tasks have been delegated in order to lighten the load and now I realize that those tasks that someone else performed need to be brought back to the Treasurer's office in order to adhere to the bylaws as written. I do however appreciate the third paragraph in this section that states as follows:

We reviewed the accounting records and monthly reports.¹⁰ Except for minor discrepancies, which we discussed with Department officials, we found collections and disbursements were accurately recorded and the cash balances on the monthly reports were accurate.

In order to correct the procedural problems identified we have changed or are planning changes in the following:

1-A job description for the Bookkeeper is being written clearly defining the responsibilities for the position.

2-At this time all mail is collected by the Treasurer and dispersed to the appropriate officers. Any donations, checks of any nature or contract payments from the town are documented, dated, signed by the Treasurer and deposited by the Treasurer within the three day window. Copies of the checks and deposit slips are then given to the Bookkeeper for her books.

3-At this time all bills come to the Treasurer who reviews the bills and indicates the area of the budget that is affected. All bills are dated as to the date received, reviewed and then signed by the Treasurer. At the monthly meeting the President reviews the bills and asks any questions that he might have and if satisfied signs and dates the bill for payment.

4-The Treasurer now receives all mail so the bank statements again are reviewed and signed by the Treasurer before going to the book keeper. The Treasurer has also created an online account with the bank that allows the current monitoring of all transactions.

5-Checks are now signed by the Treasurer and a former Administrative Officer. The Bookkeeper will no longer sign checks.

The department feels that these procedures will tighten up our operations and to the best of our ability eliminate the increased risk pointed out to us.

Concerning Recommendation Number 2 –

The President should:

Review all proposed disbursements to be sure they are supported and for appropriate department purposes prior to approving them.

Again, it is important to note that as written in the report, **“Except for minor discrepancies, which we discussed with Department officials, we found the disbursements were accurately recorded in the accounting records.”** With that said we do realize that our procedures need to be tightened up. We have implemented the following:

1-All bills are now coming directly to the Treasurer for review, date and signature. At the regular meeting or special meeting if necessary the bills are reviewed and approved by date and signature of the President. All Credit card purchases must be approved by the President for payment and a copy of the estimate for the proposed expenditure is approved by the President before the purchase is made. A copy of the receipt is then delivered to the Treasurer for the monthly report and the credit card purchase is again approved and signed by the President.

2- Utility bills (Electric and Phone) that usually appear just after our monthly meeting have been approved to be paid when they arrive by the membership. The Treasurer takes the bills to the President for approval and signature then pays those bills to avoid late charges.

Again, the department feels that these procedures will address problems in our operations and to the best of our ability eliminate the increased risk pointed out to us.

Concerning Recommendation Number 3 –

The Board should:

Ensure that all disbursements have prior authorization from the President and are adequately supported.

1- The board has been made aware of new procedures and in particular procedures relative to credit card purchases. A credit card policy will be created and made a part of the Constitution/Bylaws. Other procedures to ensure proper authorization from the President and adequate support for all disbursements are documented in Recommendation Number 2, above.

Concerning Recommendation Number 4 –

Adopt procedures to ensure that collections are documented, safeguarded and deposited within three days of receipt as required by the bylaws.

1-At this time all mail is collected by the Treasurer and dispersed to the appropriate officers. Any donations, checks of any nature or contract payments from the town are documented, dated, signed by the Treasurer and deposited by the Treasurer within the three day window. The department holds two free events for the public each year and donations are usually taken in at those events. In order to document donations and to compare them to expenditures for the event a profit and loss statement will be prepared by the Treasurer to adequately provide documentation of how much was taken in and deposited.

While it was pointed out that, **“We found that, aside from minor discrepancies which we discussed with the Treasurer and bookkeeper, all checks received in the mail were deposited intact and accurately recorded in the accounting records,”** we also understand that, **“there is an increased risk that collections could be lost or misused and not be detected in a timely manner.”** We believe our new procedures will limit this risk significantly.

Concerning Recommendation Number 5 –

Ensure the audit committee reviews the Treasurer's books and records or provide for such a review, as required.

1-The Treasurer has given a copy of the Booklet entitled, **Fiscal Oversight Responsibilities of the Governing Board**, provided by the auditor during the audit process. The applicable portions have been copied and given to the Trustees to study. The Treasurer and the Bookkeeper will meet with the Trustees to go over the check sheet and to help them understand what they are looking for when they review the fiscal accounts of the department as laid out in the, **General Record Keeping Requirements for Departments**. They will then review the fiscal records before the annual meeting in December using the check sheet provided in the booklet.

As you can see, many of the concerns have already been addressed and those that have not we are working on. We also believe that all of these should be completed by the first of the year. If there are any questions that need to be addressed please contact the department.

Sincerely,

Andrew Weaver
President

Ernest D. Virgil, Treasurer
Lake Pleasant Volunteer Fire Dept, Inc.

Lake Pleasant Volunteer Fire Department, Inc. is a 501(c)(3) Tax Exempt, Non-Profit Corporation. This is an Equal Opportunity Program. Discrimination is prohibited by Federal Law. Complaints of discrimination may be filed with USDA, Director, Office of Civil Rights, Room 326-W, Whitten Bldg., 1400 Independence Ave., SW, Washington, DC, 20250-9410

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 Department officials and reviewed the bylaws to gain an understanding of financial procedures and processes.
- We reviewed the Treasurer's and bookkeeper's records, bank statements and other supporting documentation to determine the accuracy and reliability of the records and reports provided to the Board.
- We randomly selected 12 months and recalculated the cash balances reported on the monthly Treasurer's reports using the balances presented in the month-end bank/investment statements.
- We randomly selected 120 check disbursements totaling \$362,302 (out of a population of 265 check disbursements totaling \$637,905) to determine whether they were authorized for payment by the President, supported and for a valid Department purpose.
- We selected all credit card charges for our audit period totaling \$16,937 to determine whether they were authorized for payment by the President, supported and for a valid Department purpose.
- We reviewed all collections for our audit period to determine whether they were adequately safeguarded, deposited in a timely manner and reported to the Department in the monthly Treasurer's report.
- We compared the collections for our audit period and randomly selected disbursements to determine whether they were reported on the Treasurer's monthly report and in the accounting records.
- We reviewed the final financial report provided to the Department and Town for 2017 and 2018.
- We performed inquiries of Department officials to determine whether they complied with the bylaw requirement for the annual audit of the Treasurer's books and records.
- We documented that the Treasurer prepared and submitted the 2017 foreign fire insurance funds activity with the Office of the State Comptroller.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the 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.

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.

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/pubs/cyber-security-guide.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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