

Schonowe Volunteer Fire Company, Inc.

Board Oversight

APRIL 2022



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

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Report Highlights

Schonowe Volunteer Fire Company, Inc.

Audit Objective

Determine whether the Schonowe Volunteer Fire Company, Inc. (Company) Board provided adequate oversight of financial operations.

Key Findings

The Board did not provide adequate oversight of financial operations. The Board did not develop financial procedures for collections and disbursements, periodically monitor the budget or ensure the constitution (bylaws) were followed. As a result, neither the Company nor we were able to confirm all money was recorded and deposited intact.

- 14 collections totaling \$8,956 lacked proper supporting documentation to determine whether they were deposited intact (i.e., in the same amount and form it is received).
- 15 disbursements totaling \$3,052 were not properly supported, audited or authorized before payment.
- The Board did not review monthly budget to actual reports or prepare an annual Directors' report to the membership, as required by the bylaws.

Key Recommendations

- Develop financial procedures to ensure all the bylaws are followed.
- Ensure all collections and disbursements are supported with appropriate documentation.
- Periodically monitor the budget and make any needed adjustments.

Company officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The Company is a not-for-profit organization that provides emergency fire protection within the affiliated Rotterdam Fire District No.7 in the Town of Rotterdam, Schenectady County.

The Company is composed of volunteer members (membership) and is governed by its adopted bylaws and a membership-elected four-member Board of Directors (Board): President, Vice President, Secretary and Treasurer. The Board is responsible for managing and overseeing the Company's financial activities and upholding and enforcing the bylaws. The Treasurer is responsible for maintaining custody of financial assets, disbursing, depositing, and accounting for the Company's financial operations, preparing and filing financial reports as well as other reporting requirements.

The Company's primary sources of revenue are fundraising activities, foreign fire insurance tax money and donations.

Quick Facts

Cash Balance as of June 30, 2021	\$57,949
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2021 Budget	\$15,130
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Active Members	38
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Audit Period

Collections	\$14,559
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Disbursements	\$10,865
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Audit Period

January 1, 2020 – June 30, 2021

Board Oversight

What Is Effective Board Oversight?

A board must establish a system of internal controls to ensure the bylaws and other policies and procedures provide effective oversight of financial activities, transactions are adequately supported and authorized, properly recorded in the accounting records and financial reports are accurate, reliable and filed in a timely manner.

A treasurer should keep adequate documentation of all money collected from fundraisers, donations and other sources. When no other adequate documentation to support collections exists, pre-numbered duplicate receipts should be issued for collections, and include the date received, payer name, amount, purpose and form of payment (e.g., cash or check). One copy of the duplicate receipt should be provided to the payer and the other copy should be retained as support for collections recorded in the accounting records.

To enhance accountability and security of collections, a treasurer should deposit money intact and in a timely manner.

The Company's bylaws require the Treasurer to pay all bills against the approved annual budget when submitted on a Company voucher. The Treasurer should ensure that charges for goods and services are correct prior to making payments. The Treasurer pays bills submitted for payment if they are within the available expenditure lines in the annual budget. Items or requests outside the scope of the approved budget must be authorized at a regular, annual or special meeting of the Company membership prior to payment. The President is required to enforce all bylaws, including the establishment of a voucher system and ensuring both the Treasurer's and the President's signatures are obtained before payments and bank withdrawals are made.

In addition, the bylaws require that the audit committee¹ examine all monthly bills to ensure vouchers and expense amounts are adequately supported and for appropriate purposes. This review should occur prior to payment to prevent questionable or inappropriate bills from being paid. The committee should also verify collections are deposited timely in the correct accounts and any discrepancies should be investigated and resolved.

To fulfill its monitoring responsibilities, the Board should compare actual expenditures to annual budget estimates throughout the year to ensure the Company stays within the established budget limits and adjust the budget when necessary. Any expenditures in excess of the approved budget are required to be approved by the Company's membership. In addition, the Treasurer is required

To enhance accountability and security of collections, a treasurer should deposit money intact and in a timely manner.

¹ The three-member audit committee is appointed by the President.

to provide a report at each monthly meeting showing monthly and year-to-date revenues and expenditures including the date, purpose, and payee for each expenditure and budget to actual comparisons.

Further, the Board is required to provide a Directors' report to the membership at the annual meeting, which provides details of the Company's assets, liabilities and fund balance and collections and disbursements for the previous year.

Collections Were Not Always Properly Supported

The Company held several fundraising activities such as boot drives and raffles, and received foreign fire insurance money, donations and dues throughout the year. The Treasurer performed the recording and depositing collection duties.

We reviewed all 48 collections for the audit period totaling \$14,559 to determine whether they were recorded properly, deposited timely and intact, and supported by duplicate receipts or other documentation. Collections included fundraising proceeds of \$9,263, donations of \$3,198, a foreign fire insurance payment of \$1,237 and other miscellaneous collections of \$861.

We found collections were deposited timely and 34 collections totaling \$5,603 were supported and deposited intact. However, because the Company did not issue receipts for collections or maintain other detailed supporting documentation, we were unable to determine whether the other 14 collections totaling \$8,956 were adequately accounted for and deposited or whether 14 collections totaling \$8,956 from fundraisers, donations and dues were deposited intact.

Without using duplicate receipts or maintaining some other adequate record to support all collections, Company officials are unable to determine whether all money collected is properly accounted for and deposited in full.

Disbursements Were Not Always Supported, Authorized or Audited Before Payment

We reviewed all 48 disbursements made during the audit period totaling \$10,865 to determine whether they were for appropriate purposes, recorded properly, supported, and reviewed and approved before payment. We found that all disbursements were for appropriate purposes and properly recorded.

The Company did not establish a voucher system, as required by the bylaws or provide any documentation to support the President's review or approval of the payments by the Treasurer. Therefore, we were unable to determine whether payments were reviewed and approved prior to disbursement. However, the President stated he reviews disbursements after payments are made.

... [W]e were unable to determine whether ... 14 collections totaling \$8,956... were deposited intact.

The audit committee performed a review of all disbursements verifying payments agreed to invoices, purchases were for an appropriate purpose and were included in the budget or prior approval was obtained. However, this review also occurred after the Treasurer made the payments.

Without review and approval of invoices and supporting documentation prior to disbursements being made, Company officials are unable to ensure payments were for appropriate purposes and properly supported. The Company did not have adequate internal controls in place for providing oversight of the Treasurer's disbursement duties. We found that 33 disbursements totaling \$7,814 were adequately supported. However, 15 disbursements totaling \$3,052 did not contain sufficient support. Of these 15 disbursements, 12 totaling \$2,623 were partially supported and three totaling \$429 were unsupported.

The partially supported disbursements were missing verification that the goods were received. All three unsupported disbursements lacked invoices for the following purchases: lodging (\$314), t-shirts (\$104) and a printer ink subscription (\$11). We determined all purchases were for appropriate purposes.

Neither the Board nor the President established a voucher system as required by the bylaws because they were not aware of the requirement. Additionally, there was no review or approval of invoices and supporting documents prior to disbursements being made. Neither the Board or the President were aware of the requirement to review and approve payments and therefore did not ensure payments were reviewed prior to disbursement. When payments are not reviewed or approved, the Board cannot ensure that all payments are for appropriate purposes and payments are for the correct amounts.

The Board Did Not Review Monthly Budget Reports or Provide an Annual Report to the Membership

The Treasurer prepared budget to actual reports that were updated periodically with the monthly revenues and expenses for each bank account. We reviewed these reports to determine whether they were accurate and reviewed by the Board. We also requested a copy of the required annual Directors' report, to determine if the report was provided to the membership.

Budget to Actual Reports – Although the Treasurer prepared a monthly budget to actual report, she did not provide the report to the Board. Furthermore, although the Board used this report to assist in preparing the budget for the next year, it did not review budget to actual information throughout the year.

When budget to actual reports are not reviewed by the Board, it decreases the Board's ability to determine if budget adjustments are necessary due to actual

revenues being less and/or actual expenditures exceeding budgeted amounts, and increases the risk the Company may expend more money than it collects.

Annual Directors' Report – The Board did not prepare an annual Directors' report to provide details of the Company's assets, liabilities, fund balance, collections and disbursements for the previous year. The President told us the Board did not prepare an annual report because it was unaware of this requirement.

Because the Board did not review monthly budget to actual reports or issue an annual Directors' report to the members, the Board did not provide adequate oversight of the Company's financial operations and the members were unable to adequately assess the Company's financial operations.

What Do We Recommend?

The Board should:

1. Develop and implement written financial procedures for collections, disbursements and budget monitoring.
2. Ensure duplicate receipts or some other form of adequate documentation is maintained to support all collections received by the Company.
3. Ensure all financial policies per the bylaws are followed, including the establishment of a voucher system that requires approval of the Treasurer and President for payments.
4. Provide the required annual Directors' report to the members at the annual meeting that details the Company's assets, liabilities, fund balance, collections and disbursements.
5. Review the monthly budget to actual reports and make adjustments to the annual budget, as needed.

The Treasurer should:

6. Ensure all collections and disbursements are supported with appropriate documentation.
7. Provide the monthly budget to actual reports to the Board.

The President should:

8. Review and approve disbursements before payments are made.

Appendix A: Response From Company Officials



Schonowe Volunteer Fire Co. Inc

Town of Rotterdam

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(518) 377- 0939 Fax (518) 377-0014 SchonoweCompany@gmail.com

March 20,2022

The following OSC audit recommendations have been addressed and modified to meet our bylaws and our standards.

- #1. Our procedures have been updated to ensure collections, disbursements and budget are monitored on a weekly basis by the board and audit committee.
- #2. We will make copies of all receipts and collections on any money movement.
- #3. We have created a voucher system to be used for approval by Treasurer and President for payments.
- #4. We do keep and we do share our company funds, collections and disbursements with members at each monthly meeting.
- #5. We are making sure to review and make the adjustments to the annual budget.
- #6. The new treasure is currently learning a new way to keep better documentation.
- #7. The treasurer will make monthly reports to the board.
- #8. The President will make sure any payments and disbursements will be approved for payment and sign off on them.

Michael L. Fratus

President

Schonowe Company

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 Company officers and members and reviewed bylaws and Board minutes to gain an understanding of Company's operations.
- During our audit period there were 48 collections totaling \$14,559. We reviewed all the collections to determine whether they were recorded properly, deposited timely and intact, supported and whether receipts were issued.
- During our audit period there were 48 disbursements totaling \$10,865. We reviewed all the disbursements to determine whether they were recorded properly, for appropriate use, supported, reviewed and approved before payments.
- We reviewed all the available Treasurer's reports for the audit period and compared the income and expenses from the report to the bank statements and supporting documentations to verify the accuracy of the report.
- We reviewed the budget to actual reports for accuracy and completeness.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it 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 the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/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/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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