

UNION CENTER FIRE COMPANY

BOARD MEETING

October 6, 2016

PRESENT: B. Dieffenbacher, W. Miga, K. Miga, J. Drotar, A. Fiacco, S. Hotalen, R. Chronister

NOT PRESENT: K. Battaglini, R. Bealo, C. Hoyt, K. Serowik, F. Trzcinski

We invited Scott Hotalen and Ryan Chronister from Vieira and Associates CPAs, P.C. to come and discuss our concerns regarding the audit results.

Record-keeping system: Wes mentioned that he does not think that this has been a problem since the new board members assumed responsibility. Scott and Ryan agreed with this. We will continue to be diligent about recording minutes for all board meetings and business meetings. It will also be documented if no meeting is held due to the lack of a quorum. Karen mentioned that all of the minutes are posted on our company website, so they are all in one place and are easily accessed.

Segregation of duties and internal controls: Wes was very concerned about a sentence in the audit report that says "During the audit we noted that, due to the limited number of staff, there is an overall lack of segregation of duties and therefore a lack of internal control within the company." Scott agreed that the sentence as written could be somewhat misleading; the segregation of duties is a PIECE of internal control and there are other parts. He went over the four functions of internal control: authorization of transactions, recording of transactions, custody of assets, and comparisons. The four functions should not be under the control of the same person. The way we are currently operating, Bill and Wes have control of both the authorization of transactions and the custody of assets, which is not an ideal situation for internal controls.

Scott said that this is a common problem with small volunteer companies; there are just not enough people to do all of the work. It would be fine if we document that we considered the issue and tried to figure out a solution, even if we are unable to do so. However, after a discussion we came up with the following solution to separate the authorization of transactions and custody of assets. Bill will sign the purchase orders and Wes will sign the checks (or vice versa), and this will allow us to have the separation of duties that the accountant recommended. In order to accomplish this, changes will be made to the purchase order reviews and check-signing procedures. The account owner must sign every purchase order, regardless of the dollar amount, but the person who signs the purchase order cannot be the person who signs the check. We will remove the requirement to have a second signature on checks. Currently two signatures are required on checks for \$1000 or more, but we will now only have one signature on the checks, as Scott said that two signatures on a check are usually done by organizations in which the check-signers do not have direct knowledge of the purchases. In our company, the signers usually have direct knowledge of the purchase and therefore two signatures are

unnecessary. We will invite the audit committee to the next board meeting to discuss this and vote on this.

Heavy reliance on Alices's bookkeeping skills: Scott recommended that we have an emergency succession policy (a board policy) in place in the event that the contracted bookkeeper becomes unavailable. Joe recommended that we start putting together an accounting policies and procedures manual that will allow someone to take over immediately in the event that Alice becomes unavailable. Alice agreed to start writing down everything she does and how to do it, which Joe will review. Bill expressed concerns that we do not have a copy of the master data set. Joe suggested that Alice make backup DVD copies and give them to Bill when he meets with her each week so that we always have a current copy of our accounts. Scott mentioned that the books and records should not be on Alice's personal computer. They should be on the company's computer, either remotely by server or by coming in and using the company's computer. We will look into alternatives for this.

Respectfully submitted,

Karen S. Miga