



Main-Transit Fire Department

Banquet Hall Disbursements And Collections

2024M-86 | January 2025

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Report Highlights

Main-Transit Fire Department

Audit Objective

Determine whether the Main-Transit Fire Department (Department) banquet manager (manager) made proper disbursements that were adequately supported, reported and recorded and properly deposited and reported collections.

Key Findings

The manager made proper and supported disbursements from January 1, 2022 through September 30, 2023. However, the manager's duties were not segregated, and he did not maintain prenumbered contracts, prenumbered receipts or another suitable record to demonstrate amounts of collections due to the Department. Without adequate documentation and controls, the Office of the State Comptroller's auditors and Department officials could not verify whether all the banquet hall rental revenues were accurately collected and deposited. The manager:

- Booked all rentals, collected and deposited all rental fees, issued refunds and disbursed funds for all rental hall purchases and operating expenses.
- Calculated his own compensation and prepared and signed his compensation checks without a Board member or Department official confirming the payment was supported and accurate.
- Never publicly disclosed his involvement with the banquet hall or this conflict of interest as required by New York State General Municipal Law (GML) Section 209-ee.

Recommendations

The audit report includes 10 recommendations that, if implemented, will improve the Department's disbursement and collection practices. Department officials disagreed with certain aspects of our findings and recommendations, but indicated they have initiated corrective action. Appendix B includes our comments on issues raised in the Department's response.

Audit Period

January 1, 2022 – April 30, 2024

Background

The Department is a not-for-profit organization that provides fire protection services to the Town of Amherst in Erie County.

The Department has volunteer members (members) and is governed by its bylaws and an elected seven-member Board. The Board consists of a President, Chief and five Directors. The Board also elects a Chairman of the Board (Chairman), who assists with the Board's administrative functions.

The Board is responsible for the Department's financial activities. The Board appointed a manager who reports to the Board and is responsible for the operations of the Department's banquet hall. The manager is a Board member and is compensated for managing the banquet hall.

The manager's duties included handling inquiries for banquet hall rentals; executing rental agreements; collecting, recording and depositing rental fees; issuing disbursements; and preparing and presenting annual banquet hall rental revenue and expense reports to the Board.

Quick Facts

Dates	Recorded Rental and Security Fees
1/1/22-12/31/22	\$104,327
1/1/23-9/30/23	\$90,909

Banquet Hall Disbursements and Collections

What Are Adequately Supported, Recorded, Deposited and Reported Collections and Proper Disbursements?

Disbursements should be supported by adequate documentation, such as itemized invoices or receipts detailing the goods or services provided. Support provided should include sufficient information that would allow Department officials to determine whether purchases were for proper Department banquet hall purposes.

According to the Department's bylaws, the Department's objective is to "protect life and property, prevent and extinguish fires, and mutually improve the moral and intellectual capabilities of its members." Proper Department activities and disbursements should align with this objective and be reasonable within the scope of a volunteer fire department. To accomplish this, the Board must provide appropriate oversight and monitoring, which includes auditing and approving all disbursements and establishing written policies and procedures.

GML Section 209-ee requires elected fire department (department) officials who have, will have, or later acquire, an interest in any actual or proposed contract with a fire company, of which he or she is a member, to publicly disclose the nature and extent of such interest in writing to the department's governing body, as soon as he or she has knowledge of such actual or prospective interest. This written disclosure shall be made part of, and set forth in, the official record of the department's proceedings.

To help ensure collection records are complete and accurate, department officials should issue prenumbered duplicate receipts for each banquet hall rental collection. One copy should be provided to the renter and one copy should be retained for audit purposes. Use of duplicate receipt forms provides an audit trail for money received when amounts collected cannot be confirmed by other records.

To further safeguard collections, officials should deposit collections in the same amount and manner or form (cash or check) as they were received (intact). Requiring deposits to be intact and using duplicate receipt forms also helps officials determine whether banquet hall collection records are complete and accurate and whether deposits are made intact.

The Department's bylaws state that "banquet facilities must be handled in conjunction with the Board of Directors. The management of the banquet facilities will be appointed by, and shall be responsible to, the Board of Directors." The Board can fulfill this responsibility by requiring the manager to periodically prepare comprehensive banquet hall rental collections and disbursements reports for the Board's review. Also, the Board can segregate the manager's banquet hall rental duties by designating other Board members to be responsible for certain banquet hall rental activities, or by assigning certain activities and financial duties to more than one Board member.

The Board Needs to Improve Controls Over Banquet Hall Rentals and Oversight of the Manager

The manager made properly supported disbursements through September 30, 2023. However, the manager did not issue prenumbered duplicate receipts for, or retain any other suitable record to confirm the amount of, banquet hall rental fees collected. As a result, without adequate documentation,

Department officials and Office of the State Comptroller auditors could not confirm that all rental fees earned were collected, recorded or deposited. In addition, the Board did not review the manager's compensation, or ensure that it had proper support, before the manager's compensation disbursements were made.

Disbursements – From January 1, 2022 through September 30, 2023,¹ the manager made 528 disbursements totaling \$210,249 from the banquet hall bank account. These disbursements included 526 checks totaling \$139,804 and two internal bank transfers totaling \$70,445. The Board approved the bank transfers, which moved funds from the banquet hall operating account to the Department's fundraising account.

The check disbursements were generally issued as payments to various vendors, individuals and businesses for banquet hall operating expenses, which included stipends paid to members for bartending, decorating and cleaning. Also, checks totaling \$30,511² were issued to the manager as compensation, and checks totaling \$34,975 were issued for banquet hall rental security deposit refunds.

With the exception of the manager's compensation, all disbursements had adequate supporting documentation, such as invoices from vendors and banquet hall rental contracts to support both banquet hall deposit refunds and labor stipends for members who worked during banquet hall events. Although the manager provided the Board with a list of banquet hall disbursements annually, the Board did not audit the disbursements and approved them for payment without reviewing supporting documentation. Without a proper audit or review of banquet hall disbursements, the Board cannot ensure that they were appropriate banquet hall or Department expenses.

For the period January 1, 2022 through September 30, 2023, the Department paid the manager compensation totaling \$29,291. The manager included his compensation payments on the list of banquet hall disbursements that he provided to the Board, which the Board approved. However, the manager calculated his own compensation and prepared and signed his own compensation checks without any other Board member or Department official reviewing or verifying his calculations to ensure they were accurate and supported.

The manager's compensation was calculated as 15 percent of total gross rental hall revenues and included the refundable security deposits paid by renters. Security deposits were forfeited only when renters damaged the property or when more than routine cleaning was required. Because security deposits were generally returned to renters after their events, the security deposits should not have been considered revenue.

1 Refer to Appendix C for further information on our sample selection.

2 This amount includes two payments totaling \$1,220 paid to the manager as compensation earned in November and December 2021 but not paid until 2022.

From January 1, 2022 through September 30, 2023, banquet hall rental fee collections totaled \$195,236, which included \$34,975 in security deposits. The manager calculated his compensation based on the gross revenue amount of \$195,236. However, when security deposits are excluded from the gross revenue (\$160,261), the manager's compensation would have been \$24,039, which is \$5,252 less than what he was paid.

When we discussed this calculation with the Chairman, Department audit committee chairperson (a Board member) and another Board member, they told us that the manager's compensation had always been calculated by including the security deposits. They also said that it was the Board's intent to include security deposits as revenues. However, security deposits are not revenues because they must be returned, unless they are retained to pay for damages caused by the renter. Also, two of seven Board members said they were unaware that the security deposits were refunded after the event.

In addition, the Board did not have a written agreement with the manager, or a detailed Board resolution or policy, that establishes the basis for compensating the manager in this manner. The Board adopted a resolution on January 10, 2022 to approve an increase of the manager's compensation to 15 percent of gross revenue for the year. However, "gross revenues" were not defined. Also, the resolution did not indicate that the Board authorized an increase to the manager's compensation every year after 2022. Without a written agreement or sufficiently detailed Board resolution, the Board's intentions regarding the manager's compensation were unclear and not transparent to the membership.

Furthermore, the manager attended the January 10, 2022 Board meeting, during which the Board discussed and approved the manager's compensation calculation. However, the meeting minutes do not indicate whether the manager recused himself from voting or disclosed his financial interest, as is required by GML 209-ee. The Chairman told us that the Department engaged an attorney who was assisting the Board with establishing a code of ethics, but the Board had not yet adopted a code of ethics. The Chairman also said that the manager did not disclose his interest in the contract because the Board was unaware of these statutory requirements.

Collections – We reviewed all 100 banquet hall rental contracts totaling \$84,836 for 2022, and a sample of 35 rentals contracts totaling \$34,762 for 2023, to determine whether the rental fees were accurately recorded, deposited and reported. However, the manager did not maintain suitable records to demonstrate that all funds due to the Department had been recorded, deposited and reported to the Board. Generally, rental fee collections were reported to the Board once a year.³ Although the manager typically prepared monthly banquet hall reports, the Board did not periodically review the reports. Instead, the Board conducted one annual review of all banquet hall financial activity.

The manager did not issue prenumbered duplicate receipts for collections or retain any other suitable record to confirm the amount of rental fees collected. Without adequate controls and records, we were unable to determine the accuracy of the amounts deposited and recorded. In addition, the manager did not prepare itemized deposit slips or another record that listed the payee, form of payment (check

³ We discussed minor discrepancies with officials.

or cash), check number and amount. Without this detailed information, the Board could not have easily traced amounts from individual rental contracts to deposit slips or bank statements or determine whether the manager deposited the money in the form in which it was originally received.

Segregation of Duties – While the Department’s bylaws state that the banquet hall facilities must be handled in conjunction with the Board, the Board was not properly involved with banquet hall operations and did not provide adequate oversight over the banquet hall’s financial activities. Specifically, the Board did not adopt a written policy and procedures that governed banquet hall operations, did not properly segregate the manager’s duties and did not adequately oversee his duties.

The manager had complete control over banquet hall rental activity without adequate oversight or the involvement of another official. The manager booked all rentals, collected and deposited all rental fees, reconciled bank statements, issued refunds and disbursed funds for all banquet hall rental needs and operating expenses.

The Board did not periodically receive banquet hall financial activities reports or audit banquet hall disbursements before they were paid. Also, the Board reviewed banquet hall financial activity only once a year using a summary of banquet hall disbursements and collections prepared by the manager. The Board did not request or review the manager’s collections records, supporting documentation for disbursements or any other records.

As a result, the Board cannot ensure that the manager completely and accurately recorded all collections or that the manager’s disbursements were proper banquet hall expenses. Allowing one individual to control key processes and procedures without compensating controls increases the risk that errors or misappropriations could occur and remain undetected.

What Do We Recommend?

The Board should:

1. Audit banquet hall disbursements and review supporting documentation.
2. Review the basis for the manager’s compensation calculation, clearly define “gross revenue” and document the Board’s intent regarding compensation in a written agreement or Board resolution.
3. Require the manager to publicly disclose his financial interest and recuse himself from any votes or formal action regarding his compensation.
4. Designate an appropriate official other than the manager to calculate the manager’s compensation and review the manager’s supporting documentation.
5. Adopt a code of ethics that complies with GML Section 209-ee, ensure all Board members disclose interests as required and document these disclosures in the Board’s meeting minutes.
6. Periodically review banquet hall financial reports and audit banquet hall financial activities.

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7. Adopt a written policy and procedures governing banquet hall operations and financial activities that segregate the duties of collecting and disbursing banquet hall funds and/or implement compensating controls, such as providing increased Board oversight and review of banquet hall financial transactions.
 8. Require the manager to issue prenumbered duplicate receipts for all collections and prepare itemized deposits slips.

The manager should:

9. Issue prenumbered duplicate receipts and prepare itemized deposit slips or another suitable record for all banquet hall rental collections.
10. Prepare monthly banquet hall rental activity reports and present them to the Board for review.

Appendix A: Response From Departments Officials



Main - Transit Fire Department, Inc.

SERVING AMHERST, NEW YORK SINCE 1936

Mailing Address • 6777 Main Street, Williamsville, NY 14221-5948 **Web Site** • WWW.MTFD.COM

Fire Station #1 • 6777 Main Street • Phone (716) 632-9710 • Fax (716) 632-8798

Fire Station #2 • 5560 Sheridan Drive • Phone (716) 632-1358

Office of the State Comptroller
Local Government and School Accountability
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

September 23, 2024

To whom it may concern,

Attached please find our response to the draft reports issued by the Office of the State Comptroller regarding their audit of our department, namely Main-Transit Fire Department located in Williamsville, New York. Please forward this to all parties within your group that should be informed of this response.

Respectfully,

Dave Bodkin, Treasurer
Main-Transit Fire Department



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To whom it may concern,

The Main-Transit Fire Department is a 100% volunteer organization and has been proudly serving the town of Amherst since 1936 in emergency medical, fire and motor vehicle rescue services. The Main-Transit Fire Department serves a district of approximately 5.2 square miles and works with many other neighboring departments when Mutual Aid is needed.

We expressly state this now to show the purpose of our organization, the make-up of our organization and nature of the benefits we provide to our community. We obtain funding through taxpayer dollars, with our annual subsidy from the local government. We also obtain financial backing with our fundraising activity performed by our members for special spending purposes, including purchasing additional emergency equipment to service our community, as well as providing the ability to care for the welfare of our members with social gatherings and activities.

As stated on their website, the Office of the State Comptroller's (OSC) audits often identify opportunities for improving operations and governance. They can also identify strategies to reduce costs and strengthen controls intended to safeguard assets. It is stated there that the OSC's goal is that every audit has a positive result and that audit findings and recommendations present local officials with the opportunity to take positive action and to document their efforts to improve operations.

We welcome this review and appreciate the State's effort to help us improve our financial operations and efficiencies. The difficulty in this with an organization like ours is based on the make-up of our membership. Most all members have a full-time job and a family, which requires a substantial time commitment. In addition we, as a public safety organization, require our members to commit a significant amount of time to training in order to operate safely in any emergency response zone. As a result, we have to prioritize our focus and seldom have time for an in-depth review such as is provided here to improve financial efficiencies and controls.

We agree with a majority of the improvements recommended by the OSC in their audit reports. In fact, as will be shown in our subsequent submission of a corrective action plan (CAP) as required by the State, a number of the recommendations were already in process prior to the commencement of the audit, or a corrective action development was started as soon as discussions with the auditors indicated an improvement could

be made. This can be seen in the Whistleblower and Credit Card policies that have been developed and will be included with the CAP submission.

We feel it's important to note, and we believe the OSC concurs, that no evidence of fraud or deliberate misuse of funds was found during this audit. The only recommendations are to improve controls to prevent the possible occurrence of these events.

See
Note 1
Page 10

Having said that we agree with a majority of the findings and recommendations of the OSC, we do feel strongly the need to point out our disagreement with the way some of the results are portrayed within the specific reports. The reports seem to overlook, as stated earlier, that we are an organization of full-time employees outside the organization, as well as full-time family members, who are looking to help our community. What we lack in internal control policies, we make up for in our training and rapid response time when a member (and usually a taxpaying member) of our community calls for help.

We can point out two items in particular. First, we are offended by the wording which seems to indicate that credit cards are used as a way to fund personal activities that "have an unclear Departmental purpose". For the most part, the unclear purpose is actually fundraising activities, service awards for members in recognition of their extraordinary efforts, and gifts to members and their families who are going through a life-changing event or illness. We do not use funds for the betterment of an individual member that is not within the definition of a "Departmental purpose".

See
Note 2
Page 10

See
Note 3
Page 10

Secondly, we are also offended by the strong wording (you could even say blame) being assigned to our banquet hall manager and the function he performs. The banquet hall is a substantial part of our fund-raising activities, and requires a significant amount of time and energy to oversee this function. The recommendations in this area can be read more as criticisms of the manager than as recommendations for improvement. The Department appreciates the efforts of one person who has stepped up consistently on behalf of the Department in this endeavor. The Board of Directors are implementing more internal controls to help protect the banquet hall manager and the Department as recommended by the OSC.

See
Note 4
Page 10

We appreciate the efforts being made by the OSC to help us become a stronger volunteer organization, and we hope these comments will be recognized and used in future efforts of the OSC with other volunteer fire organizations.

Peter Frank, Chairman of the Board
Main-Transit Fire Department
Williamsville, New York

Appendix B: OSC Comments on the Department's Response

Note 1

Our audit objective focused on whether the manager made proper disbursements that were adequately supported, reported and recorded and properly deposited and reported collections. The audit team assessed the risk of fraud occurring that is significant within the context of this audit objective, as required by generally accepted government auditing standards. Therefore, these audit results cannot be used to conclude there is no fraud, theft or professional misconduct in the Department's operations.

Note 2

Officials provided a singular response for two audit reports (2024M-77 – *Credit Cards* and 2024M-86 – *Banquet Hall Disbursements and Collections*).

Note 3

The Department did not have policies, procedures or other guidelines that identified the Board's intent regarding discretionary purchases of meals, entertainment or gifts, or circumstances under which these types of purchases would be appropriate.

Also, the Department did not establish dollar amounts for, or formally approve, these gifts to members and nonmembers, which totaled almost \$20,000. Without establishing specific dollar amounts for gifts, or formal Board-approval of the purchases, officials may be creating the appearance of favoritism or wasteful spending.

Note 4

The report properly places accountability on the Board for the Department's weak internal controls over the banquet hall's financial activity. As a result, eight of the report's 10 recommendations are directed to the Board, not the banquet hall manager.

Appendix C: 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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Department officials and members and reviewed the Department's bylaws to gain an understanding of the Department's banquet hall operations.
- We reviewed the Board's meeting minutes for resolutions relating to the manager's compensation, audits of banquet hall disbursements and reviews of banquet hall financial activities.
- We reviewed all 100 banquet hall rental contracts for 2022, and used our professional judgment to review 35 rental contracts from 2023. We determined that reviewing all rental contracts for 2023 would not lead to conclusions that would significantly change our findings. We chose to review these contracts because renters had paid in cash and renters were charged rent amounts that differed from standard rental amounts.
- We used our professional judgment to review 183 checks totaling \$73,485 to determine whether the disbursements were proper banquet hall and/or Department expenses and were adequately supported. The 183 checks represented 35 percent of all 528 banquet hall disbursements totaling \$210,249 made from January 1, 2022 through September 30, 2023. When we began our audit testing, this time period was the most recently completed quarter, which ended during September 2023. We chose to review the 183 checks because they were written for amounts that were round numbers and over \$400.
- We performed additional tests to determine whether all rental fees earned were collected, recorded and deposited, including:
 - Reviewing a manual banquet hall event calendar maintained by the manager and tracing 135 banquet hall bookings to their related rental contracts and from the collections for these rentals to the Department's bank account to determine whether collections from bookings were recorded and deposited.
 - Reviewing bank deposit compositions for January 1, 2022 through December 31, 2023 and tracing all deposited amounts from the rental contracts to the bank account to ensure that collections were deposited intact.
 - Reviewing banquet hall rental cancellations and calling renters to verify the cancellations.

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.

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. 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 D: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

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<https://www.osc.ny.gov/local-government>

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BUFFALO REGIONAL OFFICE – Melissa A. Myers, Chief of Municipal Audits

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