



Wallace Volunteer Fire Department, Inc.

Board Oversight

2024M-125 | March 2025

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Report Highlights

Wallace Volunteer Fire Department, Inc.

Audit Objective

Determine whether the Wallace Volunteer Fire Department, Inc. (Department) officers and members provided adequate financial oversight.

Key Findings

The Department officers (Officers) and members did not enforce the limited financial provisions outlined in the Department's constitution and bylaws (bylaws) or adopt adequate policies and procedures to provide effective financial oversight of Department operations. In addition:

- The membership did not follow their bylaws and elect a five-member Board of Directors or a financial secretary, and the President did not appoint members to the auditing committee to assist with financial oversight and help mitigate the risks associated with a lack of segregation of duties.
- The Treasurer did not submit various annual reports to the Office of the State Comptroller (OSC), the Internal Revenue Service (IRS) or the Officers and members as required, and did not have a system for recording all receipts and disbursements.
- The President had sole control of the foreign fire insurance (FFI) bank account instead of the Treasurer as required by law.
- The Treasurer did not accurately capture in the monthly meeting minutes the cash receipt and disbursement amounts discussed.

As a result, there is an increased risk of theft and waste of Department resources.

Key Recommendations

We provided 11 recommendations to help the Department's Officers and members improve the weaknesses identified in this report.

Department officials agreed with our recommendations.

Audit Period

January 1, 2023 – August 20, 2024

Background

The Department is a not-for-profit organization, incorporated in 1950, and is sponsored by the Wallace Fire District (District) in the Town of Avoca in Steuben County. The Department provides fire protection and emergency services to the hamlet of Wallace located in the Town of Avoca.

The Department is composed of volunteer members and is governed by its bylaws. The members annually elect the following civil officers: President and Treasurer. These officers and the membership are responsible for overseeing Department financial activities and safeguarding resources.

The President is the chief executive officer and is responsible for presiding at meetings, enforcing the bylaws and co-signing checks. The Treasurer, who also serves as the Secretary, is responsible for receiving, disbursing and accurately accounting for all Department funds.

Quick Facts

2024 Member Count	19
Number of FFI Disbursement Checks (10) Signed by the Treasurer	0
January 1, 2023 – June 30, 2024 Disbursements	\$7,891

Oversight of Financial Activities

What Is Effective Financial Oversight?

A fire department's (department) officers and members are responsible for overseeing the department's financial activities to safeguard its resources. To provide effective financial oversight, it is essential to establish a system of internal controls that consist of clearly defined and enforced bylaws and policies and procedures that establish and segregate financial duties and help ensure:

- Effective oversight of financial activities,
- Accountability of money collected,
- That funds are safeguarded, transactions are supported, authorized and accurately recorded in the accounting records, and
- That adequate and accurate financial reports are prepared and timely filed.

Adequate controls and policies must provide a process to routinely monitor and review the work performed by those that handle department money.

It is essential for the officers and membership to monitor compliance with bylaws and policies, and applicable laws and regulations, to ensure legal compliance and the prudent use and safeguarding of financial resources.

The Department's bylaws require the Treasurer to:

- Receive all money collected by the financial secretary or due the Department and
- Issue receipts for all money collected,
- Deposit all money,
- Pay bills when authorized at a Department meeting,
- Keep an accurate account of all receipts and disbursements,
- Submit the accounts when called upon by the Department or an Executive on the Auditing Committee and
- Make a report covering the entire year at the annual meeting.

The bylaws also state the Executive Committee, consisting of the President and Directors, can examine the books and accounts of any of the Officers. In addition, the bylaws state that the Auditing Committee, appointed by the President, shall examine the accounts of the Treasurer, including a verification of the bank balances, prior to the annual meeting and provide a report at the annual meeting.

A treasurer is required to file an annual report with OSC for the department's receipt and use of foreign fire insurance proceeds.¹ The IRS also requires not-for-profits to file an annual information report, Return of Organization Exempt from Income Tax (Form 990). Officers are also required by law² to present to the members an annual report detailing the department's assets and liabilities, receipts and

¹ New York State General Municipal Law (GML) Section 30-a

² New York State Not-For-Profit Corporation Law (NFPCL) Section 519

disbursements for the year and the number of members. In addition, it is important for the department to prepare annual budgets to guide officers in controlling department spending.

The Officers and Membership Did Not Provide Effective Financial Oversight

The President stated that due to declining membership enrollment and a general lack of awareness of the Department's bylaws, the membership did not elect a five-member Board of Directors or financial secretary, and the President did not appoint members to the Auditing Committee. Therefore, the financial oversight provisions set forth in the bylaws to segregate collection duties and to examine the accounts of the Treasurer were not implemented.

In addition, the required code of ethics and conflict of interest were not adopted, neither were other financial policies. The Department's bylaws were also inadequate and the limited financial provisions included were not enforced. For example, the bylaws require the Treasurer to pay all bills when so authorized at regular, annual or special meetings, but do not state the level of documentation required to support a claim or the number of votes necessary to approve payment and by what body, such as the Board of Directors or membership. Instead, the President and Treasurer stated that the bills to be paid each month are discussed during the meetings and no formal vote is taken. Furthermore, there was limited oversight of the Treasurer, who was first elected to his position in January 2022 and who primarily performed all financial duties, including those of the financial secretary. We determined that:

- The Treasurer did not prepare or submit the 2023 annual report of receipts and use of FFI tax proceeds because he was unaware of the requirement and did not have control of the FFI bank account. Instead, the President, who also serves as the District Treasurer, controlled the FFI bank account and solely wrote 10 checks totaling \$3,624, which included one check for \$400 made out to cash, two checks totaling \$336 to herself and three checks totaling \$187 to the District Secretary. The President stated the 10 checks related to expenses incurred for the Department's 75th anniversary banquet, which we verified by reviewing supporting documentation. Additionally, no bank reconciliations of this account were ever performed. Without controls over the FFI bank account and member approval of disbursements, the Treasurer cannot ensure that these funds are spent in such a manner as to benefit all the members.
- The Treasurer did not file the 2023 IRS Form 990 because he was unaware of the requirement. Not satisfying annual filing requirements can put the Department at risk of losing its tax-exempt status.
- The Treasurer did not prepare or provide to the membership the required annual reports or any other periodic financial reports that summarized financial activity throughout the year because he was unaware of these reporting requirements. Instead, the Treasurer provided a verbal report of the Department's four bank account balances at each meeting. Written reports should be provided as they provide better transparency and increase internal controls and accountability.
- The Treasurer also stated that he recorded cash receipt and disbursement amounts that occurred during the month in the meeting minutes. However, our review of the bank statements and meeting minutes identified that he did not record all cash receipts and disbursements. Specifically, only

\$2,364 of all the deposited cash receipts totaling \$4,540 and 17 disbursements totaling \$2,714 of the 43 disbursements totaling \$7,891 were documented in the meeting minutes.

- The Treasurer recorded receipts and disbursements in the checkbook maintained in the checkbook binder along with any supporting documentation related to them. However, the documentation was unorganized and inadequate and not all receipts were recorded, so the running balance was incorrect and unidentified because he did not prepare any bank reconciliations during our audit period.
- While the Treasurer is responsible for signing all checks, we determined that the President wrote and signed 18 checks totaling \$5,012.
- The Treasurer did not prepare preliminary budgets to assist the Officers and members in the adoption of an annual budget which would guide the Officers in controlling Department spending.

The ineffective financial oversight was due in part to the Department's limited number of members and those members' lack of understanding of internal controls and familiarity with the Department's bylaws. In addition, the lack of a functioning Board, adequate bylaws, policies and procedures, supported and authorized claims, annual budgets and periodic written and annual financial reports significantly increases the risk of theft and waste of Department resources.

What Do We Recommend?

Officers and members should:

1. Review and update the bylaws and adopt written policies to provide adequate oversight and clear guidance of financial operations. Guidance should define the maintenance of records and supporting documentation for all receipts and disbursements, preparation and submission of periodic and annual written financial reports, and the review and approval process of bills and membership.
2. Elect a five-member Board of Directors and ensure the President appoints members to the Auditing Committee to complete annual audits.
3. Review monthly bank reconciliations and statements.
4. Adopt an annual budget.
5. Consider taking training or reviewing applicable publications to enhance their understanding of internal controls. Officers and members can find this information at <https://www.osc.ny.gov/local-government/academy>.

The Treasurer should:

6. Prepare and submit the required annual report for FFI tax proceeds to OSC, IRS Form 990 to the federal government and periodic and annual written Treasurer's reports to Officers and members.
7. Maintain control of all bank accounts and corresponding checkbooks.

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8. Prepare receipts for all revenues received and ensure all disbursements are supported by adequate documentation, checks are signed by him and all revenues and disbursements are recorded in the checkbook, documented in the meeting minutes, and reconciled monthly to the bank statements.
 9. Prepare an annual budget for Officer and membership review and approval.

The President should:

10. Enforce the bylaws by appointing members to the Auditing Committee and having the membership elect a five-member Board of Directors.
11. Relinquish control of the FFI bank account and checkbook to the Treasurer.

Appendix A: Response From Department Officials

**WALLACE VOLUNTEER FIRE DEPARTMENT
PO BOX 481
AVOCA, NY 14809**

March 6, 2025

Office of the State Comptroller
16 West Main Street
Rochester, NY 14614

Re: Wallace Volunteer Fire Department Audit

Dear Sir or Madam:

I have read the draft of the audit report and agree with the findings and recommendations contained therein.

Thank you

Rita Hoover
President
Wallace Volunteer Fire Department

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. 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 officers and reviewed the Department meeting minutes and bylaws to gain an understanding of financial procedures and processes and determine what annual reports were prepared and filed.
- We reviewed the 2023 FFI filing to determine whether the Treasurer submitted the required annual report.
- We searched the IRS Tax Exempt Organization database to determine whether the Treasurer filed IRS Form 990.
- We reviewed bank statements and bank activity from January 1, 2023 through June 30, 2024 to identify the total Department deposits and disbursements and compared the amounts to those recorded in the checkbook and in the Department's meeting minutes to determine whether all cash receipts and bills were recorded and presented and documented during the meetings.
- We reviewed canceled check images and bank activity to determine check signatory and appropriateness of disbursements.
- We reviewed all supporting documentation and check stubs maintained by the Treasurer to determine whether adequate documentation is maintained to support amounts disbursed from the Department bank accounts.
- We reviewed all 10 FFI canceled check images, disbursements and supporting documentation from January 1, 2023 through June 30, 2024 to confirm that the expenses were related to the 75th anniversary banquet.

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.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

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

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