

# Glen Aubrey Fire Company, Inc.

## Board Oversight

DECEMBER 2022



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

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# Report Highlights

Glen Aubrey Fire Company, Inc.

## Audit Objective

Determine whether the Glen Aubrey Fire Company, Inc. (Company) Board of Directors (Board) ensured compliance with fire protection contracts (contracts) and lease agreements.

## Key Findings

The Company Board did not ensure compliance with contracts or enforce the lease agreement's terms and conditions. As a result, there is an increased risk that funds could be subject to loss, theft or misappropriation.

The Board did not:

- Develop written financial policies or procedures.
- Properly prepare a budget and present it to the Towns or audit the Company's records.
- Regularly review and approve financial transactions.
- Charge service fees and interest for late payments associated with the lease agreement.

## Key Recommendations

- Ensure compliance with the terms and conditions of all contracts and lease agreements.
- Develop written financial policies and procedures.
- Properly prepare budgets and present them to the membership and the Towns annually.
- Review and approve financial transactions on a regular basis and have them audited annually.
- Charge the appropriate service fees and interest on late lease payments.

Company officials disagreed with certain findings in our report but indicated they plan to initiate corrective action. Appendix B includes our comments on issues Company officials raised in their response.

## Background

The Company is a not-for-profit organization that provides fire protection and other emergency services in the Towns of Lisle, Maine and Naticoke (Towns) located in Broome County.

The Company is composed of volunteer members (membership) and is governed by its adopted bylaws and a membership-elected seven-member Board: President, Vice President, Secretary, Treasurer and three Members at Large.

The Board is responsible for overseeing the Company's operational and financial activities and ensuring compliance with contracts and lease agreements.

The Company's sources of revenue are contracts, fundraising activities, property hall rentals and donations.

### Quick Facts

Active Members	19
Contracts	4
Collections	\$355,810
Disbursements	\$342,364

## Audit Period

January 1, 2021 – June 30, 2022

# Board Oversight

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## How Should a Fire Company Board Provide Effective Oversight?

A fire company board should establish a system of internal controls – including clearly defined and enforced bylaws, contracts, lease agreements and other policies and procedures – that help ensure effective oversight of financial activities, accountability of money collected, and that transactions are adequately supported, authorized and properly recorded in the accounting records. An important aspect of a fire company board’s oversight is to ensure the company is complying with contract terms and enforcing lease agreements.

The Company should develop and submit annual operating budgets to each Town that has a fire protection contract, keep accurate and correct financial records, and create and adhere to policies and procedures that reasonably ensure that Company funds and property are protected and not subject to misappropriation, theft or other fraudulent activity. These policies and procedures should identify who is authorized to make purchases, how purchases are to be made, purchase limits, and the need for a regular review and approval of all financial transactions by the Board. Finally, an annual audit should be conducted by a third-party accounting firm with the results provided to the Towns by September 15th of each year.

## The Board Did Not Ensure Compliance With the Contracts

The Company’s bylaws are inadequate as they do not clearly define who is responsible for ensuring compliance with contract terms. Additionally, the Board did not adopt written financial policies or written procedures to provide guidance on preparing budgets, purchasing items for Company purposes, and reviewing and approving transactions prior to disbursement. Furthermore, the bylaws state that the Board should meet four times a year (April, July, October and December), but the Board has not met since December 2021.

The Treasurer prepared a list of estimated expenses and revenues for the 2022 fiscal year that was presented to and approved by the members as the budget during the annual membership meeting in December 2021. However, the Board did not provide the Towns with annual budgets or financial summaries as required by the contracts.

The Treasurer obtained debit cards from the bank to be used by the Fire Chief, medical team captain, head of the auxiliary and himself. A debit card has a high inherent risk because it is directly linked to the Company’s main checking account. The Treasurer stated that he is notified of all transactions through the online banking application and has established dollar limits ranging from \$1,000 to \$3,000, depending on the user, on the debit cards issued. However, this will not prevent an inappropriate transaction from occurring. The Company has recurring expenses, such as utilities and fuel, set for auto-pay or will receive invoices

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...[T]he Board did not provide the Towns with budgets or financial summaries as required by the contracts.

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at the fire hall. The Company requires two signatures on manual checks; the Treasurer prepares and signs the checks and a second member-at-large also signs the checks. The Treasurer also prepares a summary of monthly expenses and provides it to the membership at the monthly membership meetings. At that time, members can inquire about specific expenses and revenues, but there is no formal review and approval process by the Board or membership.

Due to these internal control weaknesses, we reviewed all disbursements totaling \$342,364 made during the audit period and found payments totaling \$8,757 lacked supporting documentation such as invoices or receipts. Although we determined these purchases were for appropriate Company purposes based on the vendor names and discussions with the Treasurer, when payments are made without adequate supporting documentation, the risk is increased that Company funds could be spent for inappropriate purposes.

We also reviewed collections totaling \$355,810 and determined receipts often lacked adequate information, such as collection dates or duplicate deposit slips, to determine whether they were deposited timely and intact (comprised of actual cash and checks received since last deposit). We traced \$334,621 (94 percent) from source documents to the bank and determined they were deposited in full. There was an additional \$20,439 recorded in the accounting records that was deposited. We also identified seven deposits totaling \$750 that were not recorded in the accounting records. Finally, the Board has not hired a third-party accounting firm to conduct an annual audit as required. Therefore, the Board has not provided the results of an audit to the Towns.

The President and Treasurer both stated that they were unaware of the contracts' terms and conditions. If officers are unaware of contracts, they cannot properly enforce the terms and conditions of the contracts. Finally, the Treasurer mistakenly thought the tax firm hired to prepare annual tax filings was doing an audit. However, the firm only files the required annual federal tax forms.

Without adequate written policies and procedures, the Board and Treasurer did not have adequate guidance on their responsibilities, establish appropriate purchasing procedures and ensure annual audits were conducted. When these controls are not in place, the Company increases the risk that funds could be subject to loss, theft or misappropriation.

### **The Board Did Not Enforce the Terms of the Lease Agreement**

The Company also has a lease agreement for property that is no longer being used for Company purposes. The Company leases this property to a business owned by the current and former Fire Chiefs for \$300 per month that is due by the first of each month. Payments that are not received within five days of the due date incur a \$30 service charge and accrue 1 percent per month interest.

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...[T]he Board has not hired a third-party accounting firm to conduct an annual audit as required.

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The Board has not enforced the terms of the lease agreement and allowed rent to be paid late without charging the service fee. We reviewed all rent payments received and recorded in the accounting records for the audit period and determined that the Company should have collected 18 payments totaling \$5,400. However, Company officials did not collect four payments totaling \$1,200 (Figure 1). Additionally, 16 of the 18 payments were late and the Fire Chiefs/business should have been charged service fees of \$480 and a nominal amount of interest.

The President and Treasurer did not know there was a written lease agreement with the Fire Chiefs/business and had not seen it prior to our audit. They were aware that there was an arrangement but were under the impression that the amount being paid was a donation.

Without proper oversight and enforcement of the lease agreement, the Company has not received revenue of \$1,680 and has an increased risk that future payments will not be received in a timely manner. Also, when a Fire Chief does not adhere to the terms of an agreement between the Company and their private business and Company officials do not enforce the agreement, it could create the appearance of impropriety and damage the trust relationship between the Company and the community and taxpayers.

**Figure 1: Unpaid Rent and Service Charges**

Date Payment Due	Days Late	Unpaid		Total Due
		Rent	Service Charges	
1/1/2021	25		\$30	\$30
2/1/2021	0		0	0
3/1/2021	22		30	30
4/1/2021	0		0	0
5/1/2021	37		30	30
6/1/2021	6		30	30
7/1/2021	85		30	30
8/1/2021	54		30	30
9/1/2021	23		30	30
10/1/2021	83		30	30
11/1/2021	52		30	30
12/1/2021	22		30	30
1/1/2022	66		30	30
2/1/2022	35		30	30
3/1/2022	121 <sup>a</sup>	\$300	30	330
4/1/2022	90 <sup>a</sup>	300	30	330
5/1/2022	60 <sup>a</sup>	300	30	330
6/1/2022	29 <sup>a</sup>	300	30	330
<b>Total</b>		<b>\$1,200</b>	<b>\$480</b>	<b>\$1,680</b>

a) Number of days late as of the end of the audit period

## What Do We Recommend?

The Board should:

1. Ensure compliance with the terms and conditions of all contracts and lease agreements.
2. Adopt written financial policies and procedures over key financial areas, including authorization of purchases and disbursements, collections, review and approvals, budgeting and auditing; ensure they are followed; and update the bylaws to reflect specific responsibilities.

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3. Meet at least quarterly as required by the bylaws.
  4. Properly prepare and present a budget to the membership and Towns on an annual basis, and review and modify the budgets as needed throughout the year.
  5. Review and approve financial transactions on a regular basis.
  6. Strongly consider ending the use of debit cards.
  7. Hire a third-party accounting firm to annually audit the financial records and prepare a written report that can be presented to the membership and Towns.
  8. Ensure the conditions of the lease agreement are followed by appropriately charging the service fee and interest when payments are not received in a timely manner.
  9. Collect any unpaid rent, service fees and interest payments due.

The Treasurer should:

10. Ensure that all collections are accurately recorded in the records.

# Appendix A: Response From Company Officials

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**GLEN AUBREY FIRE COMPANY, INC.**  
**P O BOX 328 32 OCTAGON STREET**  
**GLEN AUBREY, NY. 13777**

***Response to the Office of the New York State State Comptroller Audit Report***

Glen Aubrey Fire Company, Inc. hereby acknowledges receipt of the *Office of the New York State Comptroller Audit Report*.

As was stated firmly and frequently during the audit process, Glen Aubrey Fire Company provides VOLUNTEER Emergency response to the communities in our area that, for any reason, are in peril and need assistance.

*"When the 'tones drop', Glen Aubrey Fire Company has the mission of making sure that properly equipped & maintained apparatus 'rolls' with properly equipped and trained VOLUNTEER personnel to serve our communities in a professional manner."*

This task requires significant VOLUNTEER dedication AND training, which our VOLUNTEERS are impassioned to accomplish.

All funds were accounted for during the audit timeframe and, although there is room for new procedures to be explored, there were no discrepancies found in regards to those funds.

**Everything entrusted to Glen Aubrey Fire Company, Inc. has been utilized for, to the dollar, by Glen Aubrey Fire Company, Inc. for the purpose of providing VOLUNTEER Emergency Services to our community.**

Rest assured: when YOU need us, Glen Aubrey Fire Company will respond first, and will amend our financial and documental services to the points of accomplishment, per the recommendations of the Office of the New York State Comptroller, as we are able.

See Note 1 Page 10
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However, the Office of the New York State Comptroller auditors have been inadequate in a number of areas, as will be addressed for the remainder of Glen Aubrey Fire Company's response.

Auditors have stated that the Constitution & ByLaws need updating. They will be updated with VOLUNTEERS, as there are no finances to hire this done.

The use of Debit cards is closely monitored and controlled with spending limits and financial accountability to those that possess them for the small dollar areas that they apply to, for purchases that have been budgeted.

Auditors have stated that annual Budgets and Review of Finances reports are to be made available to the Town of Nanticoke. This has already been put in motion.

Auditors have stated that within a Lease Agreement for a flood ravaged former Fire Station that funds have not been received as was agreed upon activation of said Lease Agreement. There is much more involved with this, that, Auditors were informed of, but chose to see only the lease agreement document alone.

See  
Note 2  
Page 10

Glen Aubrey Fire Company, Inc. is comprised of total VOLUNTEER membership. Unlike the Office of the New York State Comptroller staff, which are paid employees of New York State, have an abundance of time to perform their Audits, with a plethora of paid staff to review Auditor findings, all the way to Albany and back by.

Even still, during the first Draft meeting of their Audit there were numerous errors, improper statements, and incomplete analysis' and an apparent lack of understanding, or their desire to focus only on the issues they chose.

See  
Note 3  
Page 10

The Auditor findings do not show any concern for how to accomplish what has been found unsatisfactory. Including, but not limited to, Glen Aubrey Fire Company's response timeline to their Audit. Working full time, then trying to respond properly to their Audit has been a challenge. No recognition to the fact that every response by Glen Aubrey Fire Company is performed by VOLUNTEERS has been seen in their report.

See  
Note 4  
Page 10

Glen Aubrey and Nanticoke are rural New York State. Residents, many times, just barely getting by. Earning a living within the Fire District area of coverage is difficult, at best. Most residents have to travel beyond the Fire District for employment, well past acceptable response times for Glen Aubrey Fire Company emergency calls.

See  
Note 5  
Page 10

#### Regarding the Lease Agreement:

Glen Aubrey Fire Company has, for many years, had a sacrificial, dedicated, trained, and professional group of people that have stayed within the Fire District for their employment. Gary's Service Center, owned by two of Glen Aubrey Fire Company

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Chiefs, has remained in the community of Glen Aubrey on Route 26 for decades. The auto repair business has been providing automobile service to the community for a fair price all the while remaining "On Call" for any and all Emergency calls for Glen Aubrey Fire Company.

Both of the locations occupied by Gary's Service Center are in a flood area. The former location, too small to grow, was flooded numerous times, yet during the flooding of 2006, 2011, and other times, the Chiefs would respond to our community first, to the detriment of their own business and tools.

When the former location became unavailable, Gary's Service Center requested consideration of the former Glen Aubrey Fire Company Station 1 at 3800 Route 26 in Glen Aubrey. This property also has history of flooding, frequently. FEMA helped Glen Aubrey Fire Company construct and remodel a new Station 1 at 32 Octagon Street, in Glen Aubrey.

The former station was to become a Training Center. When that didn't happen, the cost of utilities, insurance, and upkeep were an issue to the very limited budget that Glen Aubrey Fire Company has to work with.

The Board of Directors, saw the 3800 Route 26 property as a "win-win" as we could continue to have amazing response times by our Chiefs, keep a business in our community, and stop the constant financial draw on the Glen Aubrey Fire Company. The Board approved the use by Gary's Service Center.

The lease agreement, as found during the Audit process, states the legality portion of the property, and yes, we will hold Gary's Service Center to the Lease agreement, as it is the "right and proper" thing to do.

As was explained to the Office of the New York State Comptroller Auditors, Glen Aubrey Fire Company's Board of Directors were pleased to stop the financial and property concerns, and ANY income in the form of payments was "a bonus".

The "response time" by our Chiefs and other fire fighter and EMS staff employed by Gary's Service Center, have been equal to Fully Staffed, Fully Paid Fire companies. When you had an emergency, or if you have one in the future that requires Glen Aubrey Fire Company to come to your aid during business hours, it is because of the dedication of the Chiefs and Fire fighters employed by Gary's Service Center, to provide you that rapid service, free of charge to you, the public.

They are able to respond quickly, allowing the rest of our available Trained Fire Fighters time to get to the Stations, many coming from further distances.

All of the staff at Gary's Service Center could work outside of Glen Aubrey and earn much more of an income for their families. They CHOOSE to provide their communities with their VOLUNTEER time and energies. Those that are not involved

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with Fire Companies seldom remember our 9-11-2001 terrorist disaster and how the Police and Fire fighters rushed in to help when people ran out, many to their own peril. There is something special about First Responders == our Audit misses that.

Questioning the "Impropriety and damage to the trust" of the community, as stated in the audit, singles out our dedicated Fire Chiefs. The auditors have no idea as to what a Fire Chief does and the weight of the responsibilities they carry. The calling of a fire fighter, especially a Chief, is very involved. They hold within their decisions the very lives of the public and their own fire fighters. They have to be certain that apparatus and equipment will perform as designed when an emergency arises. They are forced to work within very limited financial restraints.

All this, and provide for their own families.

The school bus accident, the CPR given to a child to extend their life, the double fatality car accident, the fire that was contained to a small area, the numerous car & motorcycle accidents, the many, many drug overdoses, etc. etc. all getting immediate response from our dedicated Fire Chiefs and their staff at Gary's Service Center. When they respond they are closing their business during that time. NO INCOME while responding to emergencies. Recently they had back to back, 3 emergency calls, one afternoon that left them physically drained, and again no income for the business that afternoon. The cost to the business over the years is in the thousands of dollars.

As we wade through the mire of the NYS Comptroller audit and make improvements to our operations at Glen Aubrey Fire Company, we will be doing it as VOLUNTEERS. The Audit has cost those involved considerable time and money, and much frustration with the lack of comprehension or care of the Auditors. They said it would "save us money" at the start of this process, not true so far.

We asked them to help with the ever increasing costs of operating a Fire Company. They didn't help, but instead, had procedures and activities that will cost both extra money and time, neither of which is available.

Glen Aubrey Fire Company, Inc. will continue to aid and assist you, our community, with VOLUNTEER emergency services with the best possible apparatus, as funding will allow.

Thank you for your continued support and dedication.

The Board of Directors of Glen Aubrey Fire Company, Inc.

On behalf of the Board of Directors, Stephen Carter, Treasurer

## Appendix B: OSC Comments on the Company's Response

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### Note 1

Company officials' broad conclusions that all funds were accounted for cannot be drawn because the audit procedures were designed to provide reasonable assurance that funds were accounted for and not certainty that all funds were properly accounted for.

### Note 2

Company officials explained to us the mutual benefits of the lease agreement, and we recognize these benefits and the hard work of volunteers. However, that does not change the fact that we found that lease agreement revenue was not properly collected.

### Note 3

We amended the report based on additional information and records that officials did not share during the audit. Officials provided new information and documents after we shared the draft audit report with them.

### Note 4

While onsite, we discussed improvement opportunities with Company officials. We also provided various local government management guides (LGMGs) that are designed to provide officials with guidance on various operational matters. Officials received the following LGMGs: Fiscal Oversight Responsibilities of the Governing Board, The Practice of Internal Controls, and Understanding the Budget Process which, along with many other resource documents officials may find helpful, are available on our website.

### Note 5

While we ask officials to respond within 30 days, officials can ask for additional time to develop their response. Company officials did not request a time extension or express concerns with the response due date.

## Appendix C: Audit Methodology and Standards

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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 current Board members and reviewed bylaws, contracts and lease agreements to gain an understanding of Company operations and contract requirements, including purchases, disbursements, collections, review and approvals, budgeting, auditing, and lease payments, terms and conditions.
- We obtained bank statements, check images and ledgers and verified information against supporting documentation.
- We reviewed all disbursements totaling \$342,364 made during our audit period to determine whether disbursements contained adequate documentation to support the purchases, were approved by the members or Board, and were for appropriate Company purposes.
- We reviewed collections totaling \$355,810 received during our audit period, supporting documentation of amounts collected and bank statements to determine whether the collections were properly accounted for and deposited in full.
- We reviewed lease payments received based on Company ledgers and bank statement deposits to determine whether all payments were received, when they were received and whether service charges or interest were charged when applicable.

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 Company to make the CAP available for public review.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/local-government/academy)

## Contact

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