



# **West Webster Volunteer Firemen's Association, Inc.**

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## Cash Disbursements

**2023M-10 | June 2023**

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# Report Highlights

West Webster Volunteer Firemen’s Association, Inc.

## Audit Objective

Determine whether the Board of Directors (Board) ensured that cash disbursements were properly approved, accurately recorded, had adequate supporting documentation and were for Association purposes.

## Key Findings

The Board did not ensure that cash disbursements were properly approved, accurately recorded, had adequate supporting documentation and were for Association purposes. As a result, the Association had a significant risk that disbursements could be made for non-Association purposes. We found that:

- 138 disbursements (28 percent) totaling \$39,929 did not have an itemized invoice or receipt (or other such documentation) and a documented, specific Association purpose.
- Five disbursements totaling \$1,308 were not recorded in the accounting records.

In addition, the Board did not:

- Adopt adequate bylaws or written policies or enforce compliance with the limited bylaws and policies that it adopted.
- Establish adequate controls over disbursements, such as auditing all claims and reviewing bank statements and canceled check images.

## Key Recommendations

- Amend the bylaws and written disbursement policies and enforce compliance with the bylaws and policies.
- Review bank statements and canceled check images.
- Audit all claims and ensure they have documented approvals, adequate supporting documentation and are for appropriate Association purposes.

Association officials agreed with our recommendations and indicated that they initiated corrective action. Appendix B includes our comment on the Association’s response letter.

## Background

OSC issued an audit report in December 2012 (West Webster Volunteer Firemen’s Association, Inc. (2012M-212)) that identified similar control deficiencies.

The West Webster Volunteer Firemen’s Association, Inc. (Association) is a not-for-profit organization that provides fire protection services within the West Webster Fire District in Monroe County.

The Association has volunteer members and is governed by its bylaws and a seven-member Board. The Board is responsible for managing the Association’s financial activities.

The Treasurer’s responsibilities include making disbursements and accounting for financial activities. The financial secretary is responsible for assisting the Treasurer.

### Quick Facts

Disbursements January 1, 2021 – May 31, 2022	
Number	489
Amount	\$175,570
Active Members	92

## Audit Period

January 1, 2021 – January 11, 2023

# Cash Disbursements

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## How Should a Board Properly Oversee Disbursements?

To properly oversee disbursements, a fire association board (board) should establish a system of internal controls that consists of written policies and procedures and clearly defined bylaws that help ensure that officials properly record, oversee and authorize disbursements. A board also should ensure that one individual does not control most or all phases of financial transactions. If it is not feasible to properly segregate financial duties, the board should implement compensating controls, such as routinely monitoring and reviewing the work performed.

Officials should ensure that financial software controls are in place so that changes and deletions cannot be made without authorization. They also should develop a process to independently review disbursement data that has been entered and changed in the software. These actions can help maintain data integrity.

The board and treasurer should ensure that disbursements have adequate supporting documentation and are for appropriate purposes and approved by the board – or other designated officers who are independent of the disbursement process – before the disbursements are made. An effective claims audit helps ensure that each invoice is properly itemized to identify whether the specific goods or services received are for a valid Association purpose.

Debit cards pose significant risks because users can make purchases with funds that come directly from a bank account, without the purchases being audited and approved before payment. Allowing officials and Association members to make purchases in this manner makes it more difficult to detect unauthorized debit card use.

Furthermore, a board is required<sup>1</sup> to adopt a code of ethics and conflict of interest policy that establish reasonably expected standards of conduct. These standards should require officials to disclose any interests that conflict with their official duties, so that the board can evaluate whether a prohibited conflict exists before making disbursements.

## The Board Did Not Establish or Enforce Adequate Bylaws or Policies

The Board did not have adequate bylaws or policies. The Association's bylaws contained limited financial responsibilities for the Treasurer and did not include detailed policies or procedures for disbursements or claims audit and approval.

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<sup>1</sup> New York State (NYS) Not-For-Profit Corporation Law Section 715-a and NYS General Municipal Law Section 209-ee

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The Board did not adopt adequate supplemental written policies or procedures, a code of ethics, or a conflict of interest policy. Board members told us that they were unaware that the code of ethics and conflict of interest policy were required.

The Association's limited bylaws that addressed disbursements generally lacked sufficient detail. For example, the bylaws stated that all checks shall be signed in a manner determined by Board resolution. However, the bylaws did not contain any other details and the Board could not provide any such resolution. Board members and the Treasurer told us that they required dual signatures for checks over \$2,000, and they thought this was written in the bylaws or an Association policy. However, this was not included in the bylaws or a written policy.

Regarding the Treasurer's duties, the bylaws stated that the Treasurer was responsible for maintaining financial records, retaining custody of all Association funds and performing "all other duties customarily incident to the office of the Treasurer." However, the bylaws did not define what those other duties were.

Also, although the bylaws established an audit committee, the bylaws did not require the committee to audit and approve claims. Instead, a Board policy indicated that bills within a preapproved budget could be paid immediately. There were no other bylaws or written policies for auditing or approving all claims, before or after payment.

This Board policy also contained a limited section addressing credit cards that:

- Authorized the use of Association credit cards.
- Restricted the purchase of alcohol with Association credit cards.
- Required Board preapproval for expenditures in excess of \$500.
- Required Association members to submit detailed receipts, which included the name of the purchaser and reason for the charge, to the Board for payment approval.

In August 2022, the Board adopted a separate credit card policy indicating, among other elements, that the Association would have one credit card account with two cards. The policy also provided a form for members to sign (sign-out sheet) when receiving and returning a credit card. However, the Association did not use credit cards. Instead, it had three debit cards that were connected to two bank accounts.

While certain Board members were aware that they had Association debit cards, one Board member told us he did not know whether the Association had a debit or credit card. Association officials did not provide us with an adequate explanation for why they adopted a credit card policy when they were using debit cards.

The Treasurer and Board members told us that the credit card policy applied to debit card purchases. However, none of the 153 debit card disbursements that

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The Association's limited bylaws that addressed disbursements generally lacked sufficient detail.

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we reviewed complied with the credit card policy. For example, debit cards were used to purchase alcohol, expenditures of more than \$500 were not preapproved by the Board and receipts were not submitted to the Board for approval. Not only did the Association have an increased risk that improper disbursements could be made with a debit card, but this risk also was compounded because the Board did not provide prior approval or subsequent review for debit card purchases.

In addition, officials did not enforce compliance with the Association's other limited bylaws and policies. For example, the Association did not have an audit committee.

Furthermore, we identified one bank account that an Association member – not the Treasurer – controlled. According to the member, she used a debit card connected to this account to purchase greeting cards and gift cards totaling \$138 for Association-related individuals who were injured or ill. The Treasurer told us that he did not maintain this account because the member was the only one who was interested in serving on the “committee” for this specific purpose. However, that was not a sufficient reason for the Treasurer to forgo overseeing the account and its disbursements.

Because the Board did not establish adequate bylaws or written policies for disbursements and auditing claims, officers and members did not have proper guidance regarding their responsibilities, and Association funds were not adequately safeguarded. As a result, officials did not ensure that disbursements had adequate supporting documentation and were properly approved, accurately recorded and for appropriate Association purposes.

### **The Board Did Not Establish Adequate Controls Over Disbursements**

The Board did not ensure that the Association had adequate controls over disbursements. Specifically, financial duties were not adequately segregated, and officials did not establish adequate compensating controls.

The Treasurer recorded financial transactions, received and opened bank statements, made disbursements (prepared, printed, signed and sent checks), made and approved purchases and prepared bank reconciliations without adequate oversight. In addition, the financial software allowed the Treasurer to make changes or deletions in the software (such as vendor names or disbursement amounts) without approval.

The Board (or other independent member) did not audit claims or review bank statements, canceled check images, bank reconciliations or audit trail reports (such as change or deletion reports). While the Association had a certified public accountant perform an external annual examination of the Treasurer's records, this did not eliminate the need for regular Board review and approval (or a regular review and approval of an independent member) throughout the year.

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The Board (or other independent member) did not audit claims. ...

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The Treasurer generally prepared a claim packet for each disbursement that included a voucher, supporting invoice, receipt or other documentation, and canceled check image. However, while the Board reviewed and approved a list of disbursements, they did not review this supporting documentation.

While a Board policy indicated that bills within a preapproved budget could be paid immediately, the budget had broad categories that were not sufficiently detailed for approving disbursements. For example, the entertainment category was used for all social functions, but the budget did not detail the amounts earmarked for each event.

Also, the membership was provided with limited disbursement information. At membership meetings, generally a report was read aloud indicating that the Board approved the Treasurer's bills for payment. Board members told us that they relied on the Treasurer to ensure disbursements were appropriate because it was difficult to get volunteers for committees or other financial-related reviews.

Furthermore, the Association did not have adequate controls for disbursements made from the account that the Treasurer did not control. The "committee" member made purchases from this account and provided the Treasurer with receipts, but did not retain the bank statements for the account or provide them to the Treasurer. Therefore, the Treasurer did not have access to this account's bank statements to compare its activity to submitted receipts and ensure there were no additional disbursements.

Although the activity in this account was limited, detailed disbursement information was not included in the Treasurer's records, or on the list of disbursements that the Board reviewed. After our inquiry, the Association added the Treasurer to the account, so that he could receive the account's bank statements.

These control weaknesses continued because the Board did not implement corrective action for a previous OSC audit report. This report recommended that the Board adequately segregate the Treasurer's financial-related duties or establish effective compensating controls over his duties. The 2023 Board Chairman told us that the current Board members did not serve as Board members when the previous audit was released and the previous audit results were not communicated to them. However, the current Treasurer had been serving as the Association's Treasurer during the previous OSC audit.

We compared bank statements and available canceled check images to recorded disbursements and found minor discrepancies within recorded disbursement information, which we discussed with officials. For example, we found 23 checks (7 percent) that had been recorded with the wrong check number and five disbursements totaling \$1,308 that were not recorded at all.

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These control weaknesses continued because the Board did not implement corrective action for a previous OSC audit report.

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The Treasurer told us that check-number errors occurred when he had trouble with the printer while printing checks. However, this did not explain all the check-number discrepancies. Also, the Treasurer did not provide us with a reason for why certain transactions (all debit card transactions) went unrecorded. Without accurately recorded disbursements, the Board cannot adequately oversee disbursements to ensure they are appropriate.

Because the Treasurer could make disbursements and alter, add and delete data without oversight, this increased the risk that inappropriate disbursements could be made. For example, the Treasurer could conceal a theft by issuing an unauthorized check and subsequently deleting it, or changing the vendor's name, in the financial software. Without adequate oversight, the Treasurer made five disbursements totaling \$522 to himself. We found that these were reimbursements for reasonable Association purposes, such as stamps and checks. However, because he can make payments to himself without independent review, this significantly increases the risk that Association funds could be used improperly and without detection.

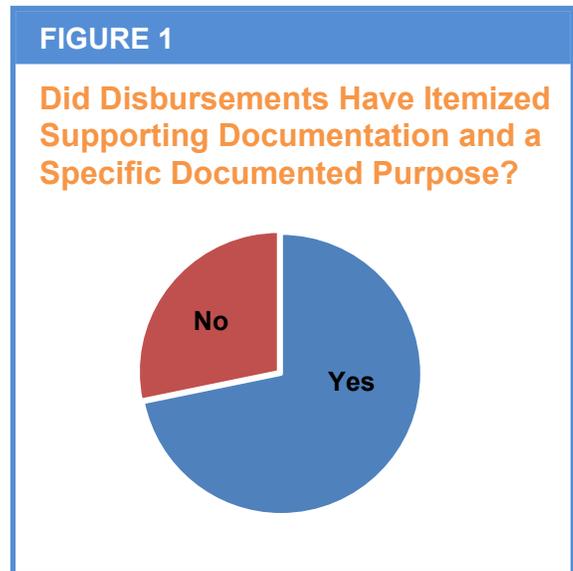
Because officials do not review bank statements, canceled check images, supporting disbursement documentation and audit trail reports – including the void and deleted transaction reports – their ability to detect and properly address inappropriate disbursement activity is diminished.

### **Officials Did Not Ensure That Disbursements Had Adequate Supporting Documentation and Were for Association Purposes**

Officials did not confirm that disbursements had adequate supporting documentation and were for appropriate Association purposes. We reviewed all 489 disbursements totaling \$175,570 made from January 1, 2021 through May 31, 2022.<sup>2</sup> None of the claims had documented approval from anyone other than the Treasurer.

Of the 489 disbursements, 138 (28 percent) totaling \$39,929 did not have an itemized invoice, receipt, or other such supporting documentation, and an adequately documented, specific Association purpose (Figure 1), as follows<sup>3</sup>:

- 74 disbursements totaling \$18,529 did not have an invoice or receipt. These included 37 totaling



<sup>2</sup> Refer to Appendix C for further information.

<sup>3</sup> Some disbursements had multiple deficiencies.

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\$6,946 that were for purchases made with debit cards and 17 totaling \$3,875 for monthly cleaning services for the Association building. While the Board meeting minutes indicated approval of the cleaning services, the minutes did not include an approved amount. Also, the Association did not have documentation to indicate that the cleaning work was performed.

- 29 disbursements totaling \$8,690 did not have an itemized invoice, receipt or other such supporting documentation, such as lodging receipts or mileage documentation, to support travel reimbursements.
- 106 disbursements totaling \$25,803 did not have an adequately documented, specific Association purpose.

The Treasurer and Board members told us that they had difficulty getting receipts from members who used the debit cards. They told us that they updated the Association's credit card policy to address this issue by requiring members to sign-out a debit card when they wanted to use one, which was designed to hold users more accountable.

In addition, we found that certain disbursements related to Association events did not include details for who attended them (such as the 2021 annual officers' dinner totaling \$1,164) or received purchased items during the events (such as toys totaling \$1,004 for the 2021 Christmas event).

The Treasurer told us that they did not maintain a list of attendees for meal events, like the annual officers' dinner, because those events are "nonpoint earning events,"<sup>4</sup> and the meals are listed on the receipt provided for the event. However, the receipt indicates the number of meals ordered, not the number of attendees. Also, the receipt information did not provide detailed information that would help determine whether those who received meals were supposed to receive them.

In addition, the Treasurer told us that the Christmas event coordinator was responsible for purchasing the toys (which were given to members' children). The Treasurer also said that the coordinator did not provide any information for who received the toys, or how many toys were needed, so that the Treasurer could compare the number of recipients with the number of toys purchased. Therefore, officials could not ensure that these disbursements were for appropriate Association purposes.

Because officials did not adequately review the Association's disbursements, the Treasurer made two duplicate payments to a vendor totaling \$366 that went

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<sup>4</sup> To receive yearly service credit for the length of service awards program, which is similar to a pension program, members must accumulate a certain number of "points." These are earned by participating in different activities, such as attending training courses, drills and Association meetings, holding elected and/or appointed positions and responding to emergency calls.

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undetected. After we brought this to his attention, he requested and received, a credit to the Association's vendor account. Also, officials did not identify a \$480 bank error that we found during our audit. After our inquiry, the Treasurer and financial secretary followed up with the Association's bank, which determined it was the bank's error and corrected the Association's account. While these were not significant errors, they demonstrate the potential for greater errors or other irregularities, which could go undetected without additional independent review.

Because the Association's disbursements did not have adequate documentation, we could not determine whether all disbursements were for appropriate Association purposes. While these expenditures appeared reasonable and appropriate, many of the Association's vendors provided goods or services that also could be used for personal purposes. Therefore, officials should document the business purpose and appropriate approvals for all disbursements before payment.

### **What Do We Recommend?**

The Board should:

1. Amend the bylaws or adopt sufficient supplemental disbursement policies and enforce compliance with the bylaws and policies.
2. Adopt a code of ethics and conflict of interest policy as required.
3. Establish an audit committee as required by the Association's bylaws.
4. Strongly consider ending the use of debit cards. If the Board decides to continue using debit cards, it should develop and adopt an appropriate debit card policy and ensure other internal controls are in place.
5. Ensure that someone who is independent of the disbursement process regularly reviews bank statements, canceled check images and bank reconciliations.
6. Consider using different financial software that provides adequate controls over changes and deletions, or implement compensating controls for the current software's deficiencies, such as having someone who is independent of the disbursement process review audit trail reports.
7. Ensure that the Treasurer retains custody of all Association funds and maintains accurate, complete accounting records in accordance with the bylaws.
8. Ensure all claims are audited and have documented approval, adequate supporting documentation and are for appropriate Association purposes.

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Because the Association's disbursements did not have adequate documentation, we could not determine whether all disbursements were for appropriate Association purposes.

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# Appendix A: Response From Association Officials

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## West Webster Volunteer Firemen's Association

April 19, 2023

Dear Edward V. Grant,

Thank you to the New York State Auditors who met with the West Webster Volunteer Firemen's Association on April 19, 2023 during a formal meeting held at the 1051 Gravel Road, Webster, NY.

The West Webster Volunteer Fireman's Association will be referred to in this response letter as WWVFA.

This response letter serves as our 30-day response to the items that were brought to our attention during the formal meeting held on April 19, 2023 and our CAP.

The WWVFA agrees with the draft findings that were presented to us on April 19, 2023. The WWVFA has already begun to work on the items that are listed in the recommendations section of the draft report.

Also, the Corrective Actions Plan and the Draft Report have been combined into one document called West Webster FD CAP report. This plan contains goal dates for each of the eight items. The persons in charge will be the Board- Chairman, Jefferson Wilson and the Treasurer Walter Zehder.

Regards,

Jefferson Wilson  
Chairman of the Board of Directions  
West Webster Volunteer Firemen's Association

CC: Walt Zehder, WWVFA Treasurer  
Vicki Polkowski, WWVFA Secretary

Attachments: "What Do We Recommend?"  
CAP Plan

See Note 1 Page 12
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[www.westwebsterfd.org](http://www.westwebsterfd.org)

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**1. Adopt sufficient supplemental disbursement polices and enforcement.**

*Being written and amended the Treasurer's job description. The goal is to have the Board of Directors approve it at the April meeting. The goal is to have the Enforcement part approved by the Board of Directors at the May meeting.*

**2. Code of Ethics & Conflict of Interest Policy**

*Being written. The goal is to have the Board of Directors approve it at the June meeting.*

**3. Audit Committee**

*Committee has been formed. Writing job description. Provide them with training. The goal is to have the Board of Directors approve it at the June business meeting.*

**4. Use of Debit Cards**

*Credit card policy has been written. In discussion with [REDACTED] for a corporate credit card. Once the credit card account is set up, the debit cards will be destroyed.*

**5. Regularly reviewed.**

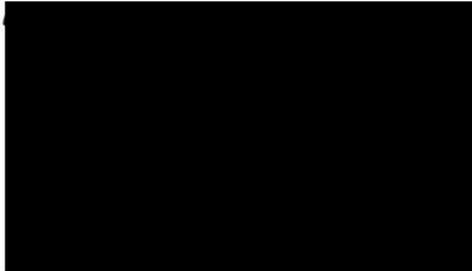
*Will become part of the Audit committee job description and training. See #3.*

**6. Different accounting software.**

*Have spoken to different people. They all stated software comes with Delete and Void functions. Part of the revised treasurer's job description is to require no "deletes". Printout at the end of each month, the following [REDACTED] report: [REDACTED]*

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Found the following [REDACTED] reports:



*The Board Chairperson, the Treasurer and the Audit Committee will review all of these reports to determine which will meet the needs of the Audit Committee will need to be reviewed and how often. Also, determine what reports the Treasurer will have to print and how often. The required reports will become part of Audit Committee job description and the Treasurer's job description.*

Goal is having the necessary revisions to the job descriptions written and approved by the Board of Directors by the July meeting.

**7. Custody of all Association funds, etc.**

*See #1*

**8. Claims are audited, documented, etc.**

*See #3*

## Appendix B: OSC Comment on the Association's Response

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### Note 1

The Association's response refers to an attachment that we did not include in the final audit report because it duplicated part of the report.

## 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 Association officials and members and reviewed the Association's bylaws, written policies and Board and member meeting minutes to gain an understanding of the Association's disbursement processes.
- We reviewed the previous OSC audit report to determine whether officials implemented adequate corrective action.
- We reviewed check number sequences for recorded and issued checks and followed up on gaps, such as voids, in the numbering sequence because the financial software allowed changes and deletions to data.
- We reviewed all recorded disbursements from January 1, 2021 through May 31, 2022, which reflected the beginning of our audit period through the last reconciled month as of our audit entrance conference. We compared the recorded disbursements to the bank statements and canceled check images to determine whether disbursements were accurately recorded and whether there were any unrecorded disbursements.
- We reviewed all 489 disbursements totaling \$175,570, which included 153 debit card disbursements totaling \$31,809, to determine whether they were properly approved, had adequate supporting documentation (such as itemized invoices or receipts and a documented Association purpose), complied with Association policy requirements and were for appropriate Association purposes.

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

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