



Border City Hose Company

Financial Oversight

2025M-39 | October 2025

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Report Highlights

Border City Hose Company

Audit Objective

Determine whether Border City Hose Company Inc. (Company) officers provided adequate oversight of Company operations to ensure financial activities were properly recorded and reported and that resources were adequately safeguarded.

Key Findings

Company officers did not provide oversight of Company financial operations by performing even the limited oversight responsibilities outlined in the Company's bylaws. Instead, certain officers hindered the Treasurer's ability to perform his fiscal responsibilities by designating themselves as recipients and custodians of most Company money. As a result, Company money was not always properly accounted for, and a Director, who was also the Border City Fire District (District) Fire Department Chief (Director/Chief), inappropriately used Company funds for his personal benefit.

Recommendations

The report includes 13 recommendations that, if implemented, will improve the Company's financial management.

The former Director/Chief was arrested on charges of grand larceny for allegedly stealing from the Company. In July 2024, the former Director/Chief pleaded guilty to misapplication of property (an A misdemeanor) and was ordered to pay full restitution of \$18,772.53.

The Company reorganized as a social club in 2024; therefore, there was no official response to this audit.

Audit Period

January 1, 2018 – February 24, 2020

The audit report was held in abeyance while the matter was under investigation.

Background

The Company is a not-for-profit organization incorporated in 1911 and is one of two companies affiliated with the District Fire Department. The Company provides fire protection and emergency services in portions of the Towns of Waterloo and Fayette in Seneca County.

The Company is composed of volunteer members and is governed by its articles of incorporation, adopted bylaws and member-elected officers. The officers of the Company include a President, Vice President, Treasurer, Secretary and two Directors. The President is responsible for general supervision and administration of the Company. The Treasurer is responsible for the receipt, custody, disbursing of and accounting for all Company money and preparing financial reports. The Directors are responsible for examining bills presented for payment and reviewing the Treasurer's records on a quarterly basis. The Company's primary revenue sources are rent received from the District, hall rentals and fundraising proceeds.

Quick Facts

January 1, 2018 – September 30, 2019

Deposits	\$114,588
Disbursements	\$93,268

Financial Oversight

What Is Effective Financial Oversight?

Company officers should establish a system of internal controls, including clearly defined and enforced bylaws and/or other policies and procedures that establish and segregate financial duties and help ensure:

- Effective oversight of financial activities,
- Accountability of money collected,
- Transactions are supported, authorized and properly recorded in the accounting records,
- Bills are approved before payment, and
- Financial reports are accurate, reliable and filed in a timely manner.

In addition, New York State (NYS) Not-For-Profit Corporation Law (NFPCL) Section 715-a and NYS General Municipal Law (GML) Section 209-ee require the Company to adopt a conflict of interest policy and a code of ethics that provide standards to help ensure all officers act in the Company's best interests.

The Company's bylaws state the Directors are responsible for reviewing all bills before they are paid by the Treasurer and for performing quarterly reviews of the Treasurer's records. The bylaws also require the Treasurer to receive and account for all money collected, pay bills when ordered by the Company, provide monthly reports and make his books and records available for the Directors' review.

The Treasurer is also required pursuant to GML Section 30-a to file an annual report with the Office of the State Comptroller (OSC) with respect to the Company's receipt and use of Foreign Fire Insurance (FFI) tax proceeds. Furthermore, Company officers are required by NFPCL Section 519 to present an annual report to members at the annual member meeting detailing assets, liabilities, revenues and expenses and member information. Finally, the Internal Revenue Service (IRS) requires the Company to file an annual information report (Form 990)¹ for organizations exempt from income tax.

Company Officers Did Not Provide Effective Financial Oversight

Company officers did not enforce the limited financial provisions listed in the Company's bylaws or adopt supplemental written financial policies or procedures pertaining to the prescribed format of the Treasurer's records and reports and the Directors' review of them or the bills prior to payment, and the preparation of the various annual financial reports and fundraising activities. In addition, the officers did not adopt the required code of ethics or conflict of interest policies, increasing the risk that misconduct could occur, and officers could use Company resources for personal gain.

Receipt and Disbursement of Company Funds – The Treasurer did not receive, deposit, disburse or account for all Company money as required. Instead, Company officers hindered the Treasurer's ability

¹ IRS Form 990 is a return filed by organizations exempt from income tax under Sections 501(c), 527 or 4947(a)(1) of the Internal Revenue Code (see Internal Revenue Code Section 6033).

to perform their fiscal responsibilities by designating themselves as recipients and custodians of most Company money. Furthermore, the Director/Chief inappropriately used Company funds for his personal benefit.

- Director/Chief – The Director/Chief regularly deposited money from Company fundraisers, hall rentals and other miscellaneous revenues, as well as District reimbursements, into an unauthorized “Fire Department” bank account² that he controlled and held with his credit union where he also had personal accounts. There is no authority for the chief of a fire district to open a bank account on behalf of the fire district’s department or handle any money relating to the department, or of the department’s fire companies that provide fire protection to the fire district.

The Director/Chief used duplicate checks and maintained one checkbook register for the four accounts. However, the Director/Chief failed to record most of the deposits and withdrawals and some of the checks in the check register or keep running balances. Furthermore, the check disbursements that he recorded did not include check numbers, just an amount.

During the period January 1, 2018 through September 30, 2019, the Director/Chief deposited \$72,752 into these bank accounts. We determined that \$32,400 of the deposited money related to an unauthorized contract the Director/Chief entered into for the use of the District’s rescue boat and \$5,330 related to two insurance recovery checks, all of which belonged to the District (see Border City Fire District – Board Oversight 2024M-137). Due to the lack of documentation to support his deposits, it was unclear what the source of the remaining \$35,022 deposited by the Director/Chief related to and what portion belonged to the Company, the District or the Serven Volunteer Fire Company, Inc. (Serven), the second fire company that makes up the District Fire Department.

For example, the Director/Chief deposited fundraising revenues into his account, such as the boot drive proceeds and portions of the annual fund drive proceeds, that should have been disbursed proportionately between the Company and Serven. The Chief did not pay Serven half (\$1,107.50) of the \$2,215 he deposited from the 2019 boot drive. He also deposited \$2,080 of the proceeds from the 2018 fund drive which should have been deposited by the Treasurer and split with Serven, along with fund drive donations the Treasurer deposited. The Company did not share any 2018 fund drive proceeds with Serven and still owed Serven \$2,238.

Other Company officers collected Company revenue for hall rental and other fundraisers such as monthly quarter auctions, but inappropriately submitted proceeds to the Director/Chief, instead of the Treasurer, for deposit with no supporting documentation of amounts collected, and the Director/Chief kept no related records. For example, while the Director/Chief made deposits totaling approximately \$11,000 to his quarter auction account, there was no documentation to support that the amount was indeed auction proceeds, or all of the auction proceeds collected.

2 The unauthorized bank account was a checking account with three savings sub-accounts known as the “Checking, Quarter Auction Fundraiser, Boat and District Fundraiser” accounts. While the Company Vice-President was also a signatory on the account, she did not access the account.

During the same period, the Director/Chief disbursed \$33,261 and made 37 unaccounted for cash withdrawals totaling \$22,000 from the bank accounts. The Director/Chief did not maintain supporting documentation for 122 of the 141 check disbursements totaling \$27,562 (83 percent).

The Director/Chief did not adequately record, or give verbal or written monthly reports for, the activity in the bank accounts he managed or provide the information to the Treasurer to include in the monthly Treasurer's reports. The Director/Chief told us he originally opened the account for money such as parade prizes and boot drive proceeds that should benefit both companies that make up the District Fire Department. He did not explain why he also deposited Company revenues into that account. The Director/Chief also told us that he was unaware that bank statements, bills and invoices should be retained. He said he withdrew the cash for the quarter auction, to pay the divers and medics on boat patrols and for repairs to the boat's motor and pump, and that he did not record these transactions or get receipts.

The President told us he reviewed the Director/Chief's checkbook register and duplicate checks every six months. However, we found no indication in the meeting minutes or the checkbook documenting the review. We also question why the President would not have addressed the deficient condition of the register as the Director/Chief's only accounting record for activity in these bank accounts.

- President – According to bank records obtained via subpoena, the President maintained a checking account, "Border City Hose Company Underwater Squad" account, that required two signatures – of the President and a dive team member – for any checks drawn on this account. The President made three check disbursements from this account totaling \$1,600 during our audit period, but did not provide us with any records related to this account or supporting documentation for the three checks. The bank account also incurred \$40 in service fees for lack of activity, which reduced the balance to \$7.
- Treasurer – The Treasurer generally only received and accounted for certain revenues – including rent payments from the District, United States Department of Veterans Affairs hall rental, FFI tax proceeds and some fund drive proceeds – in the Company's two "main" checking accounts. During our audit testing period, January 1, 2018 through September 30, 2019, the Treasurer deposited \$41,836 and disbursed \$36,450 from the more than \$114,000 of money received.

The Treasurer generally kept records for the money he handled, with minor exceptions. The Treasurer used two checkbooks to account for activity in the general and building checking accounts and maintained a running balance and drew lines to separate activity for each month. He used an excel spreadsheet to prepare the monthly Treasurer's report for the money he handled. However, he did not include activity from the building account. The Treasurer gave only a verbal report for the building account because it had limited activity but began preparing a monthly report for the building account after our initial audit discussions. We found all his bank statements in sealed envelopes, because the Treasurer stated he reviewed them online and his monthly Treasurer's report serves as the bank reconciliation. However, the monthly report does not include the bank balance from his accounting records and other Company officers do not review the bank statements.

Furthermore, the Treasurer did not file an accurate FFI tax proceeds report with OSC for 2018 because he reported that the Company spent all its 2018 revenue on a banquet. However, no banquet was held that year. After our guidance, the Treasurer filed a more accurate report for 2019, indicating the Company spent no FFI money. Although the Treasurer reported the entire 2019 revenue in unexpended balance, he did not include the unspent revenues still on hand from 2018 or from any prior years.

The Treasurer also did not submit the required IRS Form 990 or annual directors' financial report. The Treasurer told us he was not aware of these requirements.

Bill Approval – The Directors did not review bills before the Treasurer paid them, as required. Instead, the Company members, as a whole, generally approved bills at monthly meetings – as listed on the Treasurer's reports – after they were paid and without having reviewed them. In addition, no one reviewed or approved any of the disbursements the Director/Chief or President made of Company funds from bank accounts they inappropriately maintained. The lack of detailed review and approval of bills before they were paid increased the risk that Company funds could be, and were, used for inappropriate purposes without detection.

We reviewed the 157 disbursements, totaling \$36,450, the Treasurer made from January 1, 2018 through September 30, 2019 and determined:

- Four payments totaling \$1,990 from the building account were not approved by members because they were not included in a monthly Treasurer's report. Additionally, three of the four payments totaling \$904 were not building-related, but were unapproved payments to the President for banquet awards (\$704) and donations to the Waterloo Central School District band and senior class (\$100 each).
- Twenty-four payments totaling \$3,444 had no supporting documentation. Eight other payments totaling \$1,450 were paid from account statements without original purchase receipts. Five of the eight payments totaling \$1,387 were made to a major hardware store chain for unsupported purchases made by the Director/Chief using a store purchase card in the Company's name.
- Forty payments included sales tax totaling \$367.
- Two checks totaling \$550 were made out to cash.

Quarterly Financial Reviews – The Directors did not conduct quarterly reviews of the Company's financial records maintained by the Treasurer, Director/Chief or President, or document reviews at any other intervals. As a result, Company officers and members were unaware of minor discrepancies with the Treasurer's records or the significant and questionable discrepancies in the Director/Chief's minimal records.

Due to the lack of any meaningful oversight of Company financial activities by Company officers, the Company did not comply with applicable laws, bylaw provisions and good business practices, and the Treasurer did not have custody of all Company money as required. Because multiple individuals were involved in receiving and disbursing Company money from multiple bank accounts without adequate accounting records, reports or independent reviews of bank statement activity, there is no clear or complete analysis of the Company's financial position or any basis for Company officers to make informed financial decisions.

What Do We Recommend?

Company officers should:

1. Review and amend the bylaws and/or adopt separate written financial policies and procedures over key financial areas including accounting records, monthly and annual financial reports, approval of bills and accounting records, and fundraising activities.
2. Implement procedures to address the review of bills and outline the documentation that should accompany purchases to help ensure that all bills are properly supported, reviewed and approved before they are paid.
3. Monitor for and enforce compliance with all bylaws and policies.
4. Adopt a code of ethics and conflict of interest policy for Company officers and members.
5. Ensure compliance with all necessary reporting requirements for oversight agencies (for example, IRS Form 990).
6. Require and review monthly bank statements and bank reconciliations to help determine whether accounting records and checkbook registers are properly maintained for all bank accounts.
7. Maintain adequate supporting documentation for hall rentals, fundraisers and other receipts and remit those records with collections to the Treasurer to be deposited and included in monthly reports.

The Directors should:

8. Properly review all bills as required in the bylaws.
9. Conduct quarterly reviews of the Treasurer's records as required in the bylaws.

The Treasurer should:

10. Manage all bank accounts and handle all Company receipts and disbursements as required in the bylaws.
11. Prepare monthly bank reconciliations for all accounts and provide them to the Company officers with bank statements and check images for review.
12. Prepare and maintain adequate records and reports to account for all revenues and expenses and cash balances in all bank accounts.
13. Properly submit and file appropriate reports, such as the FFI report, IRS Form 990 and annual directors' financial report in a timely manner.

Appendix A: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and OSC's authority as set forth in Article 3 of GML. 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 Company officers and reviewed meeting minutes and Company bylaws to gain an understanding of the Company's operations and the roles and financial duties of various officers and members.
- We compared all 157 disbursements totaling \$36,450 on the Treasurer's reports from January 1, 2018 through September 30, 2019 to the bills, checkbook register and bank statements and canceled check images to determine whether the bills were accurately recorded and properly supported.
- We compared all 141 disbursements totaling \$33,261 listed in the Director/Chief's checkbook register from January 1, 2018 through September 30, 2019, to bank statements and to the available bills and canceled check images to determine whether the disbursements were accurately recorded and properly supported.
- We reviewed all 54 non-check (teller withdrawal) transactions totaling \$35,192 made from January 1, 2018 through September 30, 2019, per bank statements for the Director/Chief's accounts, to determine whether these transactions were approved and recorded and whether the reason for the withdrawals was documented. We also determined there were no non-check withdrawals from the accounts maintained by the Treasurer and President.
- We compared the monthly Treasurer's report to the checkbook register and all bank statements (general and building accounts) for all deposits listed from January 1, 2018 through September 30, 2019 to ensure deposits were made in a timely manner and intact.
- We reviewed and compared bank statements for the Director/Chief's accounts to his checkbook registers from January 1, 2018 through September 30, 2019 to determine whether cash receipts were recorded and were deposited in a timely manner and intact.
- We reviewed all documentation provided by the Vice President for hall rental revenues from January 1 2018 through September 30, 2019 for reasonableness and to determine whether all revenue collected was adequately recorded, receipted and transmitted for deposit.
- We reviewed all bank activity in the Company's Underwater Squad bank account from January 1, 2018 through September 30, 2019.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

Appendix B: 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

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