



Caledonia Volunteer Fire Department, Inc.

Board Oversight

2025M-12 | May 2025

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Audit Results

Caledonia Volunteer Fire Department, Inc.



Audit Objective

Audit Period

Did the Caledonia Fire Department (Department) Board of Directors (Board) provide adequate oversight of financial operations?

January 1, 2023 – January 8, 2025

Understanding the Program

The Board must provide oversight to ensure financial operations are properly managed. This includes ensuring comprehensive records are maintained, duties are appropriately segregated or compensating controls are implemented to safeguard funds, and reviewing records and reports to detect discrepancies.

The Department is composed of volunteer members and is governed by its bylaws and seven-member Board. The Board is responsible for managing the Department's financial activities.

The Treasurer is responsible for maintaining custody of, disbursing, depositing and accounting for the Department's financial activities and preparing financial reports. The booking coordinator oversees hall rentals and certain fundraising events.

The Department's disbursements totaled \$174,302 from January 1, 2023 through May 31, 2024.

Audit Summary

The Board did not provide adequate oversight of financial operations. In addition, our previous audit report, *Caledonia Fire Department – Internal Controls Over Financial Operations* (2013M-356), released March 2014 had similar findings and recommendations concerning the Board's lack of oversight. Because the Board did not implement adequate corrective action to address these findings, the same deficiencies exist.

The Board did not:

- Ensure that the financial review committee conducted an annual review of the Treasurer's financial records or that all 325 claims paid between January 1, 2023 and May 31, 2024 totaling \$174,302 were reviewed, approved and properly supported. The Board also did not ensure that the Treasurer:

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- Maintained accurate and complete financial records,
 - Provided the Board with adequate financial reports, bank statements, canceled check images and bank reconciliations to monitor operations.
 - Ensure that officials safeguarded and properly supported hall rental and fundraising revenues. From January 1, 2023 through May 31, 2024 deposits, including those for hall rentals and fundraising, totaled \$211,917.
 - Adopt:
 - Written financial policies to establish a system of internal controls that ensure oversight of financial activities, transactions are authorized and properly reviewed and Department resources are adequately safeguarded,
 - The required code of ethics policy to establish reasonably expected standards of conduct, or
 - A conflict-of-interest policy that requires officials to disclose any interests that conflict with official duties.

The lack of oversight of financial operations increases the risk of theft, potential liability and waste of Department resources.

The report includes 11 recommendations that, if implemented, will improve the Board's oversight of financial operations.

Department officials agreed with our recommendations and indicated they have initiated corrective action. Appendix C includes our comment on the Department's response letter.

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. Our methodology and standards are included in Appendix D.

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.

Board Oversight Findings and Recommendations

A fire department board (board) is responsible for overseeing the department's financial activities to safeguard its resources. To fulfill this duty, 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.

More details on the criteria used in this report are included in Appendix A.

Finding 1 – The Board did not provide adequate oversight of financial operations.

The Board did not adopt written financial policies, including the required code of ethics and conflict of interest policy. In addition, the Department's bylaws were inadequate, and the limited financial provisions included were not enforced and contained contradictory and unclear language. As a result, the Treasurer lacked guidance for recording and reporting financial transactions and the Board did not have the necessary information to provide assurance that financial operations were adequately accounted for and reported.

Although we provided the Board with recommendations for similar findings to help improve financial operations in our prior audit report, the Board did not implement adequate corrective action to address the deficiencies. Therefore, the deficiencies remained.

- The Treasurer did not maintain accurate, complete records or provide detailed monthly and annual reports, which hindered the Board's oversight ability. We reviewed bank statements, financial records and supporting documentation and determined that not all deposits were recorded and there were recorded disbursements that did not list the vendor and had an incorrect check number, check date or amount. Although the Treasurer told us that he performed electronic bank reconciliations, these were not printed and provided to the Board and were not used to identify and correct errors in the accounting records. The Treasurer also did not provide the Board or membership with monthly reports that detailed revenues or disbursements. Instead, the Treasurer submitted a monthly balance sheet report to the Board and membership that included cash balances and also provided certain information for some fundraisers but did not include bank statements or canceled check images to allow the Board and membership to verify the accuracy of the information provided. In addition, the lack of this information hindered the Board from preparing the annual director's report for the membership. Finally, the financial review committee

did not perform the required annual review of the Treasurer's financial records, so the Treasurer's recording errors went undetected and uncorrected. As a result, the Department's 2023 federal tax filing was inaccurate.

- The Board did not ensure that all 325 claims totaling \$174,302 from January 1, 2023 through May 31, 2024 were reviewed, approved and properly supported Department disbursements. For example, disbursements generally did not include purchase orders required by the bylaws, did not all have itemized invoices and did not document the specific Department purpose. As a result, while these disbursements generally appeared reasonable, we were unable to determine whether all disbursements were for appropriate Department purposes.
- The Board did not ensure that hall rental and fundraising revenues were safeguarded and properly supported. Department revenues and redeposited start-up cash from January 1, 2023 through May 31, 2024 totaled \$211,917. While officials maintained limited documentation for hall rentals, supporting documentation was generally not maintained for other revenue activities including bar and food sales and raffle tickets. In total, sufficient cash was deposited to cover the stated return of start-up cash. Due to the lack of support for revenues, there is limited assurance that receipts were properly recorded and deposited.

The Board generally did not provide adequate explanations for the deficiencies identified.

The lack of adequate bylaws, policies and procedures, supported and authorized claims, accurate accounting records and periodic and annual financial reports significantly hindered the Board and members' oversight of financial operations and increases the risk of theft, potential liability and waste of Department resources.

Recommendations

The Board should:

1. Review and update the bylaws and adopt and enforce written policies and procedures, including a code of ethics and conflict of interest policy, to provide adequate oversight and clear guidance of financial operations. This should include implementing effective compensating controls over the Treasurer's unsegregated duties, such as regular reviews of financial records and reports, bank statements with canceled check images and reconciliations.
2. Provide the annual director's report for Department members every year.
3. Ensure the financial review committee annually audits the Treasurer's financial records.
4. Conduct a thorough and deliberate audit of each claim, prior to approving payment including reviewing a list of bills to be paid and verifying that the purchases were authorized, agree with the checks and are adequately supported including a documented specific Department purpose.

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5. Ensure that the booking coordinator and Treasurer obtain, retain and make available supporting documentation for all revenues, including hall rentals, bar and food sales and fundraising events.
 6. Ensure the Department's 2023 federal tax filing is corrected.

The Treasurer should:

7. Maintain accurate and complete financial records, which may help ensure accurate annual tax filings.
8. Prepare and submit accurate monthly financial reports to the Board and membership that include detailed information for revenues and disbursements, a list of bills to be paid, bank statements with canceled check images and reconciliations.
9. Ensure that all disbursements are adequately supported and approved prior to making payment.
10. Obtain and retain supporting documentation for all Department revenues to support deposits.

The booking coordinator should:

11. Maintain detailed supporting documentation for hall rentals and fundraising events and provide them to the Treasurer.

Appendix A: Profile, Criteria and Resources

Profile

The Department is a not-for-profit organization that provides fire protection and emergency services within the Town of Caledonia in Livingston County. The Treasurer also served as the Board President until January 2025 when the Vice President became President. The booking coordinator, responsible for overseeing hall rentals, the meat raffle and the chicken barbeque fundraisers including cash collections, did not continue in that role in 2025. The positions referred to in the report were those held prior to 2025.

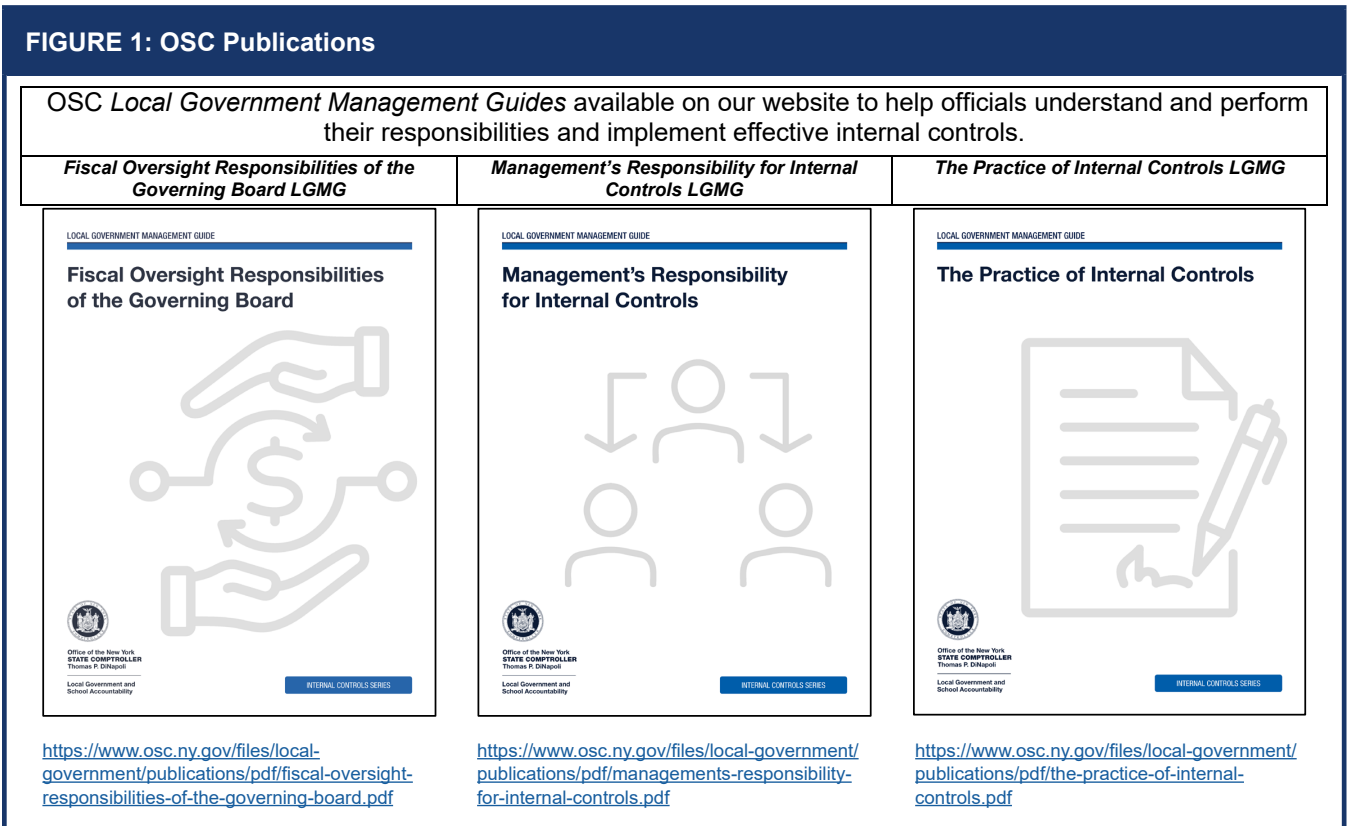
Criteria – Board Oversight of Financial Operations

The board is responsible for overseeing the department's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the board establish a system of internal controls which include policies and procedures to ensure that transactions are authorized and properly recorded in a timely manner; that financial reports are accurate, reliable and filed in a timely manner; and that the department complies with its bylaws and applicable laws, rules and regulations. The board is also required to adopt a code of ethics that provides standards of conduct and procedures for disclosure of interests.

The treasurer is responsible for maintaining complete, accurate and timely records to account for all of the department's financial activities and for preparing and submitting monthly and annual reports to the board for monitoring department operations. The board should also ensure that claims are supported by adequate documentation; review financial records, bank statements and reconciliations; and ensure that funds are used for legitimate department disbursements. While not required by the bylaws or by statute, it is essential that the board also review and approve bills prior to payment, especially if financial duties are not segregated. The bylaws require a financial review committee annually review the Department's financial records.

New York State Not-for-Profit Corporation Law Chapter 35, Section 519 requires a board to provide an annual director's report to the members at the annual meeting that details the department's assets and liabilities, receipts and disbursements for the year and the number of members.

Additional Board Oversight Resources



In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From Department Officials



**Caledonia Fire Department
366 Leicester Street
P.O. Box 1
Caledonia, NY 14423
(585) 538-4626**

4/13/2025

Stephanie Howes, Chief of Municipal Audits
6 West Main Street – Suite 522
Rochester, New York 14614-1608

Dear Ms. Howes;

The Caledonia Fire Department has received the preliminary findings from the audit of our Department.

It is our understanding that many of the problems stated were not addressed after our last audit in 2011. It is our full intention to address the problems at hand, and create a corrective action plan to resolve them.

See
Note 1
Page 9

We have taken notes at the meetings leading up to the final report and have already corrected many of the problems at hand.

A corrective action plan will be sent within 90 days of the Final Report being released.

Thank you,

Ethan Donaghue
Caledonia Fire Department President

Appendix C: OSC Comment on the Department's Response

Note 1

Our previous audit assessed the Board's oversight of the Department's financial operations for the period January 1, 2012 through October 16, 2013, and the audit report was released in March 2014.

Appendix D: Audit Methodology and Standards

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

- We interviewed Department officials and reviewed the bylaws and Board and member meeting minutes to gain an understanding of financial procedures and processes and determine what financial records and reports were prepared, provided and reviewed.
- We reviewed bank statements and bank activity including canceled check images from January 1, 2023 through May 31, 2024 to identify the total Department deposits and disbursements and compared the amounts to those recorded and to the Department's 2023 federal tax form (Form 990) to determine whether they were accurately recorded and reported.
- We reviewed all 325 disbursements totaling \$174,302 from January 1, 2023 through May 31, 2024 and compared them to supporting documentation including purchase orders, invoices and receipts and canceled check images to determine whether disbursements were properly approved, adequately supported and for Department purposes. We also compared the 47 checks for startup cash totaling \$32,100 to event calendars and Board minutes to determine whether the checks were reasonable for Department events and reviewed subsequent deposits with revenue support to determine whether cash was deposited after events.
- We reviewed the April 2024 Treasurer's report to determine whether the report provided to the Board was accurate, detailed and up to date.
- We reviewed bank reconciliations for April and May 2024 to determine whether the Treasurer prepared monthly bank reconciliations.
- We reviewed all 296 revenue transactions and redeposited start-up cash totaling \$211,917 between January 1, 2023 and May 31, 2024 and compared them to supporting documentation including event reports, hall rental agreements and donation forms to determine whether revenues were adequately supported and deposited into Department bank accounts.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

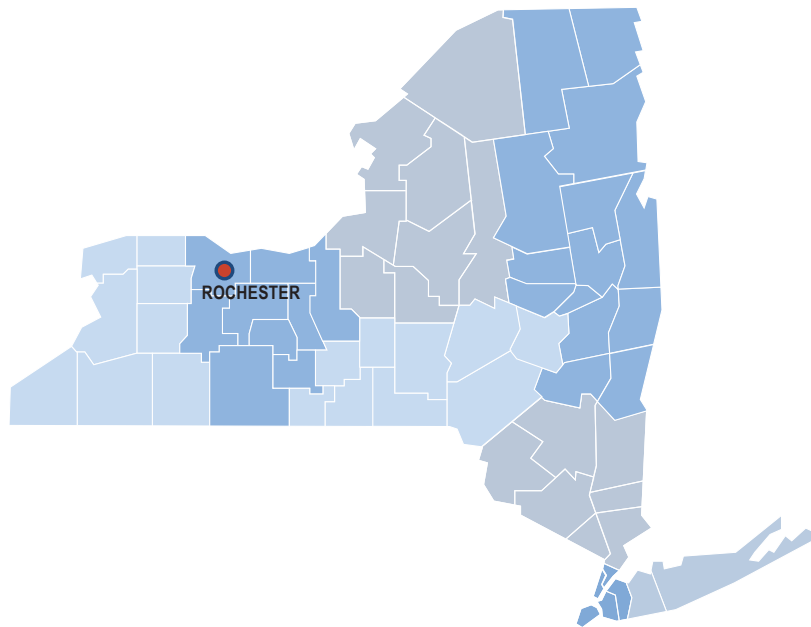
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