



Henrietta Fire Company, Inc.

Board Oversight

2025M-71 | December 2025

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Audit Results

Henrietta Fire Company, Inc.



Audit Objective

Did the Henrietta Fire Company, Inc. (Company) Board of Directors (Board) provide adequate oversight of financial operations?

Audit Period

January 1, 2023 – June 16, 2025

Understanding the Audit Area

The Board must provide oversight to help ensure financial operations are properly managed. Adequate oversight includes ensuring that Company officials maintain comprehensive records, appropriately segregate duties or implement compensating controls to safeguard funds, and review records and reports to detect discrepancies. The Company is governed by its articles of incorporation, bylaws and nine-member Board what is generally responsible for managing the Company's financial activities.

From January 1, 2023 through December 31, 2024, the Company's disbursements totaled \$299,640 and revenues and redeposited startup cash¹ totaled \$372,140.

Audit Summary

The Board did not provide adequate oversight of financial operations, adopt detailed written bylaws or financial policies or enforce the limited financial provisions the bylaws and financial policies did contain. Because the Board did not ensure that the Treasurer maintained custody of all Company funds as required by the Company's bylaws, the Treasurer's financial records and reports to the Board did not include all Company activity. In addition, the Board generally did not review bank statements, canceled check images and bank reconciliations for any accounts to monitor financial operations. Therefore, the Board did not have the necessary information to help it ensure that the Company's financial operations were adequately accounted for, recorded and reported. As a result, the Company had an increased risk of theft, waste and abuse of Company resources.

In addition, the Board generally did not review the Company's claims before they were paid to help ensure that all 448 claims paid from January 1, 2023 through December 31, 2024 totaling \$299,640 were properly supported with documentation, such as itemized invoices, and for appropriate

¹ This is cash used at the beginning of fundraisers, generally to make change and redeposited after the event's end.

Company purposes. Furthermore, the Board did not ensure that the Treasurer maintained supporting documentation for all revenues and redeposited startup cash totaling \$372,140 that was received and deposited from January 1, 2023 through December 31, 2024.

Also, the Board could not support that the membership approved using all \$68,907 of foreign fire insurance (FFI) tax proceeds. In addition, officials used the funds for inappropriate purchases, such as purchasing approximately \$600 in gift cards for attendees at the Company's annual membership banquet.

Without detailed bylaws, written policies and procedures, complete and accurate records and reports, periodic review of financial records and authorized claims supported with documentation, the Board and membership have less assurance of properly overseeing the Company's financial operations.

The report includes 13 recommendations that, if implemented, will improve the Board's financial operations oversight. Company officials generally agreed with our findings and indicated they will initiate corrective action. Appendix C includes our comments on the Company's response.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and New York State Office of the State Comptroller's (OSC) authority as set forth in Article 3 of the New York State General Municipal Law (GML). 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: Finding and Recommendations

A fire company board is responsible for overseeing the company's financial activities to safeguard its resources. To fulfill this duty, a fire company board should establish a system of internal controls that include clearly defined and enforced bylaws and policies and procedures that establish and segregate financial duties. The controls should help ensure that fire company officials:

- Effectively monitor financial activities,
- Properly account for money collected,
- Properly support, accurately record and obtain authorization for all financial transactions, and
- Prepare adequate and accurate financial reports in a timely manner.

Also, adequate controls and policies must include a process to routinely monitor and review the work performed by those who handle fire company money.

More details on the criteria used in this report, as well as resources/publications we make available to local officials that can help officials improve operations (Figure 1), are included in Appendix A.

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

The Board did not adopt detailed bylaws and written policies to help provide guidance for all financial operations, enforce the limited financial provisions addressed in the bylaws and policies or establish the audit committee's duties. The Board President maintained bank accounts and records for the Company drill team and the Chief maintained one bank account and records for "Chief activities." Neither the President nor Chief provided written financial reports to the Board. Because the Board did not ensure that the Treasurer maintained custody of all funds as required by the Company's bylaws, the Treasurer did not maintain complete Company records for 2023, and the monthly reports provided to the Board for 2023 and 2024 did not include all Company activity. The Board President and Treasurer told us that they were unaware that the bank accounts the Treasurer did not maintain should be included in the Treasurer's financial records until the Certified Public Accountant (CPA) brought it to their attention in 2024 for the 2023 review of the Treasurer's records.

In addition, the Treasurer's duties were not adequately segregated as the Treasurer performed most financial duties and the Board generally did not review bank statements, canceled check images and bank reconciliations for any accounts to provide oversight and monitor financial operations. Therefore, the Board did not have the necessary information to help ensure that the Company's financial operations were adequately accounted for, recorded and reported. Without this financial information, the Board could not prepare an accurate annual financial report for the membership, which severely limited the oversight of financial operations.

Also, the Board did not ensure that the Treasurer made disbursements only after Board authorization. The Board did not review claims and approved disbursements from the Treasurer's written listing,

generally after payment. In addition, the Vice President, as a member of the audit committee, reviewed claims after payment for seven Company events. Without an adequate review of all supporting documentation, the Board cannot ensure that disbursements were for proper Company purposes. Also, the Chief used a debit card and allowed members to use the card for Company purchases. Debit cards can pose significant risks because users have direct access to a bank account, without audit and approval prior to payment, making it more difficult to detect or address unauthorized use.

We reviewed all 448 claims totaling \$299,640 from January 1, 2023 through December 31, 2024, which included all debit card purchases totaling \$5,036. We determined that 297 claims totaling \$233,145, such as those for architectural services, copying and printing services and cleaning services, did not have itemized invoices or document a specific Company purpose. Furthermore, the Board did not approve 124 claims totaling \$46,346, and 75 checks totaling \$35,024 to pay claims did not include the bylaw-required two signatures. While claims were generally reasonable based on the vendor paid and Treasurer's, President's or Chief's recorded descriptions, we were unable to determine whether all claims were for appropriate Company purposes.

In addition, Company officials did not maintain adequate supporting documentation for all revenues, including hall rentals, donations and fundraising events and redeposited startup cash totaling \$372,140 that were received and deposited from January 1, 2023 through December 31, 2024. As a result, the Board cannot ensure that all collections were properly collected, accurately recorded and deposited.

Finally, the Treasurer filed the required 2023 and 2024 FFI tax proceeds annual reports for disbursements with OSC totaling \$68,907. However, the membership minutes did not include documentation demonstrating that the membership approved the expenditure of all \$68,907. Also, FFI tax proceeds were used to purchase approximately \$600 in gift cards as door prizes for attendees at the annual membership banquet. However, OSC has concluded that, in the absence of a special act of the State Legislature, using FFI tax funds for individual use (e.g., distributing gift cards to individual members) is inappropriate.² The Treasurer told us that he did not think door prizes were individual use.

Without detailed bylaws, written policies and procedures, complete and accurate records and reports, periodic review of financial records and authorized claims supported with documentation, the Board and membership cannot properly oversee the Company's financial operations. Also, the Company has an increased risk of theft and waste of Company resources.

Recommendations

The Board should:

1. Review, update and enforce the bylaws and written financial policies to help provide adequate oversight and clear guidance for financial operations including duties for the audit committee.

² See, e.g., Opinion of the State Comptroller 82-10.

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2. Implement effective compensating controls over the Treasurer's unsegregated duties, such as regularly reviewing bank statements with canceled check images and bank reconciliations and financial records and reports.
 3. Ensure the Treasurer maintains custody of all Company funds as required in the bylaws.
 4. Prepare and provide the annual report to Company members every year.
 5. Conduct a thorough and deliberate audit of each claim, which includes reviewing a list of claims and verifying that the claims:
 - Are adequately supported, have a documented specific Company purpose, and are for an appropriate purpose, and
 - Comply with applicable Company policies and bylaw requirements.
 6. Strongly consider ending the use of debit cards. If the Board decides to continue using debit cards, it should adopt an appropriate debit card policy and ensure other internal controls are in place.
 7. Ensure that the Treasurer and other members obtain, retain and make available supporting documentation for all revenues, including rentals, donations and fundraising events.
 8. Discontinue using FFI tax proceeds to purchase gift cards for individual members.

The Treasurer should:

9. Maintain custody of all Company bank accounts and record all Company revenues and disbursements in the financial records.
10. Submit written, monthly, financial reports to the Board and membership, that include detailed information for all Company revenues and disbursements, a list of claims, bank statements with canceled check images and bank reconciliations.
11. Ensure all disbursements are adequately supported with documentation and approved, which generally includes obtaining membership approval for using FFI tax proceeds; and that checks have the required authorized signatures.
12. Obtain and retain supporting documentation for all Company revenues, including hall rentals, to support deposits.

The membership should:

13. Approve the use of all FFI tax proceeds in accordance with New York State Insurance Law and ensure approvals are documented in the meeting minutes.

Appendix A: Profile, Criteria and Resources

Profile

The Company has approximately 30 volunteer members and is a not-for-profit organization that provides fire protection and emergency services within the Henrietta Fire District in Monroe County.

The Company's main sources of revenue include truck bay and hall rentals, FFI tax proceeds, donations and fundraising activities, including raffles.

The Company's bylaws establish certain "standing committees," including an audit committee and finance committee. The members of the audit committee include the Treasurer and Vice President, and members of the finance committee include the Treasurer, Vice President and another Board member.

The Treasurer, in accordance with the Company's bylaws, is responsible for maintaining custody of, depositing, and disbursing all Company funds and recording all the Company's financial activities.

Criteria – Board Oversight

A board is responsible for overseeing the company's fiscal activities and safeguarding its resources. To fulfill this duty, a board should establish a system of internal controls, which includes the following:

- Adopting policies and procedures to help officials ensure that transactions are authorized and properly recorded in a timely manner.
- Ensuring that financial reports are accurate, reliable and filed in a timely manner.
- Ensuring that officials and members comply with the company's bylaws and policies, and applicable laws, rules and regulations.

In addition, a treasurer is responsible for maintaining complete and accurate records to account for all company financial activities in a timely manner, and should prepare and submit monthly and annual financial reports to the board. A board should review these reports, financial records, bank statements and reconciliations to monitor company operations.

Furthermore, a board should review and approve bills (i.e., claims) before they are paid to help ensure that claims are supported by adequate documentation and funds are used for legitimate company purposes, especially if financial duties are not segregated.

The Company's bylaws state:

- The Board is responsible for controlling the finances of the Company.
- Unless specified in the bylaws, the Board shall determine the duties of the "standing committees", which include the audit and finance committees.

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- The Board shall prepare and direct the annual fund drive.
 - The Treasurer shall have custody of all Company funds, deposit all money, pay out money only upon order or authorized bill, prepare and submit a list of Company or Board approved bills ordered paid and keep proper accounts of receipts and expenditures.
 - All checks shall be signed by the Treasurer and President or the Treasurer and a designated member of the Board.
 - The Treasurer shall submit the Company's financial records to a CPA, at least annually, for an audit.

The Company's finance policy requires the finance committee to report monthly on the Company's financial performance.

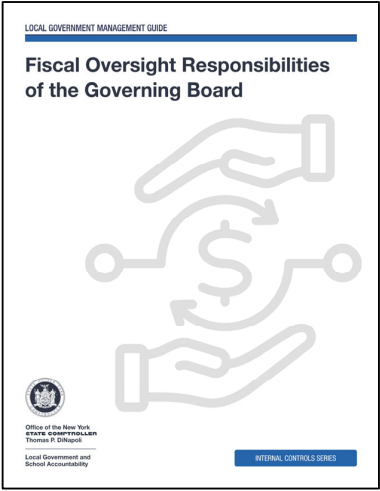
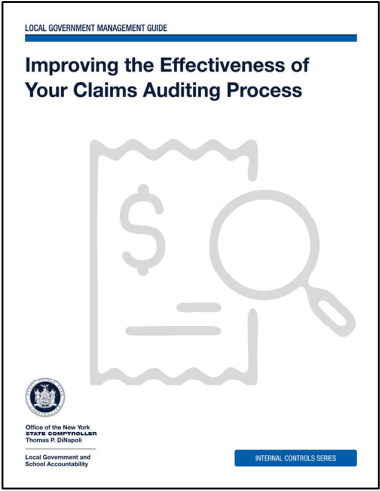
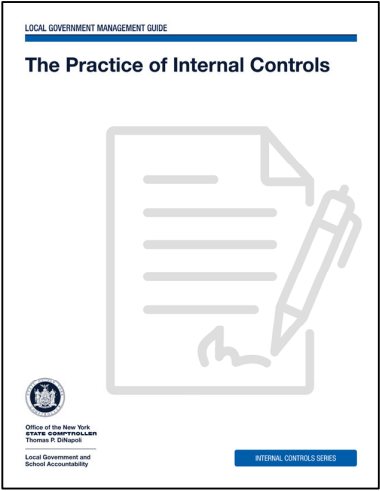
New York State Not-for-Profit Corporation Law Chapter 35, Section 519 requires a board to provide an annual report to the members at the annual meeting that details a company's assets and liabilities, receipts and disbursements for the year and the number of members.

GML Section 30-a generally requires any entity (e.g., a fire company) that receives or disburses FFI tax funds to file an annual report with OSC for the company's receipt and use of FFI tax proceeds. Additionally, unless expressly stated otherwise by a special act of the State Legislature or a pre-1989 local law, FFI tax proceeds may be spent for any purpose that the membership of a company determines to be for the benefit of the company, provided the expenditure is not illegal or contrary to public policy. For instance, OSC concluded that FFI tax money may not be expended for direct cash payments, such as providing gift cards to individual members.

Additional Board Oversight Resources

Figure 1: OSC Publications

OSC *Local Government Management Guides* and other informational resources are available on our website to help officials understand and perform their responsibilities and implement effective internal controls.

<i>Fiscal Oversight Responsibilities of the Governing Board</i>	<i>Improving the Effectiveness of Your Claims Auditing Process</i>	<i>The Practice of Internal Controls</i>
 <p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p>Fiscal Oversight Responsibilities of the Governing Board</p> <p>Office of the New York State Comptroller Thomas P. DiNapoli</p> <p>Local Government and School Accountability</p> <p>INTERNAL CONTROLS SERIES</p>	 <p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p>Improving the Effectiveness of Your Claims Auditing Process</p> <p>Office of the New York State Comptroller Thomas P. DiNapoli</p> <p>Local Government and School Accountability</p> <p>INTERNAL CONTROLS SERIES</p>	 <p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p>The Practice of Internal Controls</p> <p>Office of the New York State Comptroller Thomas P. DiNapoli</p> <p>Local Government and School Accountability</p> <p>INTERNAL CONTROLS SERIES</p>
https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf	https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf	https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf

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 Company Officials



HENRIETTA FIRE COMPANY NO. 1

P.O. BOX 102
HENRIETTA, NEW YORK 14467

October 17, 2025

Office of the Comptroller:

We acknowledge receipt and have thoroughly reviewed the Office of the New York State Comptroller's audit report concerning the financial operations of **Henrietta Fire Company No. 1** for the period of January 1, 2023, through December 31, 2024.

We generally accept the findings and the 13 recommendations presented in this report. We appreciate the thorough review and the resulting recommendations, which provide ideas for strengthening our financial governance. We are fully committed to implementing the necessary changes to ensure complete fiscal transparency and accountability.

Context and State of Financial Management

While we accept the findings, we believe it's necessary to provide **additional context** to accurately convey the state of our financial management and the organization's understanding of its obligations at the time of the audit.

- 1. Organizational Awareness & Reporting:** The confusion regarding the inclusion of the Drill Team and Chief's Accounts was a matter of **unawareness of the proper consolidation requirement** until it was flagged by our CPA in 2023. This points to a failure of policy guidance, not intentional obscurity. Since then, the Treasurer has **incorporated all accounts into our reporting structure**—loading them in 2023 and maintaining full transactional oversight throughout 2024 and 2025—which will be formalized in updated bylaws.
- 2. Source of Documentation Deficiencies:** We clarify that the bulk of the claims cited as lacking adequate documentation primarily arose from transactions within the **Drill Team and Chief's accounts**. This demonstrates that the systemic issue was the historical lack of policy and oversight for these specific funds.
 - Note on Audit Data:** We must state that the auditors **did not provide a requested detailed list of the specific disbursements** they determined did not meet their requirements, which would have aided in immediate, targeted corrective action.
- 3. Appropriateness of Claims:** While we accept the finding for the failure to retain adequate supporting documentation for some specific categories (i.e., hall rentals), the expenditures noted were **generally reasonable** based on vendor and recorded descriptions (e.g., architectural, copying, cleaning services). The issue is one of *documentation*, not widespread evidence of theft, waste, or abuse.

See
Note 1
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Note 2
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Note 3
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4. **Foreign Fire Insurance (FFI) Tax Proceeds:** We accept the finding regarding the inappropriate use of FFI tax funds for **gift cards**, which resulted from a misunderstanding of the legal limitations regarding "individual use." We will **cease this practice**. We clarify that these funds were always part of the **general membership-approved banquet budget** and purchased as door prizes for which all members were eligible, demonstrating that the intent was not misuse, but rather a lack of understanding regarding the Comptroller's specific findings for FFI tax use.

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Note 4
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Corrective Actions Taken and Underway

Recognizing the deficiencies, the Board has already taken **significant and decisive steps** to mitigate the problems identified. These actions, many of which are already effective, directly address the report's recommendations:

Financial Oversight and Reporting

- **Bylaws and Policies:** The Board is in the process of reviewing and adopting **updated bylaws and detailed written financial policies** that clearly define duties, segregation of controls, and a robust claims audit process.
- **Comprehensive Treasurer Reporting:** The Treasurer will **continue to prepare and submit monthly and yearly reports** that detail all operations, benefits, and FFI funds, and **incorporate the reports** for the Chief's account and the Drill Team accounts, ensuring full fiscal accountability.
- **Delegation and Accountability for Sub-Accounts:** We are updating the bylaws and internal guidelines to allow for the controlled **delegation of funds** to the Drill Team Treasurer for the three accounts managed by the Drill Team. This delegation will be coupled with new requirements for the Drill Team to submit **regular reports** and an **annual budget and operation report** to the Board.
- **Chief's Account Guidelines:** We are in the process of creating **specific written guidelines** for the Chief's account to clearly define its scope, allowable expenditures, and required documentation and reporting frequency.

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Note 1
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Claims, Payments, and Electronic Cards

- **Standard/Cyclical Bills:** The Treasurer has successfully **obtained general membership approval** to pay bills upon receipt to avoid late fees as already defined in the company guidelines. A defined list of these approved payments will be documented and included in future updates of the guidelines.
- **Debit and Credit Card Policy:** To address the risk posed by unauthorized use, the Board adopted a new **Debit and Credit Card Policy, effective March 2025**, which was shared with your auditors. This policy ensures the Treasurer maintains **custody of all cards** and only provides them for pre-approved, documented purchases, establishing clear internal controls. The Board continues to investigate the **elimination of the debit card** in favor of using the credit card for controlled electronic purchases.

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Note 5
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Documentation

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- **Revenue Documentation:** New procedures will be documented requiring all officials responsible for collecting revenue (e.g., hall rentals, fundraising) to maintain and submit **complete supporting documentation** for all funds received and deposited.
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Conclusion and Corrective Action Plan

The Board is treating this audit as an invaluable tool for institutional improvement and is fully dedicated to implementing a robust and transparent financial management system. Our proactive response and implemented corrective actions demonstrate our commitment to fiscal responsibility.

The Board is actively preparing a formal, written **Corrective Action Plan (CAP)** that addresses each of the 13 recommendations in detail. We anticipate forwarding this CAP to your office within the required 90-day period.

We look forward to collaborating with your office to ensure the full and successful implementation of all recommended improvements.

Sincerely,

The Henrietta Fire Company No. 1 Board

Appendix C: OSC Comments on the Company's Response

Note 1

Although the Company's audit response indicated "...the Treasurer has incorporated all accounts into our reporting structure...and maintaining full transaction oversight..." the monthly reports provided to the Board for 2023 and 2024 did not include all Company activity.

Note 2

Although the Company's audit response indicated "...the bulk of the claims cited as lacking adequate documentation primarily arose from transactions within the Drill Team and Chief's accounts..." more than half of the disbursements without itemized invoices were from the accounts the Treasurer maintained. Furthermore, transactions from all accounts should have had adequate supporting documentation to help ensure bills are approved and paid for legitimate company purposes.

The audit team met with the Board President and Treasurer on two separate occasions to discuss the detailed list of disbursements that were missing supporting documentation. The audit team provided technical assistance and training on what information the Treasurer needed to include with the bills to ensure claims were properly supported. The Treasurer did not request a written list of the disbursements at either of these meetings. This report and our meetings should aid Company officials in initiating corrective action.

Note 3

The audit objective focused on adequate Board financial oversight. The audit team assessed the risk of fraud occurring that is significant within the context of this audit objective, as required by generally accepted government auditing standards (GAGAS). Therefore, these audit results cannot be used to conclude there is no theft, waste, or abuse in the Company's operations.

Note 4

Although the Company's response states "...we clarify that these funds were always part of the general membership-approved banquet budget..." there was no documentation to support that the membership approved a 2023 banquet budget, or the use of all FFI funds.

Note 5

As noted in the audit report the Board adopted debit and credit card policy is not adequate. Although the Company's response notes "...the Treasurer maintains custody of all cards..." we found the Chief continued to maintain a debit card after the Board adopted a debit and credit card policy that required the Treasurer to maintain custody of all cards.

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 Company officials and reviewed the bylaws, policies, and Board and membership meeting minutes to gain an understanding of the Company's financial procedures and processes and determine which financial records and reports were prepared, provided, reviewed and approved.
- We reviewed the bank statements and bank activity, including canceled check images, for the 17 bank accounts the Treasurer, President and Chief maintained for January 1, 2023 through December 31, 2024 and identified 448 disbursements (i.e., claims) totaling \$299,640. We reviewed all 448 claims and compared them to supporting documentation, which included invoices and receipts to determine whether they were adequately supported, for Company purposes, properly approved and made in accordance with the bylaws and policies.
- We reviewed all 291 revenue transactions and redeposited startup cash from the bank statements totaling \$372,140 from January 1, 2023 through December 31, 2024 and compared the transactions and deposits to supporting documentation, including FFI tax proceeds distribution letters and donation slips, to determine whether revenues were adequately supported and deposited into Company bank accounts.
- We traced all cash receipts and disbursements from the bank statements for January 1, 2023 through December 31, 2024 to the Treasurer's financial records to determine whether they were properly recorded and reported.
- We reviewed the 2023 and 2024 FFI tax proceeds annual reports provided by the Treasurer and determined whether they were filed, and reviewed the Company meeting minutes to determine whether the FFI tax proceeds were approved by the membership and expended for appropriate Company purposes.

We conducted this performance audit in accordance with 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.

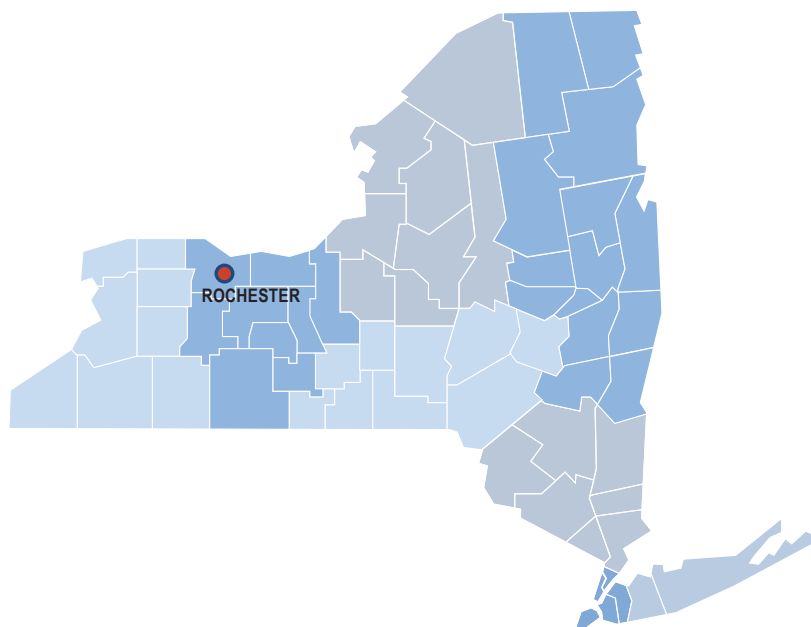
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