



Serven Volunteer Fire Company

Board Oversight

2024M-97 | October 2025

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Report Highlights

Serven Volunteer Fire Company

Audit Objective

Determine whether the Serven Volunteer Fire Company, Inc. (Company) Board of Directors (Board) provided adequate oversight of Company operations to ensure financial activities were properly recorded and reported and resources were adequately safeguarded.

Key Findings

The Board did not ensure financial activities were properly recorded and reported and resources were adequately safeguarded, which increased the risk that errors or irregularities could occur and remain undetected and uncorrected.

The Board did not:

- Ensure that the bylaws were adequate or enforce their limited financial provisions,
- Establish supplemental financial policies or procedures,
- Conduct a thorough audit of bills, or
- Conduct an annual audit of the Treasurer's books and records.

The Treasurer did not:

- Solely receive and deposit all money as required, and allowed a member to handle hall rental revenue.
- Properly record all financial transactions, or
- Prepare required annual reports.

Recommendations

The report includes 12 recommendations that, if implemented, will help improve the Board's oversight of financial operations.

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

Company officers agreed with our recommendations and have begun implementing corrective action.

Audit Period

January 1, 2018 – November 27, 2019

The audit report was held in abeyance while under review by outside law enforcement.

Background

The Company is a not-for-profit organization, incorporated in 1950, and is one of two companies affiliated with the District Fire Department, which provides fire protection and emergency services in portions of the Towns of Fayette and Waterloo in Seneca County.

The Company is composed of volunteer members and is governed by its adopted bylaws and the seven-member Board. The President is the Company's chief executive officer, and the Treasurer is the chief fiscal officer. The Treasurer is responsible for receiving, maintaining custody of, disbursing and accounting for the Company's financial assets and providing the Board and membership with monthly and annual reports. The Company's primary sources of revenue include District rent, hall rentals and fundraising proceeds.

The former Treasurer resigned/retired on January 1, 2020.

Quick Facts

2018 Deposits	\$23,917
2018 Disbursements	\$18,931
2019 Deposits through July 31, 2019	\$15,131
2019 Disbursements through July 31, 2019	\$8,072

Board Oversight

How Can a Board Help Provide Effective Oversight?

A fire company board (board) 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, and
- Financial reports are accurate, reliable and filed in a timely manner.

In addition, New York State Laws¹ require a board 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 that the Board is responsible for managing the Company's business affairs, enforcing compliance with the bylaws, policies and procedures, auditing bills before payment and examining the books and records of any officers and reporting the findings at the monthly and annual meetings. The bylaws also state that the Treasurer shall receive and give receipts for all money collected, deposit all money within three days of receipt, pay all bills upon authorization by motion and majority vote of the membership, keep a correct account of all receipts and disbursements, submit the accounts to the Board for audit and submit financial reports at the monthly and annual meetings, that should show all amounts received and expended and the date, purpose and payee with respect to each expense.

The Board's annual audit should verify that the Treasurer maintained adequate and accurate accounting records and reports by comparing them to supporting documentation, check registers and the bank statements and reconciliations.

The Board should also ensure that the Treasurer prepares and files required annual reports with the Office of the State Comptroller (OSC) for the Company's receipt and use of foreign fire insurance (FFI) proceeds² and Internal Revenue Service (IRS) Form 990. The Board is also required³ to present an annual Directors' report at the annual membership meeting detailing assets, liabilities, revenues and expenses and member information.

1 New York State (NYS) Not-For-Profit Corporation Law (NFPCL) Section 715-a and NYS General Municipal Law (GML) Section 209

2 GML Section 30-a

3 NFPCL Section 519

The Board Did Not Adopt Adequate Bylaws or Supplemental Financial Policies and Procedures

The Board did not adopt written financial policies or procedures and the Company's bylaws were inadequate to provide guidance for key financial operations. The Board used a model constitution and bylaws provided by the Firefighters Association of the State of New York but often did not select specific language from available suggestions provided to customize the bylaws for the Company's needs. The adopted bylaws included all language options and generic terms (e.g., the organization) instead of specific language applicable to the Company, which caused conflicting guidance and confusion among the members.

The bylaws contained limited responsibilities for various positions and did not contain detailed guidance for key financial areas including cash receipts, cash disbursements, purchasing, claims audit and approval of bills, reporting requirements and segregation of duties. The limited bylaw provisions related to financial operations often conflicted with other bylaw provisions. For example, the bylaws required the President to appoint committees, including an audit committee, while another section specified that the auditing committee would be the elected trustees (the Board). This vague section implies that the auditing committee should review all bills before they are presented to and voted on by the membership.

The Board did not adopt a code of ethics or conflict-of-interest policy as required and thus had not set a standard of ethical conduct for Company business or specified that Company officers are required to disclose potential interests in Company contracts. The President and Treasurer told us they believed they were covered under the District's code of ethics and were not aware that they also needed their own, and that they were unaware of the conflict-of-interest policy requirement.

The Board Did Not Provide Effective Oversight of Financial Activities

The Board did not enforce the bylaws' limited financial provisions. We determined that:

- The Treasurer did not receive and deposit all money collected. An honorary member collected and deposited fees for hall rentals in the Company's hall rental bank account⁴ but did not give a verbal or written report at either the monthly or annual meetings or provide detailed information for the Treasurer to include in his monthly reports. As a result, the Treasurer updated the hall rental account balance in his check register and Treasurer's reports from the quarterly bank statements.
- The Treasurer prepared handwritten monthly reports for all bank accounts, which included bank balances and individual receipts and disbursements, but did not include the date of each expense. The Treasurer read the bills (payee and dollar amount) at the monthly membership meetings and the members made a motion to authorize the bills to be paid. The Company members and Board did not review or audit the bills to verify they had adequate supporting documentation and were for a valid Company purpose, even though the Secretary and Treasurer said the bills were available at the meetings.

⁴ The honorary member did not have access to withdraw money from the Company's bank account.

Furthermore, we found no indication that the bills were authorized for payment during four months for which the Treasurer did not prepare a monthly report, because he was absent from those meetings. In other instances, the Treasurer excluded certain disbursements from the Treasurer's report, and we found no related discussion in the Board meeting minutes. As a result, the Board and membership did not approve the payment of 27 disbursements totaling \$6,600.

We reviewed all 102 disbursements totaling \$27,003 for the period January 1, 2018 through July 31, 2019. While the disbursements were generally for appropriate company purposes, we identified seven⁵ disbursements totaling \$1,678 that were not adequately supported by a receipt or invoice, 19 disbursements that inappropriately included the payment of a total of \$121 in sales tax and 10 disbursements for which the Company paid a total of \$41 in late fees. These minor discrepancies could have been identified had the Board conducted a proper audit of all bills.

- The Board did not annually audit the Treasurer's books and records to ensure they were adequate, accurate and prepared in a timely manner. The Board also did not implement other monitoring procedures or compensating controls, such as reviewing the bank statements and reconciliations to address the Treasurer's unsegregated duties. As a result, the Board did not identify various minor recording and reporting errors. In addition, based on available information, of the 21 receipts totaling \$35,938 that we reviewed, the Treasurer did not deposit seven, totaling \$2,259, within three days of receipt, averaging 8.4 days, with the longest being held 27 days before deposit.

When the Treasurer does not provide detailed records or present monthly bank account statements and reconciliations for Board review, there is an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

The Board also did not ensure that the Treasurer prepared and filed all required annual reports.

- During our audit period, the Company received and deposited checks from the District for \$1,184 in October 2018 and \$473 in July 2019. Although the Treasurer's checkbook register noted references to FFI premium tax receipts, the Treasurer did not file a report of the FFI receipts, expenses and the remaining balance as required. Therefore, the Board has no assurance of the appropriate use of the FFI money to benefit the members.
- The Treasurer did not file Form 990⁶ with the IRS. The President and Treasurer told us they were not aware of the filing requirement.
- The Board did not prepare and present the annual Directors' report required by NFPCL. The President and Treasurer told us they were unaware of this requirement.

Without comprehensive financial reports related to all Company activities, the Board and membership do not have sufficient information to review to monitor financial activity and make informed financial decisions.

⁵ A total of 11 bills totaling \$2,025 were not supported; however, four bills totaling \$347 were not properly approved and included in the bullet above.

⁶ The IRS is required to revoke the exempt status of any nonprofit that is required to file an annual return (Form 990, 990-N, 990-EZ or 990-F), but has not done so for three consecutive years.

What Do We Recommend?

The Board should:

1. Review and amend the bylaws to ensure all provisions are clear and do not conflict and/or adopt separate written financial policies and procedures to provide adequate internal controls and clear guidance over key areas of financial operations (including cash receipts, cash disbursements, purchasing, auditing and approving bills, recordkeeping, reporting requirements and board oversight) and segregation of duties.
2. Adopt a code of ethics and/or conflict-of-interest policy for officers and members.
3. Monitor and enforce compliance with the bylaws and any other policies and procedures.
4. Audit, or appoint a committee to audit, all bills prior to payment and document the approval in the Board's meeting minutes. As part of the approval process, the Board should ensure that all disbursements are properly supported and do not include sales tax or other unnecessary or inappropriate charges.
5. Review monthly bank reconciliations, bank statements and canceled check images to ensure the Treasurer's records are adequate, accurate and up to date.
6. Perform an annual review of the Treasurer's records and reports.
7. Ensure the Treasurer prepares and files the required annual FFI report and IRS Form 990.
8. Prepare the required annual Directors' report and present it to the membership.

The Treasurer should:

9. Receive and maintain custody of all Company receipts and money, and deposit funds within three days of receipt.
10. Prepare and maintain adequate records and reports to account for all revenues and expenses in all bank accounts and submit records to the Board or membership for periodic review.
11. Provide the Board or membership with monthly bank statements and check images for review.
12. File required reports including the annual FFI report and IRS Form 990.

Appendix A: Response From Company Officials

Border City Fire – Serven Company
352 Waterloo - Geneva Road
Waterloo NY 13165

To Whom it may concern:

In response to the audit letter:

We'd also like to share a brief update on the progress we've made as an organization. Over the past several weeks, we've taken important steps to strengthen our structure and accountability.

We have officially established a Board, which is now responsible for oversight, governance, and long-term planning for the company. Alongside this, we've conducted a thorough review of our bylaws. Updated bylaws have been passed and are currently undergoing further adjustments with our legal counsel [REDACTED] to ensure clarity, compliance, and alignment with best practices. Serven Company now has a fully established board consisting of a President, Vice President, Treasurer, Secretary and Three Board of Trustees.

In addition, we've implemented new financial controls. Specifically, designated for individuals that are authorized to make purchases, and all spending must follow an official authorization process. This change is part of a broader effort to promote transparency, ensure fiscal responsibility, and safeguard the integrity of the organization. We are proud of the progress being made and remain committed to maintaining a strong, community-focused fire company.

We also have added committees such as a By law and Audit Committee. The Audit committee will audit all financials at minimum annually, and during the monthly meetings the treasurer will present all bills, donations, incoming and outgoing funds, all financials to the membership. The treasure will submit the 990Ez form yearly to the state.

Sincerely,
Brian Dwello
President, Serven Volunteer Fire Company
Firefighterdwello@yahoo.com
315-730-6236

Appendix B: 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 the Board meeting minutes and bylaws to gain an understanding of the Company's operations and determine whether bylaws were enforced.
- We reviewed bank statements for the period January 1, 2018 through July 31, 2019 to:
 - Identify and follow up on any unusual transactions, transfers and withdrawals and open and closed accounts.
 - Determine whether deposits were made within three days of receipt, recorded in the accounting records and included in the Treasurer's monthly reports. We traced deposits totaling \$35,938 to recorded receipts or other supporting documentation.
 - Compare all 102 disbursements totaling \$27,003 from bank statements and canceled check images to the financial records and supporting documentation, such as invoices and receipts, to determine whether purchases had adequate support, were appropriate Company expenses and were audited and approved prior to payment.
- We reviewed bank reconciliations prepared as of December 31, 2018 and July 31, 2019 to determine whether the Treasurer performed them monthly and presented them to the Board for review and whether discrepancies were identified and corrected.
- We determined whether the Treasurer submitted accurate monthly and annual financial reports to the Board.
- We determined whether the Board prepared and presented the required annual Directors' report and whether the Treasurer filed an annual report of FFI funds activity and IRS Form 990 as required.

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.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan 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 C: 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

Contact

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Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

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

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