

West Sparta Independent Volunteer Fire Department Company Number 1, Inc.

Board Oversight

2025M-44 | August 2025

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Audit Results

West Sparta Independent Volunteer Fire Department Company Number 1, Inc.



Audit Objective

Audit Period

Did the West Sparta Independent Volunteer Fire Department Company Number 1, Inc. (Department) Board of Directors (Board) provide adequate oversight of financial operations?

January 1, 2023 – April 3, 2025

Understanding the Audit Area

The Board must provide oversight to ensure that financial operations are properly managed. Adequate oversight includes ensuring that Department officials maintain comprehensive records, appropriately segregate duties or implement compensating controls to safeguard funds, and review records and reports to detect discrepancies.

The Department has 27 volunteer members and is governed by its bylaws and a four-member Board. The Board is responsible for managing the Department's financial activities.

The Treasurer maintains custody of, deposits and disburses all Department funds. An accountant assists the Treasurer by recording all financial activities in the Department's financial software and preparing financial reports.

From January 1, 2023 through December 31, 2024, the Department's disbursements totaled \$260,823 and revenue and redeposited startup cash¹ totaled \$259,178.

Audit Summary

The Board did not have the necessary information it needed to help ensure that the Department's financial operations were adequately accounted for and reported. Also, it did not enforce the limited financial provisions outlined in the Department's rules and standard operating guidelines (bylaws) and written purchasing policy related to disbursements. In addition, the Board did not adopt other financial policies and procedures or a required code of ethics, or provide guidance to the Treasurer for recording and reporting financial transactions. Furthermore, the Board generally did not review the Department's

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

bills before or after they were paid to help ensure that all 230 claims² totaling \$260,823 were properly supported and for appropriate Department purposes. Lastly, the Board did not ensure that the Treasurer maintained supporting documentation for all revenues and redeposited startup cash totaling \$259,178 that were received and deposited from January 1, 2023 through December 31, 2024.

The Treasurer prepared a monthly spreadsheet of receipts and disbursements and provided the spreadsheet, along with a copy of the Department's monthly bank statements, to an accountant (her son) who prepared the Department's bank reconciliations and filed the Department's annual U.S. Internal Revenue Service (IRS) 990 form.³ However, neither the Treasurer nor accountant prepared a monthly or annual report for the Board or membership to review. Also, the Treasurer did not provide the Board or membership with bank statements, canceled check images and bank reconciliations to monitor financial operations.

Finally, the Treasurer did not file the 2023 foreign fire insurance (FFI) tax proceeds annual report with the New York State Office of the State Comptroller (OSC) until after we asked about it. During our review of these funds, we determined that disbursements of FFI tax proceeds were not approved by the membership and were used for inappropriate purposes, such as purchasing approximately \$4,000 in gift cards for some active members.

Because the Board and membership did not provide adequate oversight of financial operations, they have placed Department resources at risk of waste and theft.

The report includes 13 recommendations that, if implemented, will improve the Board's oversight of financial operations. Department officials agreed with our recommendations and indicated that they initiated corrective action.

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 C.

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.

² These claims were paid from January 1, 2023 through December 31, 2024.

³ The IRS uses this form to obtain information about tax-exempt organizations, educate organizations about tax law requirements and promote compliance with the requirements. Organizations also use the form to share information with the public about their programs.

Board Oversight Findings and Recommendations

A fire department (department) board (board) is responsible for overseeing the department's financial activities to safeguard its resources. To fulfill this duty, the 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 also should help ensure that department officials:

- Effectively monitor financial activities
- Properly account for money collected
- Adequately safeguard funds
- Properly support, accurately record and obtain authorization for all transactions
- 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 department money.

More details on the criteria used in this report, as well as resources we make available 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 enforce the limited financial provisions outlined in the Department's bylaws and written purchasing policy related to disbursements.⁴ The Board also did not adopt other financial policies and procedures, including a required code of ethics or credit card policy. As a result, those who handled Department money did not have guidance for recording and reporting financial transactions. In addition, the Board did not have necessary information to help ensure that financial operations were adequately accounted for and reported.

In February 2025, the Board and membership adopted updated bylaws that included some additional guidance related to conflicts of interest and quarterly Board audits of financial records. However, the updates did not adequately address all financial operations.

In addition, the Treasurer received the mail, made all deposits and paid bills with minimal Board oversight. When one person performs all duties related to cash collections, deposits and disbursements, the Department has an increased risk that cash could be misappropriated without detection.

Although the Treasurer prepared a monthly spreadsheet of receipts and disbursements, the Treasurer did not provide this information to the Board for review. Instead, the Treasurer provided the spreadsheet

⁴ The Board adopted the purchasing policy on March 7, 2024.

to an accountant (her son), along with a copy of the Department's monthly bank statement, so that the accountant could prepare a set of computerized accounting records to reconcile the bank statement and file the Department's annual IRS 990 form.

Furthermore, the Treasurer did not provide the Board or membership with bank statements, canceled check images and bank reconciliations to monitor financial operations. Neither the Treasurer nor accountant prepared a monthly report for the Board or membership's review. Although Board members told us that they requested records and written reports from the Treasurer in 2024, the Treasurer told us that she was hesitant to provide the Board and membership with specific bank account information. While bank account information is considered personal, private and sensitive information (PPSI),⁵ it is not a sufficient explanation for withholding the Board's requested information. Without this financial information, the Board could not prepare the annual financial report for the membership, which severely limited the oversight of financial operations and obscured the Department's financial condition.

The Board approved disbursements based on the Treasurer reading (out loud) a list of bills at Board meetings. Although the Treasurer told us that she brought the bills to the monthly meetings, the Board reviewed only those bills on which they had questions. Without an adequate review of all supporting documentation before approval, the Board cannot ensure that all disbursements were proper Department expenditures.

We reviewed all 230 claims totaling \$260,823 that were paid from January 1, 2023 through December 31, 2024. We determined that some of the claims did not have itemized invoices or a documented specific Department purpose. Because the Board did not review claims, it could not ensure compliance with the new policy. Of the 79 claims that were paid after the Department implemented its new purchasing policy, only two had a purchase request form, as required by the policy. While all 230 disbursements generally appeared reasonable, based on the vendor paid and Treasurer's comments on her spreadsheet to the accountant, we could not determine whether all disbursements were for appropriate Department purposes.

Also, the Department incurred \$1,346 for various bank and late fees and interest charges that were potentially avoidable. In addition, the Chief made inappropriate personal purchases (which he did not pay sales tax on), along with Department purchases, using the Department credit card, for which he later reimbursed the Department. Had the Board reviewed these payments and interest and credit card charges, it could have identified them and taken action to prevent their recurrence.

In addition, the Treasurer did not maintain adequate supporting documentation for all revenues and redeposited startup cash totaling \$259,178 that were received and deposited from January 1, 2023 through December 31, 2024. Most of the Department's revenues totaling \$196,275 (76 percent) were from its fire protection contract with the Town of West Sparta. The remaining revenues totaling \$62,903 were from table and chair rentals, scrap metal sales, donations and fundraising activities, which included boot drives, raffles and chicken barbecues. Because the Treasurer did not maintain supporting

⁵ PPSI is any information to which unauthorized access, disclosure, modification, destruction or use – or disruption of access or use – could have or cause a severe impact on critical functions, employees, customers, third parties or other individuals or entities.

documentation for all fundraising events and donations totaling \$36,794, the Board cannot ensure that all collections were properly collected, recorded and deposited.

Finally, the Treasurer did not file the Department's 2023 FFI tax proceeds annual report with OSC until after we asked about it. The Treasurer filed the report in January 2025, which was almost a year late.

During our review of disbursements of FFI tax funds totaling \$10,613, we determined that the membership did not approve the use of these funds. Also, we identified that approximately \$4,000 was used to purchase gift cards for some active members. Our Office has concluded that, in the absence of a special act, expenditures of FFI tax funds for individual use is inappropriate (e.g., distributing gift cards to individual members). The Treasurer and Chairman told us that the Department no longer used FFI tax proceeds for this purpose. While the Treasurer did not report the purchase of gift cards on the 2024 FFI tax proceeds report, we could not determine whether additional gift cards were purchased in 2024 because Department officials did not retain adequate supporting documentation for disbursements.

Without adequate bylaws, written policies and procedures, supported and authorized claims, and periodic and annual financial reports, the Board and membership cannot properly oversee the Department's financial operations. Also, the Department has an increased risk of theft and waste of Department resources.

Recommendations

The Board should:

1. Review, update and enforce the bylaws and purchasing policy, and adopt other written policies and procedures and a code of ethics to provide adequate oversight and clear guidance for financial operations.
2. Implement effective compensating controls over the Treasurer's and accountant's unsegregated duties, such as regularly reviewing bank statements with canceled check images and bank reconciliations and annually auditing the Department's financial records and reports.
3. Prepare and provide the annual report to Department members every year.
4. Ensure that members submit purchase request forms for Board approval before purchases are made.
5. Conduct a thorough and deliberate audit of each claim before bills are paid, which includes reviewing a written list of bills to be paid and verifying that the purchases:
 - Were authorized
 - Are adequately supported, have a documented specific purpose, and are for an appropriate purpose

-
- Comply with applicable Department policies and bylaw requirements.
6. Discontinue using FFI funds to purchase gift cards for individual members.
 7. Ensure that Department credit cards are not used for personal purchases.
 8. Ensure that the Treasurer and other members obtain, retain and make available supporting documentation for all revenues, including rentals, donations and fundraising events.

The Treasurer should:

9. Submit written monthly financial reports to the Board and membership that include detailed information for revenues and disbursements, a list of claims to be paid, bank statements with canceled check images and bank reconciliations.
10. Ensure that all disbursements are adequately supported and approved prior to making payments, which generally includes obtaining membership approval for using FFI tax proceeds.
11. Obtain and retain supporting documentation for all Department revenues to support deposits.
12. File the annual FFI report with OSC in a timely manner.

The membership should:

13. Approve the use of FFI tax proceeds in accordance with New York Insurance Law.

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 West Sparta in Livingston County.

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, the 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 the department members comply with the department's bylaws and policies, and applicable laws, rules and regulations.

Also, the board is required to adopt a code of ethics that provides standards of conduct and procedures for disclosure of conflicts of interests.

The Department's bylaws stated that the Board is responsible for purchasing and maintaining all equipment. The bylaws also stated that the Treasurer is responsible for disbursing funds as authorized by the Board. As of March 7, 2024, the purchasing policy required:

- The Board to approve all purchases through a written purchase request before making the purchase.
- The requestor to provide the Treasurer with an approved written purchase request and receipts after making the purchase.

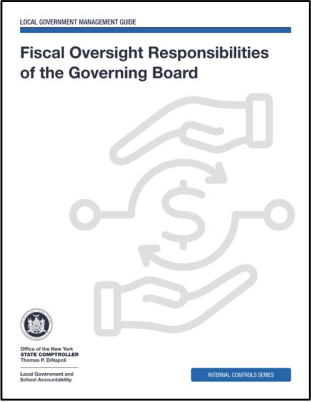
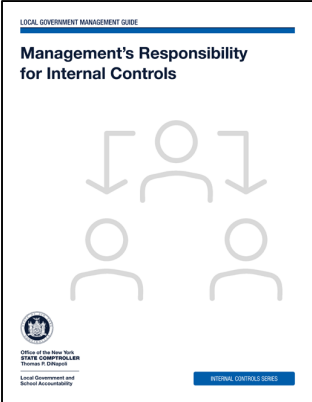
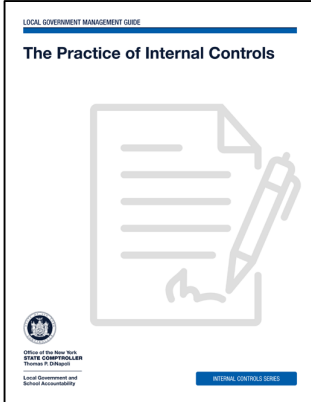
In addition, the treasurer is responsible for maintaining complete and accurate records to account for all department financial activities and should submit written monthly and annual reports to the board. The board should review these reports, financial records, bank statements and reconciliations to monitor department operations.

Furthermore, the 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 department disbursements, especially if financial duties are not segregated. The board also should conduct an annual audit of the department's financial records and reports to help detect discrepancies.

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 the department’s assets and liabilities, receipts and disbursements for the year and the number of members.

General Municipal Law Section 30-a generally requires any entity (e.g., fire department) that receives or disburses FFI tax funds to file an annual report with OSC for the department’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 the fire department determines to be for the benefit of the department, provided the expenditure is not illegal or contrary to public policy. For instance, our Office concluded that FFI tax funds may not be expended for direct cash payments, such as providing gift cards to individual members of a fire department.

Additional Board Oversight Resources

Figure 1: OSC Publication		
OSC’s <i>Local Government Management Guides</i> 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>Management’s Responsibility for Internal Controls</i>	<i>The Practice of Internal Controls</i>
		
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/managements-responsibility-for-internal-controls.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 Department Officials



West Sparta Volunteer Fire Department

4451 RED SCHOOL RD

DANSVILLE NY 14437

Office of State Comptroller

Attn: Stephanie Hawes

16 West Main Street #522

Rochester, NY 14614

Dear Ms. Hawes,

West Sparta Fire Dept. Inc. has reviewed the audit draft findings. The Board recognizes and accepts these findings. The Board knows that our financial tracking and oversight needed improvement. These processes were already under review to be improved upon when the audit started. Some of the audit's recommendations have been resolved prior to the draft being published. The Board believes this is due to the changes having been put in place outside of the audits scope of time. The rest of the recommendations are being discussed and enacted upon.

West Sparta Fire Dept Board of Directors has started working on a CAP to be submitted to the Office of the Comptroller. The Board members thank the audit team for their professionalism and insights on how the finances can be responsibly and safely managed and monitored.

Sincerely,

Jeremiah Pratt

Chairman of Board of Directors

West Sparta Fire Dept.

Appendix C: 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, written purchasing policy and the Board's and membership's meeting minutes to gain an understanding of the Department's financial procedures and processes and determine which financial records and reports were prepared, provided, reviewed and approved.
- We reviewed bank statements and bank activity, including canceled check images, for January 1, 2023 through December 31, 2024 and identified 230 disbursements (i.e., claims) totaling \$260,823. We reviewed all 230 claims and compared them to supporting documentation, which included invoices, receipts, and purchase request forms, to determine whether they were properly approved, adequately supported, for Department purposes and made according to the bylaws and purchasing policy.
- We reviewed all 80 revenue transactions and redeposited startup cash totaling \$259,178, from January 1, 2023 through December 31, 2024 and compared the transactions and deposits to supporting documentation to determine whether revenues were adequately supported and deposited into Department bank accounts. The supporting documentation included Town contracts, fundraiser reports, table and chair rental forms and receipts from scrap metal sales.
- We reviewed the 2023 and 2024 FFI tax proceeds annual reports provided by the Treasurer and determined whether they were filed in a timely manner and whether the FFI tax proceeds were expended for appropriate Department 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.

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.

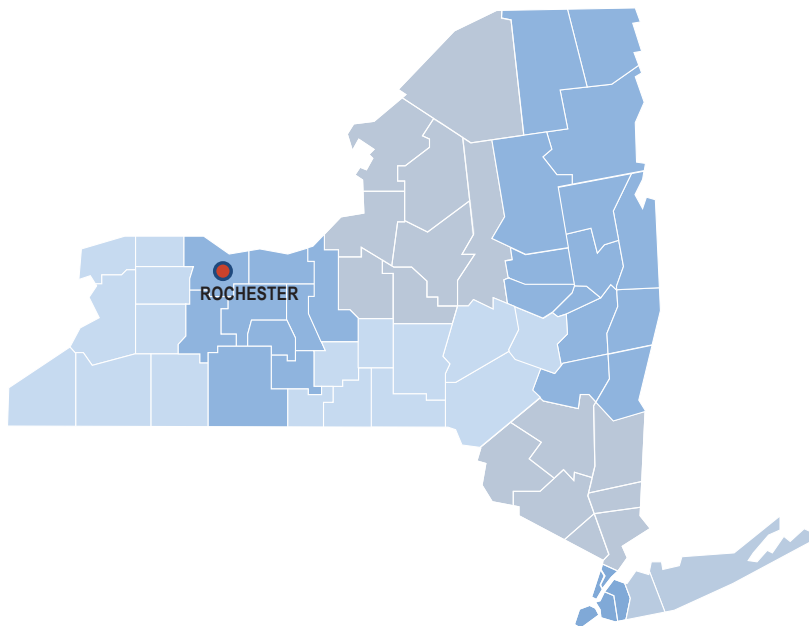
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