

New York State Comptroller
THOMAS P. DiNAPOLI

Middlesex Hose Company, Inc.

Fundraising

May 2026 | 2025M - 148

Prepared by the Division of Local Government and School Accountability

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Audit Results

Middlesex Hose Company, Inc.

Audit Objective

Did Middlesex Hose Company (Company) officials ensure that fundraising collections were properly recorded, reported and safeguarded?

Audit Period

January 1, 2024 – December 16, 2025. We extended the audit period back to January 1, 2022 to review the Company's U.S. Internal Revenue Service (IRS) Form 990.

Understanding the Audit Area

Company officials must ensure fundraising collections are properly recorded, reported and safeguarded to prevent financial mismanagement, ensure accountability, preserve public trust and maintain regulatory compliance, which helps the Company retain its tax-exempt status. Individuals involved in fundraising activities are responsible for accounting for and remitting all money received to the Company's Treasurer (Treasurer) who is responsible for recording and depositing cash and preparing bank reconciliations and fundraising reports.

From January 1, 2024 through August 31, 2025,¹ the current and former Treasurers' fundraising collections totaled \$108,893.

Audit Summary

Company officials did not ensure that fundraising collections were properly recorded, reported and safeguarded. As a result, the Executive Committee did not have reliable information, such as detailed fundraising reports, to oversee the Company's fundraising activities. Also, the Company has an increased risk that fundraising collections could be lost or stolen without detection.

We determined that the Treasurers did not:

- Maintain adequate supporting documentation or issue receipts or tickets for any fundraising activities.
- Prepare bank reconciliations.
- File IRS Form 990 for 2022, 2023 and 2024 in a timely manner

Also, Company officials did not ensure that:

- Company members issued tickets, or implemented other forms of tracking, to record the number of roast beef suppers that were sold.
- The Treasurers maintained monthly reports or documented the reports within the monthly meeting minutes. As a result, Company officials could not ensure that all money was accounted for and deposited.

The report includes six recommendations that, if implemented, will improve the Company's fundraising records and reports. Company officials disagreed with certain aspects of our findings and recommendations, but indicated they have initiated corrective action. Appendix C includes our comments on issues raised in the Company's response letter.

¹ Refer to Appendix D for further information on this selected time frame.

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 Executive Committee has the responsibility to initiate corrective action. We encourage the Executive Committee 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 Executive Committee to make the CAP available for public review.

Fundraising: Finding and Recommendations

The Company engages in various cash-based fundraising activities, such as hosting monthly roast beef suppers from April through October and an annual fund drive, to supplement money received from rent,² donations and Foreign Fire Insurance tax proceeds.

Individuals involved in fundraising activities are responsible for accounting for and remitting all money collected to the hose company (company) treasurer. Company members should issue press-numbered duplicate receipts or tickets for all collections received to help ensure that the collections are properly recorded. Also, the company treasurer should deposit all collections intact (in the same form as they were received, such as cash or check) and in a timely manner to help ensure the safeguarding of company funds. In addition, at least two people should be on hand to count the collections and certify how much was remitted to the company treasurer for each fundraising event. After a fundraising activity, a company treasurer should complete a general fundraising report that details the amounts collected and deposited (including the number of items sold) and related disbursements (such as whether collections were paid by check or cash). Furthermore, the company treasurer is required to prepare and file an annual Form 990 with the IRS.

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

Finding 1 – Company officials did not ensure that fundraising collections were properly recorded, reported and safeguarded.

While two Executive Committee members counted and verified the cash collected at fundraising events and the Treasurers generally deposited fundraising cash in a timely manner, Company officials did not ensure accountability for cash collected during these events because they did not establish controls to account for and monitor the number of participants or sales at various events. For example, no tickets or other controls were used at roast beef suppers to track the number and type of meals sold or provided for free. As a result, Company officials cannot ensure that all collections were accounted for and properly deposited. Using tickets or another method to account for sales and participants would have enabled officials to reconcile whether the cash collected and deposited matched the number of tickets sold.

Additionally, the Treasurers did not maintain a list of individuals and organizations that the Company sent annual fund drive letters to or track collections received from the annual fund drive. Retaining supporting documentation for fundraising collections provides the Executive Committee and membership with information needed to track money received, identify trends and inconsistencies and ensure compliance with regulatory reporting requirements.

The Treasurers also only included the revenues collected from and disbursements made for fundraising events as individual line items in the monthly Treasurer's reports. The Treasurers did not prepare detailed profit-and-loss reports. These reports typically include the following:

- The amount of startup money used,
- Collection amounts from each activity,
- Amounts disbursed,
- Net proceeds, and

² The Company owns the fire hall, and it rents space to the Middlesex Fire District (District) to store the District's firetrucks.

- The amounts of food purchased, sold and remaining in inventory for each fundraising event (when applicable).

In addition, the Treasurers did not maintain adequate supporting documentation for fundraising collections or perform bank reconciliations for any of the Company's four bank accounts. For example, the Treasurers did not retain deposit slips for the \$108,893 in fundraising collections that they deposited. As a result, the Company has an increased risk that fundraising collections could be lost or stolen without detection. Bank reconciliations are a fundamental internal control that helps ensure that the accounting records and bank records agree. Reconciliations also serve as an internal verification of cash collections and disbursement transactions that can help identify errors and/or irregularities. The current Treasurer did not provide a reasonable explanation for these deficiencies.

Without bank reconciliations, properly recorded fundraising activity and accountability for cash collections, the Executive Committee did not have the information needed to determine whether all collections were properly recorded and reported. The Executive Committee also could not ensure that fundraising collections totaling at least \$108,893 were safeguarded and deposited intact and in a timely manner. In addition, the Company has an increased risk that Company resources could be lost, stolen, wasted and abused without detection.

Furthermore, the former Treasurer did not file an IRS Form 990 for 2022 and 2023, which resulted in the IRS notifying the Company (in early 2025) that it had not filed the form as required. Upon receiving this notification, Company officials hired a certified public accounting firm to file Form 990 for 2022, 2023 and 2024. Company officials did not provide a reasonable explanation for these deficiencies, which resulted in the IRS assessing penalties to the Company totaling \$10,371.

Recommendations

Company officials should:

1. Ensure that individuals who are involved in fundraising activities issue tickets, or maintain another method, for tracking roast beef suppers.
2. Ensure that the Treasurer files the IRS Form 990 in a timely manner.

The Treasurer should:

3. Obtain and retain supporting documentation for all fundraising revenues.
4. Issue receipts or tickets for and deposit all fundraising collections received in a timely manner.
5. Prepare detailed fundraising reports that include revenues, disbursements, startup cash, beginning and ending ticket numbers, cash counts and the amount of food purchased, sold and remaining in inventory.
6. Properly prepare bank reconciliations and add them to the Treasurer's monthly report.

Appendix A: Profile, Criteria and Resources

Profile

The Company is a not-for-profit organization that provides fire protection and emergency services within the District in Yates County.

The Company has approximately 50 volunteer members (the membership), of which about 25 are active. The Company is governed by its bylaws and an Executive Committee that is elected by the members. The Executive Committee includes the Company President, Vice President, Treasurer, Secretary, Fire Chief and three Trustees and is responsible for managing the Company's financial activities.

The Treasurer is the Company's chief fiscal officer and is responsible for maintaining custody of Company funds, collecting money, issuing receipts or tickets, accurately recording collections and disbursements, paying bills and preparing monthly and annual reports and submitting them to the Executive Committee and the membership. The current Treasurer was elected in March 2025.

The Company's main sources of revenue include roast beef suppers, rent, donations and foreign fire insurance tax proceeds.

Criteria

Individuals who are involved in fundraising activities are responsible for accounting for and remitting all collections to the company treasurer. In addition, at least two people should be on hand to count the fundraising collections and certify how much was remitted to the company treasurer for each fundraising event.

A company treasurer is responsible for ensuring all collections are properly recorded, reported and deposited in a timely manner. The company treasurer should maintain adequate documentation and issue a receipt or ticket for all cash collected, received, donated or raised through fundraisers or other events, regardless of the source.

Company officials should ensure that collection records are supported by adequate documentation that accurately documents the source, date, amount, form (i.e., cash or check) and purpose of amounts collected or disbursed. For example, for collections, company officials should issue duplicate press-numbered receipts or maintain some other documentation to track the collections. Also, when applicable, to ensure accountability for collections, company officials should maintain records of the number of event or food prenumbered tickets printed and sold and the remaining ticket inventory, and they should compare those records to the related deposit amounts to ensure that all fundraising money was deposited.

Bank reconciliations identify and document differences between the accounting records and bank account balances. Bank reconciliations also serve as an internal verification of cash collection and disbursement transactions. Therefore, the company executive committee should ensure that the company treasurer prepares monthly bank reconciliations for all bank accounts and provides the reconciliations, along with bank account statements, to the company executive committee for review and approval.

After a fundraising activity, the company treasurer should prepare a general fundraising report that includes the amounts collected and deposited, the number of tickets and/or items sold, and related disbursements with details such as whether they were paid by check or cash. In addition, the Treasurer is required to comply with regulatory requirements by preparing and filing an annual Form 990 with the IRS.

Additional Resources

OSC's *Local Government Management Guides*, and other informational resources that are available on our website to help officials understand and perform their responsibilities, include:

- *The Practice of Internal Controls*: <https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>

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

Appendix B: Response From Company Officials

The content below is a reproduced copy of the original response letter issued by Company officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*³ and may have included changes to spelling and grammar. The substance of the content was not changed.

Middlesex Hose Company, Inc.

“Proudly Serving the Middlesex Fire District Since 1942”

PO Box 145 – Middlesex, NY 14507

The officers at the Middlesex Hose Company in response to the audit by the comptroller’s office would like to offer the following rebuttal. We would also like to remind the comptroller’s office and auditors that we are a private organization made up volunteers, many of us who work 40 plus hours a week to make a living outside of this organization. We do our best to maintain records and compliance with the recommendations put forth by the state and federal government.

- In response to section one findings that the Treasurer does not provide accurate documentation. The treasurer does indeed provide a monthly report on the net proceeds, amount of start-up cash, amounts collected, and amounts dispersed for each dinner and for all months. This documentation is in a printed handout that is given to all membership every month at the monthly meeting along with the reading out loud of all income and expenses for the department for that month. This was explained to the audit team multiple times. In addition to the verbal report to the membership, the bank statement for all 4 accounts is given to the officers of the Hose Company for review and is available to any member upon request. There is no need for any corrections for this section and, at this time, the hose company will not be implementing any changes. These finding were simply the inability of the audit team to understand how we operate. [OSC Comment: See Appendix C, Note 1]
- In response to the non-filing of the IRS 990 forms. We self-identified this deficiency at the entrance conference and changed our bylaws prior to the completion of this audit to ensure that it will not happen again. It should also be noted that the lack of the form being filed was done by a previous treasurer who is no longer in the position. [OSC Comment: See Appendix C, Note 2]
- In response to the issue of not tracking sales for our fundraising. We have implemented a point-of-sale system to track all sales electronically. Again, this was self-reported in the entrance conference that this was an area we would like to improve upon and not necessarily a “finding” by the state.
- In response to the lack of recordkeeping for our fund drive letter. In forty plus years of sending out the fund drive letter, we as an organization have never kept a list or tracked who has sent us money. Many of these donations are sent anonymously and cannot be tracked, and we feel doing so would serve no purpose to the organization. [OSC Comment: See Appendix C, Note 3]

While we thank the audit team for their time, we remind them that this organization has existed since 1942, and we have built a lasting and fruitful business out of the precious time that our volunteers have donated. We also would like to impress upon the audit team that, going forward, please be cognizant of volunteers’ time and effort that we put forth to make these organizations run, and of the extra time we are forced to put in when having to jump though the auditors’ hoops.

³ <https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule>

Appendix C: OSC Comments on the Company's Response

Note 1

We determined that the fundraising reports prepared and submitted by the Treasurer did not have sufficient details to support effective internal controls and financial oversight. Specifically, the reports did not consistently document amounts collected and deposited, the number of tickets and/or items sold, related disbursements or the method of payment (e.g., check or cash) used for the purchases. Detailed and standardized reporting enables officials to independently reconcile activity, monitor cash handling practices and identify discrepancies or irregularities in a timely manner. These fundraising reporting weaknesses are particularly concerning as Company officials identified fundraising irregularities as an area of concern during the audit entrance conference.

Note 2

While the 2022 and 2023 IRS Form 990s were due under the former Treasurer's tenure, the 2024 IRS Form 990 was not due until after the current Treasurer took office and that IRS Form 990 was also late.

Note 3

Maintaining complete supporting documentation for fundraising collections is a fundamental component of an effective internal control environment and promotes financial accountability and transparency. When officials do not retain sufficient supporting documentation, they cannot independently validate fundraising activity and provide adequate oversight of these activities to safeguard organizational assets. Implementing consistent documentation retention practices would strengthen accountability, improve audit trails and enhance the Company's ability to demonstrate proper stewardship of funds collected.

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 and the Executive Committee's meeting minutes to gain an understanding of the Company's fundraising procedures and processes and determine whether the Treasurer prepared and submitted financial records and reports to the Executive Committee and whether the Executive Committee reviewed and approved them.
- We reviewed bank statements with canceled check images for all four bank accounts from January 1, 2024 through August 31, 2025 and identified 74 deposits totaling \$191,107 and 400 disbursements totaling \$192,412. (This time frame represents the entirety of the audit period through the point at which we reviewed the bank statements.) We compared all deposits and disbursements to the Treasurer's ledger to identify those related to fundraising activities. We then compared fundraising deposits and disbursements to supporting documentation, which included roast beef supper flyers, the Executive Committee's meeting minutes, invoices and receipts, to determine whether the collections for fundraising activities were deposited in a timely manner and adequately supported.
- We traced all deposits from the bank statements for January 1, 2024 through August 31, 2025 to the Treasurers' financial records, and available reports to the Executive Committee and membership, to determine whether the bank deposits were properly recorded in the Treasurer's financial records and reported to the Executive Committee and membership. (This time frame represents the entirety of the audit period through the point at which we reviewed the bank statements.)

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.

Questions?

ROCHESTER REGIONAL OFFICE

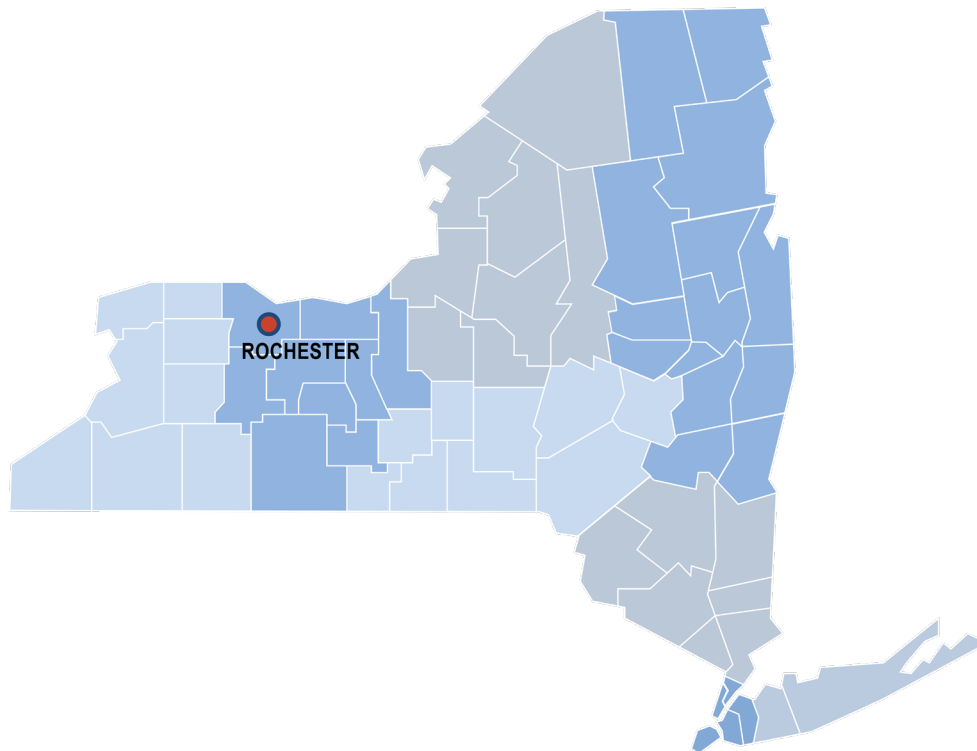
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