New York State Comptroller
THOMAS P. DiNAPOLI

North Brookfield Volunteer Fire Department

Investments

September 2026 | 2026M-57

Prepared by the Division of Local Government and School Accountability

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Audit Results

North Brookfield Volunteer Fire Department

Audit Objective

Did North Brookfield Volunteer Fire Department (Department) officials establish written policies and procedures for investing Department funds?

Audit Period

January 1, 2024 – March 24, 2026

We extended the audit period back to July 1, 2008 to review the Department's investment records.

Understanding the Audit Area

Fire department officials should establish written investment policies and procedures to ensure department funds are invested safely and prudently and are readily available to meet operational needs. Effective cash management and investment policies and procedures help promote accountability, transparency and sound stewardship of department resources.

As of December 31, 2025, the Department had approximately $58,000 in cash and cash equivalents, of which approximately $39,000 was invested in certificates of deposits that are Federal Deposit Insurance Corporation insured.

Audit Summary

Department officials did not adopt a written investment policy or establish procedures to govern the investment of Department funds or provide a framework to help ensure funds were invested safely and prudently and that the Department's resources were not exposed to unnecessary financial risk.

During the audit period, the Department invested $77,200 with a local tax preparer/insurance agent who issued promissory notes that promised an 8 percent annual return. Without written investment policies and procedures, officials lacked formal guidance for evaluating investment risks and determining whether the investment was appropriate for the Department. The individual whom the Department invested their funds with subsequently filed for bankruptcy in April 2023 and was convicted of operating a Ponzi scheme involving more than $50 million. Although the Department recovered $6,442 through the bankruptcy proceedings, it lost $45,758 of its principal investment and never received a return on the investment.

This report includes two recommendations that, if implemented, will strengthen the Department's investment practices and help safeguard its financial resources. Department officials agreed with our recommendations and indicated they will take corrective action.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC's) authority as set forth in Article 3 of the New York State General Municipal Law (GML). The audit's methodology and standards are included in Appendix C.

The Board has the responsibility to initiate corrective action. The Board is encouraged to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it to OSC within 90 days. For more information on preparing and filing the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The Board is encouraged to make the CAP available for public review.

Investments: Finding and Recommendations

Prudent cash management and investment practices included, among other things, the adoption of a written investment policy to help provide fire department officers with instruction and guidance for investing, monitoring and reporting the fire department's funds. A comprehensive written investment policy may include procedures or specific actions for fire department officers to take when investing available funds to achieve investment earnings such as reviewing interest rate quotes from multiple financial institutions and investing available funds in financial institutions offering competitive interest rates balanced with acceptable risk. When implemented, these types of policies and procedures can help lower investment risk while increasing opportunities for higher investment earnings. The membership should annually review the investment policy and regularly monitor investments.

More details on the criteria used in this report, as well as resources OSC makes available to fire department officials that can help officials improve operations, are included in Appendix A.

Finding 1 – Department officials did not establish a written investment policy and procedures to help ensure funds were invested in a safe and prudent manner.

The Department did not have a written investment policy outlining the types of investments officials can utilize and the process of approving the use of investments. The President, Vice President, Treasurer and Secretary serve on the Department's Board of Directors (Board). They told us the Department membership approved Department deposits made into investment accounts, and that the balances of these investment accounts were reported to the membership monthly by the Treasurer. The Department, however, does not have a written investment policy outlining the types of investments officials can utilize and the process of approving the use of investments to help ensure Department funds are invested in a safe and prudent manner.

Department records show that between July 2008 and July 2022, the Department invested $77,200 in Department funds with a local tax preparer and insurance agent who was involved in operating a variety of different business ventures. The individual issued promissory notes to investors with a promise of an 8 percent rate of return on the funds invested. The Department withdrew $25,000 during this same period, leaving a total principal investment of $52,200 in Department funds.

In April 2023, the individual filed for bankruptcy, and in June 2025, the Office of the New York State Attorney General announced the arrest of the individual for operating a more than $50 million Ponzi scheme.[1] According to documents filed in United States (U.S.) Bankruptcy Court, the Department had a claim totaling $119,299, which included interest.[2] The Department has received two settlement payments from the bankruptcy proceedings totaling $6,442;[3] however, it lost $45,758 of its principal investment and never received the promised 8 percent return on the investment totaling $67,099.

Had the Board instituted a more formal investment program and adopted a written investment policy to provide guidelines for investing funds, officials may have more fully evaluated the potential investment options and related risks and invested the Department's funds in a safe and prudent manner.

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1 In April 2026, the individual pleaded guilty to Grand Larceny in the Second Degree, Securities Fraud under the Martin Act, and Scheme to Defraud in the First Degree. He was subsequently sentenced to four to 12 years in prison.

2 The U.S. Bankruptcy Court list included 985 noteholders with claims totaling approximately $94 million.

3 $5,249 in October 2024 and $1,193 in July 2025.

Recommendations

The Board should:

1. Develop, adopt and implement a written investment policy that establishes:
    - Authorized investment types,
    - Procedures for approving transfers or deposits into investment accounts, and
    - Requirements for periodically reporting investment activity and earnings or losses to the Board and membership.
2. Periodically review the Department's investments and obtain interest rate and investment information from multiple financial institutions to help ensure funds are invested prudently and the Department earns a reasonable rate of return, while preserving principal and maintaining adequate liquidity for operational needs.

Appendix A: Profile, Criteria and Resources

Profile

The Department is a not-for-profit organization that provides fire protection and emergency services within the North Brookfield Fire District in Madison County. The Department has approximately 36 volunteer members and is governed by its bylaws and the Board, which includes a President, Vice President, Secretary, Treasurer and five line officers. The Board is responsible for managing the Department's financial activities.

The Department's main sources of revenue include fundraising activities, Foreign Fire Insurance tax proceeds, donations and grants. The Department's calendar year 2025 revenues totaled $34,884 and expenditures totaled $15,452.

Criteria

A fire department board of directors (board) is responsible for providing general management of the affairs of the fire company, which may include oversight of the fire company's investment activities. The board is responsible for acting in good faith and with a degree of diligence, care and skill which an ordinarily prudent individual would exercise under similar circumstances in a like position.

Investing involves both opportunities and risks, and fire department officials, who are generally responsible for ensuring the safety of fire department funds, should strive to achieve reasonable investment earnings. It is important for fire department officials to establish prudent cash management and investment practices which should include, among other things, the adoption of a written investment policy which details the fire department's operative policy and instructions to officers for investing, monitoring, and reporting the fire department's funds.

At a minimum, an investment policy should provide the following:

- Permitted types of investments authorized by the board and/or membership,
- The process for approving deposits into investment accounts, and
- Procedures for reporting investments and results (earnings/losses) to the board and membership.

Before investment decisions are made, fire department officials should understand the risks and potential rewards associated with the investment options being considered. In addition, procedures should include specific actions for fire department officials to take to achieve investment earnings, such as soliciting interest rate quotes from multiple financial institutions and investing available funds in financial institutions offering competitive interest rates balanced with acceptable risk. When implemented, these types of policies and procedures can help lower investment risk while increasing opportunities for higher investment earnings. The fire department board should annually review the investment policy and regularly monitor investments.

Additional Resources

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

- *Investing and Protecting Public Funds*: https://www.osc.ny.gov/files/local-government/publications/pdf/investing-and-protecting-public-funds.pdf

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

Appendix B: Response From Department Officials

The content below is a reproduced copy of the original response letter issued by Department officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,[4] and may have included changes to spelling and grammar. The substance of the content was not changed.

North Brookfield Fire Department
9107 Main St, North Brookfield NY 13418

RE: Written Response to the Draft Audit Report

Submitted by: President, Jerry Bugbee

Date: 8/28/26

Finding 1 - Department officials did not establish a written investment policy and procedures to help ensure funds were invested in a safe and prudent manner.

Response: The Board of Directors unanimously agrees with the Audit Finding. The North Brookfield Fire Department did not have a written investment policy or otherwise have written procedures in place prior to the commencement of this audit

Respectfully,

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

Appendix C: Audit Methodology and Standards

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

- We interviewed Department officials and reviewed the bylaws and available Board meeting minutes to gain an understanding of the Department's investments and determine whether funds were invested in a safe and prudent manner.
- We reviewed investment transaction summary reports, the Department's check register and available Board meeting minutes to determine investment approvals, deposits and withdrawal activities for the promissory note from July 1, 2008 through December 31, 2025.
- We reviewed the U.S. Bankruptcy Court documents for the total noteholder claims, which included principal and anticipated interest earned. We also reviewed any settlement payments received after the April 2023 bankruptcy filing.
- We interviewed Department officials to determine the status of the bankruptcy proceedings and whether the Department is anticipating receiving additional settlement payments.

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

Questions?

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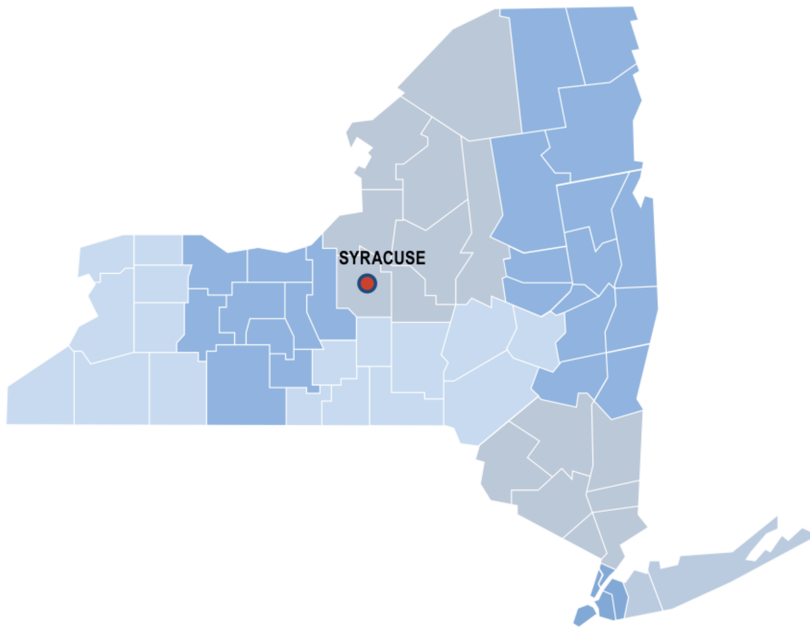

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