



# South Hornell Fire Protection Company, Inc.

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## Disbursements

2025M-108 | April 2026

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# Audit Results

## South Hornell Fire Protection Company, Inc.



Audit Objective	Audit Period
Did the South Hornell Fire Protection Company, Inc. (Company) Executive Board (Board) and membership ensure disbursements were supported, appropriate and authorized?	January 1, 2024 – August 6, 2025
Understanding the Audit Area	
<p>A fire company board should ensure that disbursements have adequate supporting documentation and are for appropriate company purposes before payment to safeguard company resources. A fire company board should establish a system of internal controls that consists of written policies and procedures and clearly defined bylaws that help ensure that officials properly record and authorize disbursements. When allowing officials and company members to make purchases using debit cards, the board should ensure that adequate controls are in place to prevent the risk of unauthorized debit card use.</p> <p>The Company's 302 disbursements totaled \$300,953 for the period January 1, 2024 through May 31, 2025.</p>	

## Audit Summary

The Board and membership did not ensure all disbursements were supported, appropriate and authorized. The lack of an adequate Company constitution and bylaws (bylaws), financial policies and procedures, debit card safeguards and periodic review and documented authorization of disbursements significantly hindered the Board's and membership's ability to ensure disbursements were supported, appropriate and authorized.

In addition, the Recording Secretary (Secretary) generally did not record the membership's authorization of disbursements at monthly meetings in the membership minutes and there were no minutes for nine membership meetings. As a result, 300 disbursements totaling \$297,853 did not have documented authorization. We also could not determine whether 63 disbursements totaling \$126,012 were appropriate Company expenses because they lacked adequate supporting documentation.

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The report includes eight recommendations that, if implemented, will improve Company officials' ability to safeguard disbursements. Company officials were given an opportunity to respond to our findings and recommendations within 30 days of the receipt of the draft report, but they did not respond.

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 B.

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.

# Disbursements: Finding and Recommendations

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A fire company board is responsible for overseeing the company's disbursements to ensure they are properly supported, for an appropriate company purpose and authorized. To fulfill this duty, it is essential to establish a system of internal controls that consists of policies and procedures and clearly defined bylaws that establish and segregate duties to help ensure disbursements have adequate supporting documentation, an appropriate company purpose and are authorized before the disbursements are made.

The Treasurer<sup>1</sup> is responsible for receiving and disbursing Company funds at the direction of the membership and keeping accurate records and reports. The Secretary is responsible for keeping a list of members attending membership meetings and recording all actions. During the audit period, the Vice President served as the Secretary. The Chief can make purchases, without membership authorization, up to \$1,000 for emergency repairs to Company vehicles and equipment.

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

## Finding 1 – The Board and membership did not ensure all disbursements were supported, appropriate and authorized.

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We reviewed all 302 disbursements totaling \$300,953 from January 1, 2024 through May 31, 2025 and determined the Board and membership did not ensure all disbursements were supported, appropriate and authorized because the Company's bylaws did not provide adequate guidance for the authorization and payment of bills, and supplemental financial policies were not adopted. Furthermore, more than half of the Company's disbursements (173) totaling \$30,602 were made using a Company debit card. Specifically, the Board and membership did not:

- Properly use purchase orders to authorize purchases before making them. Instead, the former Treasurer prepared a "purchase order form" for disbursements after making a purchase or upon receiving documentation from Board members for purchases they made. This form was used to document the purchaser, description of the purchase, the Company purpose and method of payment. Although the form included a place for the "Chief officer or President" to sign to authorize the purchase, these were generally not signed.
- Provide adequate supporting documentation, such as invoices or itemized receipts for 91 disbursements totaling \$208,815. Upon request for supporting documentation, Board members provided adequate support for 28 disbursements totaling \$82,803. The remaining 63 disbursements totaling \$126,012 lacked adequate support to determine whether they were

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<sup>1</sup> The Company had two Treasurers serve during the audit period. The former Treasurer resigned in May 2025 and the current Treasurer was formally voted in by Company membership on June 6, 2025.

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personal or Company expenses. For example, purchases were made at local grocery and home improvement stores. The Company also paid at least \$722 in sales tax despite being a tax-exempt organization. This occurred partly because the Board, or other members independent of the disbursement process, did not audit claims to review the bills and other supporting documentation for disbursements.

- Provide documentation for the authorization of 300 disbursements totaling \$297,853, because eight of the Secretary's monthly membership meeting minutes were insufficient or incomplete and there were no minutes for nine membership meetings. The Secretary stated he thought he included all the information in the minutes, but "guesses" that he did not include everything. Two Board members told us that minutes for four membership meetings may have been destroyed in the fire at the Company's firehouse in May 2024. These same two Board members also told us that the membership authorized disbursements during meetings after the Treasurers read a list of the bills.
- Safeguard debit cards from potential misuse because the Board did not adopt a policy on debit card use. Furthermore, debit card holders<sup>2</sup> shared their Company debit cards with non-card holder members to complete purchases. Additionally, the President told us his debit card was hacked in October 2024 and two disbursements totaling \$1,168 were made related to the purchase of event tickets and insurance. Although the President received a replacement debit card, he did not properly dispute the charges with the bank until we inquired about the charges in August 2025. As of the end of field work on August 6, 2025, the bank provided the Company with provisional credits while bank officials conducted their investigation into the disputed charges.
- Review the Treasurers' accounting records and bank reconciliations and the Company's bank statements and canceled check images to ensure disbursements were authorized and appropriate. As a result, the former Treasurer did not prepare bank reconciliations, and the Company paid \$926 for 12 months of television service while the firehouse did not have a television. Finally, the event ticket and insurance charges were not disputed until we brought it to the President's attention. Officials did not provide an adequate explanation for not reviewing these records.

The lack of adequate bylaws, financial policies and procedures, debit card safeguards and periodic review and authorization of disbursements significantly hindered the Board's and membership's ability to ensure disbursements were supported, appropriate and authorized and increases the Company's risk of theft, potential liability and waste of Company resources.

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<sup>2</sup> The Company has four debit card holders: the Chief, 1st Assistant Chief, President and Treasurer.

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## Recommendations

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The Board and membership should:

1. Amend the Company's bylaws or adopt sufficient supplemental financial policies and enforce compliance with them. The policies should address the review and authorization of bills and the specific circumstances under which debit cards may be used, including who is authorized to use them, prior authorizations needed, dollar limits and types of expenses for which they may be used and what documentation must be presented to support the claim submitted for audit.
2. Ensure purchase orders are prepared and properly authorized before making purchases.
3. Conduct a thorough and deliberate audit of each claim, before authorizing payment including reviewing a list of bills to be paid and verifying that the purchases were authorized and are adequately supported including a documented specific Company purpose to help determine appropriateness.
4. Ensure that someone who is independent of the disbursement process regularly reviews the Treasurer's accounting records, bank statements, canceled check images and bank reconciliations.

The Treasurer should:

5. Ensure that all disbursements are adequately supported and authorized before making payment.
6. Prepare and provide bank reconciliations for an independent review.

The Secretary should:

7. Ensure minutes are taken at all membership meetings and include motions, proposals, resolutions and any other matter formally voted upon with the vote tally.
8. Ensure meeting minutes are kept in a secure location at the firehouse.

# Appendix A: Profile, Criteria and Resources

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## Profile

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The Company, which was incorporated in 1953, is located in the Town of Hornellsville in Steuben County and provides fire protection services to the Towns of Hornellsville and Hartsville. The Company has approximately 60 active members and is governed by its bylaws and a seven-member Board. The Board consists of three elected members on staggered three-year terms, and the Chief, Treasurer, President and Vice President who are all elected annually for one-year terms.

## Criteria – Disbursements

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To properly oversee disbursements, a fire company board should establish a system of internal controls that consists of written policies and procedures and clearly defined bylaws that help ensure officials properly record and authorize disbursements. A fire company board should also ensure that disbursements have adequate supporting documentation and are for appropriate purposes before payment. Supporting documentation may include purchase orders, which are used to formally document the request and approval process before making a purchase while a claim provides sufficient detail of items purchased or services provided and contains all the necessary information for audit and processing for payment. Furthermore, an effective claims audit helps ensure that each invoice is properly itemized to identify whether the specific goods or services received are for an appropriate fire company purpose. Upon authorization, the secretary should record the specific details in the membership meeting minutes and the treasurer should initiate payment. The membership meeting minutes should contain details on motions, proposals, resolutions and any other matter formally voted upon with the vote tally. The membership meeting minutes should be stored in a secure location because they serve as the official legal record of actions and provide a reference for accountability. A fire company board should also ensure that someone who is independent of the disbursement process regularly reviews the treasurer's accounting records, bank statements, canceled check images and bank reconciliations to help ensure disbursements are only made as authorized and appropriate.




Debit cards pose significant risks because users can make purchases with funds that come directly from a bank account, without the review and authorization of payment. Allowing fire company officials and members to make purchases in this manner makes it more difficult to detect unauthorized debit card use. The use and sharing of multiple debit cards on one bank account exacerbates these risks.

The Company's bylaws state:

- The Board has the power to examine the books of any officer.
- The Treasurer will read all bills at each monthly business meeting.
- The Secretary shall record discussion and membership actions for all meetings.
- The Chief can make purchases, without membership approval (authorization), up to \$1,000 for emergency repairs to Company vehicles and equipment.

## Additional Disbursements Resources

**Figure 1: OSC Publications**

<p>OSC <i>Local Government Management Guides</i> available on our website to help officials understand and perform their responsibilities and implement effective internal controls.</p>		
<p><b><i>Improving the Effectiveness of Your Claims Auditing Process LGMG</i></b></p>	<p><b><i>The Practice of Internal Controls LGMG</i></b></p>	<p><b><i>Fiscal Oversight Responsibilities of the Governing Board LGMG</i></b></p>
<p>LOCAL GOVERNMENT MANAGEMENT GUIDE</p> <p><b>Improving the Effectiveness of Your Claims Auditing Process</b></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><b>The Practice of Internal Controls</b></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><b>Fiscal Oversight Responsibilities of the Governing Board</b></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>
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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: Audit Methodology and Standards

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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 Board members and other Company members and reviewed the bylaws and available membership meeting minutes to gain an understanding of disbursement procedures, processes and safeguards.
- We reviewed bank statements and bank activity including canceled check images from January 1, 2024 through May 31, 2025 for all four Company bank accounts and identified 302 disbursements, totaling \$300,953. We reviewed all 302 disbursements and compared them to supporting documentation, which included purchase orders, invoices and receipts to determine whether they were adequately supported, for appropriate Company purposes and properly authorized.
- After our initial review, we provided a listing of 91 unsupported disbursements to the President and Treasurer to request available support and reviewed the subsequent documentation provided to determine whether the disbursement was adequately supported and was for a valid Company purpose.
- We accompanied the President to the Company's local bank branch on August 6, 2025 to obtain supporting documentation for the cash withdrawals on the bank statements and a listing of debit cards and debit card holders.

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 the audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

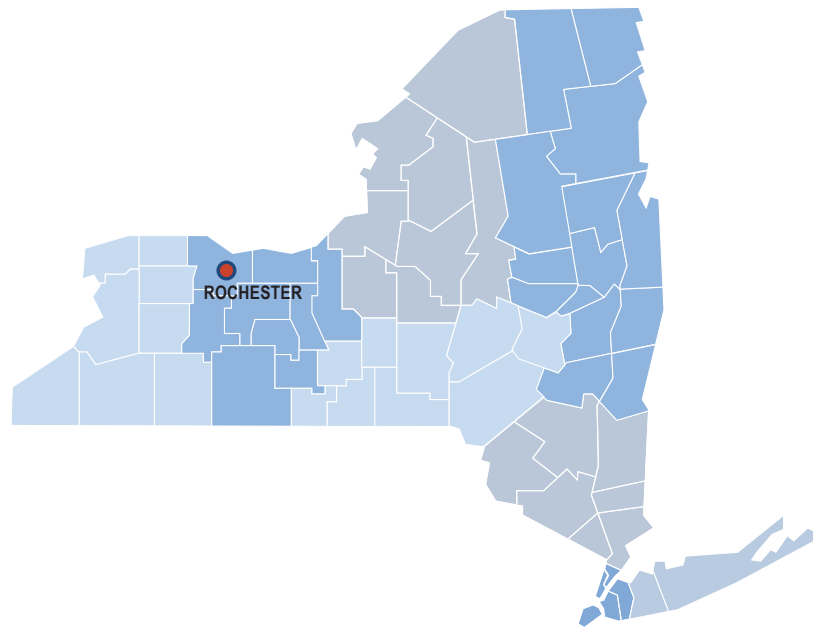
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