

Breesport Volunteer Fire Company Inc.

Financial Activities

AUGUST 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Breesport Volunteer Fire Company Inc.

Audit Objective

Determine whether Company officials ensured that financial activity was properly recorded and reported and that money was safeguarded.

Key Findings

- Fundraising activities lacked adequate records and reports and cash was not safeguarded.
- The Treasurer paid bills without prior review and approval from the Company.
- The Directors did not submit an annual report on revenues and expenditures of foreign fire insurance tax proceeds or submit IRS Form 990 as required by law and the Company's bylaws.

Key Recommendations

- The Committee should establish controls for handling cash at fundraising events, and ensure members responsible for running fundraising activities create financial reports.
- The Treasurer should pay bills after Company approval.
- The Directors should file all necessary reports as required by applicable laws and regulations.

Company officials agreed with our recommendations and indicated they will take corrective action.

Background

The Breesport Volunteer Fire Company Inc. (Company) is a not-for-profit organization that provides fire protection and emergency rescue services to residents in the Towns of Horseheads and Erin in Chemung County.

The Company is governed by its adopted Bylaws and a seven-member Executive Committee (Committee) which consists of the President, Chief and five Directors (two Director positions were vacant at the completion of our fieldwork). The Company's primary sources of revenues are foreign fire tax proceeds, a chicken barbecue and donations.

Quick Facts

2019 Active Members	18
2018 Foreign Fire Insurance Tax proceeds	\$3,894
2018 Revenues	\$11,408
2018 Expenditures	\$8,071

Audit Period

January 1, 2018 – May 30, 2019

Financial Activities

What Is Effective Oversight?

Company officials are responsible for overseeing the company's fiscal activities and safeguarding its resources. To fulfill this duty it is essential that officials establish and follow policies, procedures and effective bylaws that provide strong internal controls. These controls should ensure that transactions are authorized, properly recorded and reviewed, that funds are safeguarded and that reports are prepared and filed according to legal requirements and regulations.

Chicken Barbecue Fundraising Lacked Adequate Reporting

To supplement money received from foreign fire insurance proceeds and donations, the Company holds an annual chicken barbecue. The Bylaws do not address fundraising activities and there are no policies and procedures in place to ensure fundraising money is safeguarded. There was no report prepared of expenditures, revenues and starting cash, and the records that did exist were not adequate. For example, there were no records to indicate the number and type of chicken dinners sold, and members did not certify amounts collected on cash reporting forms before submitting money to the Treasurer. We determined that deposited chicken barbecue revenues were reasonable based on the number of chickens purchased and prices charged. However, with no accountability for fundraising money, there is an increased risk that funds could be lost or stolen without detection.

The Treasurer Paid Claims Prior to Company Approval

The Bylaws state that the Treasurer should not disburse funds without prior Company approval. Company officials told us the Treasurer has their approval to pay disbursements when he receives them, but we found no authorization of this in the Bylaws or Company meeting minutes. Therefore, we reviewed all 44 disbursements totaling \$12,335 that were paid during the period January 1, 2018 through March 31, 2019 for appropriateness and authorization. We determined that all 44 disbursements were for valid Company purposes. However, the Treasurer paid 30 disbursements totaling \$6,830 (55 percent) before they were reported at the Company's monthly meetings, and eight disbursements totaling \$1,713 (14 percent) were paid without being reported at all. When the Treasurer pays disbursements without Company review or approval, there are limited controls for preventing unauthorized, improper or fraudulent claims from being paid and the Board cannot ensure Company funds are safeguarded.

The Directors Did Not File Required Reports

The Bylaws state that the Directors are responsible for filing all necessary reports. The Directors have not prepared and filed the Company's 2017 and 2018 Form 990¹ with the Internal Revenue Service or the annual report of foreign fire insurance tax proceeds, expenditures and the remaining balance with the State Comptroller's Office.² The Treasurer told us he thought the Horseheads Fire District's Board of Commissioners³ was filing the reports. When officials fail to comply with annual filing requirements, such as Form 990, they unnecessarily put the Company's tax-exempt status at risk. Even though foreign fire insurance premium money was not used during our audit period, the Director still needs to file the annual foreign fire insurance report to provide an adequate accounting for Company members.

What Do We Recommend?

The Committee should:

1. Establish controls for handling cash at fundraising events, and ensure that members responsible for running fundraising activities create financial reports.

The Treasurer should:

2. Pay bills after Company approval.

The Directors should:

3. File all necessary reports as required by applicable statute and Company Bylaws.

¹ 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. Revocations are mandatory and automatic under the law.

² In accordance with New York State General Municipal Law Section 30-a

³ The Horseheads Fire District has its own Board of Commissioners, which operates separately from the Company's Executive Board.

Appendix A: Response From Company Officials



BREESPORT VOLUNTEER FIRE COMPANY

P.O. Box A
BREESPORT, NEW YORK 14816

8/7/2019

The Breesport Fire Company, agrees with the findings of the audit and will make the recommended changes.

Ronald W Grose, Treasurer

Appendix B: Audit Methodology and Standards

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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Company officials to gain an understanding of the Company's financial operations.
- We reviewed the Company's Bylaws to gain an understanding of the roles and fiscal responsibilities of various officers and members.
- We reviewed Company meeting minutes for information related to policies and procedures, and to determine whether bills were authorized.
- We obtained bank statements and supporting documentation and reviewed all 44 disbursements totaling \$12,335 for the period of January 1, 2018 through March 31, 2019.
- We used the bank statements and supporting documentation to determine whether the Treasurer's records were accurate.
- We reviewed bank statements for the period January 1, 2018 through March 31, 2019 for unusual transactions, transfers and withdrawals and open and closed accounts.
- We sent a bank confirmation to the Company's bank to verify the amounts in the Company's bank accounts and Certificates of Deposit.
- We used vendor-itemized receipts to determine the amount of chickens purchased for the Company's chicken barbecue and multiplied the number of chickens purchased by the prices charged to determine whether revenues deposited for the fundraiser were reasonable.

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.

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 size of the relevant population and the sample selected for examination.

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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/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.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
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

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

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief Examiner

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

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