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May 3, 2013

Mr. Earl H. McMahon, Chairman
Members of the Board of Fire Commissioners
Halfmoon-Waterford Fire District No. 1
315 Middletown Road
Waterford, NY 12188

Report Number: 2013M-71

Dear Chairman McMahon and Members of the Board of Fire Commissioners:

One of the Office of the State Comptroller's (OSC) primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery, and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Halfmoon-Waterford Fire District No. 1 (District) which addressed the following question:

- Does the Board of Fire Commissioners (Board) provide adequate oversight of the Treasurer's financial activities?

We discussed the findings and recommendation with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Towns of Halfmoon and Waterford, and located in Saratoga County. The District's general fund budget totaled \$848,185 for the 2013 fiscal year.

The Board consists of five elected members and is responsible for the District's overall financial management. The Board appoints a Treasurer who acts as the District's chief fiscal officer. The Treasurer is responsible for receiving and maintaining custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports, and meeting any other reporting requirements.

We examined the internal controls over the District's financial operations for the period January 1, 2011, to January 31, 2013. We interviewed appropriate District officials and reviewed financial records and Board minutes. We conducted this performance audit in accordance with 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.

Audit Results

The Board is responsible for overseeing the District's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Board establish a system of internal controls, which consists of policies and procedures that ensure transactions are authorized and properly recorded; that financial reports are accurate, reliable, and filed in a timely manner; and that the District complies with applicable laws, rules, and regulations.

The Treasurer must maintain complete, accurate, and timely records to properly account for all of the District's financial activities. The Treasurer should prepare and submit monthly reports to the Board and is required to prepare and submit the annual update document (AUD) of the District's financial activities to OSC within 60 days after the close of the fiscal year. This report is an important fiscal tool, which provides the Board with necessary information to monitor District operations and provides other interested parties with a summary of the District's financial activities. Town Law requires the Board to obtain an audit of the District's records by an independent public accountant within 180 days of the end of the fiscal year audited.¹

We found that the Board did not provide adequate oversight of District financial activities. The Treasurer did not provide accounting information to their independent public accountant (accountant) in a timely manner. As a result, the Board did not receive timely audit reports from the accountant. The independent audit report for 2009 was not issued by the accountant until December 23, 2011. Furthermore, due to a lengthy delay in the Treasurer providing a listing of fixed assets to the accountant for 2010 and 2011, the District did not receive the audit reports for these two years until March 1, 2013. The failure to have a timely annual independent audit increases the risk that errors, fraud, and abuse could occur and not be detected in a timely manner.

The District did not file the AUD in a timely manner for 2010 and 2011. We found that the 2010 and 2011 AUD were filed 576 and 276 days late, respectively. However, the District filed the 2012 AUD on time. The failure to prepare and file AUDs timely leaves the District with no means to demonstrate financial transparency to the Board, taxpayers, and any other interested parties.

We performed various tests to ensure that the financial data recorded in the general ledger was reliable. We then reviewed the 2011 and 2012 AUDs and determined that the financial

¹ Legislation requires that fire districts with annual revenues of \$200,000 or more obtain an annual audit by an independent certified public accountant or an independent public accountant.

information presented was reasonable and based on the District's financial records. We identified minor deficiencies that were discussed with District officials during our audit fieldwork.

Recommendations

1. The Board should ensure that the independent auditor is provided with sufficient documentation in a timely manner to complete the annual independent audit within 180 days after the year end.
2. The Board should ensure that the Treasurer prepares and files the required AUD with OSC in a timely manner.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of the Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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. The Board should make the CAP available for public review in the Secretary's office.

Sincerely,

Andrew A. SanFilippo, Executive Deputy Comptroller
Office of the State Comptroller
Office of State and Local Government Accountability

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.

Halfmoon – Waterford Fire District No. 1

Halfmoon, New York

Earl McMahon Chairperson
Paul Rickard
Richard Petuske
John D' Alessandro
Peter Semenza
Stephen Kane District Treasurer
Paul McInerney District Secretary
Toni Svendsen Administrative Secretary



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April 15, 2013

Office of State Comptroller
Local Government & School Accountability
One Broad Street
Glens Falls, NY 12801

Re: Response and Corrective Action Plan to Comptroller's Internal Control Audit of Halfmoon Waterford Fire District #1 for the periods January 1, 2011- January 31, 2013. Rep.# 2013-M-71

Please accept this letter as the response of the Board of Fire Commissioner's of the Halfmoon Waterford Fire District #1 to the Report of Internal Controls for the periods January 1, 2011 to January 31, 2013 prepared by your office. This letter also includes our corrective action plan.

The Board has reviewed the draft audit report and the Board believes that the report accurately reflects the findings of the review of the financial records of the Fire District. The rate of growth in this area and, as a consequence, within our fire district, has resulted in continued expansion of the administrative workload and functions required to be performed by the Commissioners, the officers and our staff. In response to our internal review, we began to re-examine our administrative procedures and determine what resources were needed in order to meet current requirements and to ensure the ongoing fiscal integrity of the district.

Because of this initiative, our internal corrective action plan was actually put into place prior to the OSC audit. The primary attributes of the plan follow. In January 2013 the Board identified and segregated the affected administrative functions and hired three individuals to perform the duties of Secretary, Treasurer and Director of Purchasing. In addition, we acquired a new position of Administrative Assistant.

Recognizing the need to quickly become current, we then focused the new resources not only on day-to-day functions but also, on all outstanding reports. In February 2013 we filed the 2011 AUD report and in March 2013 we filed the 2012 AUD report. The 2010 and 2011 independent auditor's report have been issued and filed in March 2013. We are currently scheduled for our Independent Audit for 2012 later this month and foresee this being issued timely before the June due date.

The board is committed to maintaining a responsible and transparent oversight of the public funds that finance the District's operations. The audit process and interactions with your staff have provided both concurrence with the vast majority of our existing practices and useful suggestions for improvements. Our management is better for the experience and we thank both you and your employees for that outcome. We trust that the changes made in January 2013 have adequately addressed the matters presented in your report.

Very truly yours,

Earl H. McMahon
Chairman- BOC
Halfmoon Waterford Fire District #1