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December 19, 2014

Tim Pettis, Chairman
Members of the Board of Fire Commissioners
Candor Fire District
74 Owego Road
Candor, NY 13743

Report Number: 2014M-268

Dear Mr. Pettis and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works 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 Candor Fire District (District) which addressed the following question:

- Did the Board establish adequate controls to ensure that financial activity is properly recorded and reported and that District moneys are safeguarded?

The results of our audit have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our findings and indicated they planned to initiate corrective action.

Background and Methodology

The Candor Fire District (District) is a district corporation of the State, distinct and separate from the Town of Candor and Tioga County in which it is located. The District's general fund budget totaled approximately \$420,000 for the 2014 fiscal year.

The Board of Fire Commissioners (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 chief fiscal officer. The Treasurer is responsible for the receipt and custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and submitting the annual reports to the Office of State Comptroller (OSC).

We examined the internal controls over the District's financial operations from January 1, 2013 through June 30, 2014. 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 consist of procedures that ensure transactions are authorized and properly recorded; financial reports are accurate, reliable and filed in a timely manner; and the District complies with applicable laws, rules and regulations. The Board is also responsible for performing a thorough audit of claims before they are paid to ensure that claims are supported and the District's funds are used for only legitimate District expenditures. New York State Town Law (Town Law) also requires the Board to conduct an annual audit of the Treasurer's records.

The Treasurer must maintain complete, accurate and timely records to properly account for all of the District's financial activities. The Treasurer should also prepare and submit monthly reports to the Board and submit an annual financial report of the District's financial position to OSC. These financial reports are important fiscal tools which provide the Board with necessary information to monitor District operations and provide others with a summary of the District's financial activities.

The Board implemented procedures that require selected Board members to review the Treasurer's work on a monthly basis. This includes reviewing bank statements and canceled check images, ensuring revenues recorded in the general ledger are deposited and providing for an annual audit. However, the Board did not ensure that the monthly budget-to-actual reports provided by the Treasurer were complete and that miscellaneous revenues collected, other than taxes, were recorded and deposited.

The Treasurer accounted for the District's financial activities and submitted monthly financial reports to the Board and annual reports to OSC. However, the budget-to-actual reports did not include revenues or a complete accounting of expenditures. For example, the reports failed to reflect expenditures that were not a part of the adopted budget. Those expenditures were reported separately to the Board during the month incurred. This practice circumvents the purpose of a budget-to-actual report and, therefore, could mask the fact that the District is spending more than originally planned.

In addition, the Board attempted to segregate the cash receipt duties by having the Treasurer open the mail and forward all money received to a Board member for deposit. However, there was no audit trail beginning with the initial point of cash collection to show the amounts the Treasurer actually received. We reviewed receipts totaling \$849,092¹ using several records, such as the adopted budget, tax roll, Board minutes and copies of checks received, and traced these receipts to the accounting records and bank statements. Although we were able to verify that all the

¹This included \$840,537 collected for the 2013 real property tax levy.

recorded receipts were deposited, we could not verify that these represented all the moneys that were collected because miscellaneous revenues, such as the sale of surplus equipment, did not have adequate documentation to determine what was actually collected.

We also reviewed 89 canceled check images totaling \$124,814² during our audit period and found that these payments were properly recorded, adequately supported, approved by the Board and were for legitimate District expenditures.

Recommendations

The Board should:

1. Ensure that the Treasurer's budget-to-actual report includes both revenues and expenditures and the total expenditures represents both budgeted and unplanned expenditures.
2. Implement procedures to ensure that cash receipts are documented at the point of collection which would enable District officials to perform a periodic comparison of the transactions from the point of collection through the accounting records to bank deposits and monthly reports.

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.

We thank the officials of the Candor Fire District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

² This included 19 credit card payments totaling \$6,650, 30 utility payments totaling \$15,990, 10 randomly selected payments totaling \$9,334, 10 unusual vendor payments totaling \$6,601 and 20 payments by check that were signed by the Treasurer totaling \$86,239.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



November 17, 2014

Office of the State Comptroller
Division of Local Government and School Accountability
Gabriel F. Deyo
State Office Building, Suite 1702
44 Hawley St.
Binghamton, NY 13901-4417

Re: Audit Report Number 2014M-268

Dear Mr. Deyo,

Please accept this correspondence as confirmation of receipt of the above referenced draft audit report. The Board of Fire Commissioners of the Town of Candor Fire District acknowledges and accepts the findings of the NYS Comptroller's Office recent audit and concurs with your recommendations.

It is the intention of the Board of Fire Commissioners to work in conjunction with the District Treasurer to implement the recommended changes to ensure the Board has all the information it needs to safeguard its resources and make informative decisions.

The Board of Fire Commissioners and the District Secretary/Treasurer wish to thank the OSC personnel involved in the audit process for their professionalism, thoroughness and courtesy displayed during our recent audit.

Sincerely,

Tim Pettis, Chairman
Town of Candor Board of Fire Commissioners



Town of Candor Fire District
Correction Action Plan
Audit Report Number 2014-M-268

Recommendation:

Ensure that the Treasurer's budget-to-actual report includes both revenues and expenditures and the total expenditures represent both budgeted and unplanned expenditures.

Response:

The Treasurer is currently revising the monthly budget-to-actual report to reflect revenues and unplanned expenditures in conjunction with the current format. It is expected that this updated report will be complete by January 1, 2015.

Recommendation:

Implement procedures to ensure that cash receipts are documented at the point of collection which would enable District officials to perform a periodic comparison of the transactions from the point-of-collection through the accounting records to bank deposits and monthly reports.

Response:

The Treasurer has implemented a cash receipt report for Board review on a monthly basis in addition to the updated format of the budget-to-actual report. These two reports will allow the Board to keep informed of all transactions from the point of collection to accounting records, bank statement review and finally monthly reporting. The two reports will allow the Board to review all receipt and disbursement transactions with ease and also allow for consideration of budgetary concerns.

The Town of Candor Board of Fire Commissioners will work in conjunction with the District Treasurer to provide assistance in updating the current system of financial reporting. We appreciate the recommendations the OSC has made to ensure the Board of Fire Commissioners have the opportunity to be fully aware of all financial considerations of the Fire District.

Sincerely,

Tim Pettis, Chairman
Town of Candor Board of Fire Commissioners