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February 14, 2014

John Renner, Chairman
Members of the Board of Fire Commissioners
Richmond Fire District
8741 Main Street
Honeoye, NY 14471

Report Number: 2013M-357

Dear Mr. John Renner and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works to identify areas where fire district 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 fire district 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 Richmond Fire District (District) which addressed the following question:

- Are District controls adequate to ensure that financial activity is properly recorded and reported and that District moneys are safeguarded?

We discussed the findings and recommendations 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 agreed with our recommendations and indicated they have already initiated, or plan to initiate, corrective action.

Background and Methodology

The District, located in Ontario County, is a district corporation of the State, distinct and separate from the Town of Richmond. The District's general fund budget totaled \$530,523 for the 2013 fiscal year. The District provides coverage to 70 square miles¹ and averages 500 - 600 calls for assistance per 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 District's chief fiscal officer. The Treasurer is responsible for the receipt and custody of District

¹ The District is located in the Towns of Richmond, South Bristol and Canadice in the County of Ontario.

funds, for disbursing and accounting for those funds, for preparing monthly and annual financial reports and for meeting any other reporting requirements.

We examined the internal controls over the District's financial operations for the period January 1, 2012 through October 7, 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 has the authority and responsibility to adopt realistic, structurally balanced budgets, monitor the budget continually and manage fund balance responsibly. The Board is responsible for overseeing the District's fiscal activities and safeguarding its resources. As such, it is essential that the Treasurer provide the Board with monthly budget-to-actual reports as well as a cash flow statement so that the Board can monitor the budget and the District's cash flow and make any necessary adjustments. In addition, financial and capital planning on a multiyear basis allows District officials to identify developing revenue and expenditure trends, set long-term priorities and goals and avoid large fluctuations in tax rates. It is also essential that the Board establish a system of internal controls, which consists of policies and procedures that ensure transactions are authorized and properly recorded and that the District complies with applicable laws, rules and regulations.

The District's financial position has deteriorated over the last three years² because the Board has not adequately budgeted for expenditures. Specifically, the District's fund balance has declined 74 percent from approximately \$120,000 in 2010 to \$30,000 in 2012 and available cash decreased from \$131,000 to \$24,000, which was 4.5% of 2013 appropriations. These declines were largely due to unbudgeted and unforeseen repairs to the District's equipment. The District also miscalculated its portion of a radio grant, which resulted in an unbudgeted expenditure of \$16,000. In August 2013, the District instituted a spending freeze on all but necessary purchases. The Board has not developed any long-term financial or capital plans and only receives financial reports that detail the adopted budget and year-to-date revenues and expenditures on a quarterly basis. The lack of financial planning and timely communication of budgetary results has contributed to the deterioration of the District's financial position.

The Board has generally exercised their oversight responsibilities. For example, the Board has adopted a purchasing policy and a code of ethics, as required by statute. The Treasurer submitted monthly financial reports to the Board,³ including monthly bank reconciliations that a Board member reviews and approves. The Treasurer has filed the required annual financial report with the Office of the State Comptroller in a timely manner, and the Board contracted with an independent auditor to perform an annual audit of the Treasurer's records. Lastly, the Board audited all District claims by reviewing each claim and having two Board members sign off on

² Fiscal years 2011, 2012 and 2013

³ The Treasurer provides a monthly profit and loss statement, trial balance and bank reconciliations. Budget-to-actual reports are provided quarterly.

the abstract (list of claims to be approved for payment). While the Board minutes indicate the approval to pay these claims, there is no statement including the specific dollar amount of the claims approved.

We found that the Board has not established written policies and procedures to govern financial operations including investments, cash receipts, capital planning and information technology. The Board passed a resolution to pay claims that are allowed to be paid prior to audit.

Even with Board oversight, there is a certain level of inherent risk that exists with cash disbursements in the District. We reviewed 251 claim payments totaling \$327,314 to determine whether disbursements made by the District were properly recorded and supported and whether claims appeared to be for valid District purposes. We found the claims were properly recorded and supported and were for valid District purposes.

We reviewed bank activity from January 1, 2013 through August 30, 2013, including bank deposits totaling \$514,605 and all cash disbursements with their corresponding bills and invoices totaling \$327,314. We found that financial activity was properly recorded in the computerized accounting system and generally supported with appropriate documentation. We discussed some additional minor deficiencies with District officials during our fieldwork.

Recommendations

1. The Treasurer should provide the Board with monthly budget-to-actual reports and cash flow statements.
2. The Board should develop multiyear financial plans and consider the use of reserve funds.
3. The Board should adopt comprehensive policies and procedures for investments, cash receipts, capital planning and information technology. The Board should ensure these policies are distributed to District personnel.

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 Richmond Fire District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Richmond Fire District
P.O. Box 286
Honeoye, NY 14471

January 31, 2014

Mr. Edward V. Grant Jr., Chief Examiner
Division of Local Government
And School Accountability
110 State Street
Albany, New York 12236

Dear Sir,

This letter shall constitute both a general response to this audit and the Corrective Action Plan from the Richmond Fire District, Board of Commissioners.

The Richmond Fire District, Board of Commissioners views the audit process as an opportunity to review and update business policies and procedures to better serve the taxpayers and residents of the Richmond Fire Protective District. We are in receipt of the audit report on the Richmond Fire District, prepared by the members of your Local Government and School Accountability Team, covering the time period from January 1, 2012 through October 7, 2013. The Richmond Fire District, Board of Commissioners has reviewed this report and generally agrees with its findings.

The Richmond Fire District, Board of Commissioners is providing the following responses and corrective action plans in connection with the State Comptroller's recommendations.

1. The Treasurer should provide the board with monthly Budget-to-Actual Reports and Cash Flow Statements

Response:

The Richmond Fire District Board of Commissioners has requested that the District Treasurer begin to provide the following reports on a monthly basis, as opposed to the basis on which we have been receiving it previously: Budget-vs-Actual Performance and Cash Flow Statement for the month ended and year to date. These two reports will be reviewed by the Board along with the Monthly Profit and Loss, Trial Balance Report, Bank Reconciliations, Check Detail and Accounts Payable reports the Treasurer already currently supplies to the Commissioners on a monthly basis.

An Accounts Payable Report is submitted to the Richmond Fire District, Board of Commissioners at the monthly meeting. The Accounts Payable Report provided includes all monthly invoices for the review, approval and signature of the Board of Commissioners. The total claims paid are also included within this report and readily available through other resources. To satisfy the Comptroller's opinion, since the October, 2013 meeting, the total of the Accounts Payable report is included in the Fire District's monthly minutes as recommended.

2. The Board should develop multi-year financial plans and consider the use of reserve funds.

Response:

The Richmond Fire District, Board of Commissioners believes in sound fiscal planning and will focus on updating and implementing a multi-year financial plan. This process has been started in prior years, but as a result of transition in various Commissioner positions, a formal adoption and approval of the plan had not been completed. The current Board of Commissioners strongly believes in the need to implement a realistic estimate of the long-term operational and capital needs of the District. We will begin reviewing and assessing our long term needs over the next six months, in anticipation of instituting key operational changes to our 2015 budget as deemed necessary. Additionally, we will be developing a viable long-term replacement policy for essential equipment. We will also assess the ability for the District to develop a reserve fund while at the same time considering the impact such a decision will have on our current and future tax rates. The Board of Commissioners objective is to develop an operating philosophy that allows for a minimum reserve equivalent to six (6) months of operations.

3. The Board should adopt comprehensive policies and procedures for investment, cash receipts, and capital planning and informational technology. The Board should insure these policies are distributed to District personnel.

Response:

The Richmond Fire District presently has an active Policy Committee that consists of Two Commissioners, the Chief of the Fire Department and the District Treasurer. This committee has been reviewing, updating and creating new comprehensive policies which will provide additional direction, guidance and oversight for the Board, employees, and volunteers of the Richmond Fire District. This committee brings the policies to the Fire District Board, who in turn reviews and approves each of the policies brought before them. We have completed updates to our Purchasing Policy and have approved a new Grant Policy. The Cell Phone, Informational Technology, Security Breach and Training Policy are each in their final stages and we expect them to be presented to the Board of Commissioners at the March, 2014 meeting. We plan to have the Investment and Cash Receipts Policy completed by the April meeting. Work on the Capital Planning Policy will begin in conjunction with the multi-year financial plan scheduled for early May, 2014.

Conclusion:

We, the Commissioners of the Richmond Fire District, extend our thanks for the guidance and suggestions provided by the members of the Local Government and School Accountability Team. By highlighting a list of potential problems, we have created new policies and revised existing ones.

We recognize the need to improve our financial reporting, and to maintain a higher level of oversight on all financial transactions. The Board of Commissioners has been very proactive this year in dealing with unforeseen events including implementing a spending freeze in August, 2013. This action doubled the Fire District's end of year fund balance for 2013.

The Board of Commissioners are confident our initiative of improving our multi-year financial plans will position the Fire District to operate efficiently and effectively while maintaining the lowest possible cost to the taxpayers.

Sincerely,

John M. Renner, Chairman
Richmond Fire District
Board of Commissioners