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January 24, 2014

Donald Short, Chairman  
Members of the Board of Fire Commissioners  
Slaterville Springs Fire District  
P.O. Box 92  
Slaterville Springs, NY 14881

Report Number: 2013M-315

Dear Mr. Short 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 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 Slaterville Springs Fire District (District) which addressed the following question:

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

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

### **Background and Methodology**

The District is a district corporation of the State, distinct and separate from the Town of Caroline, and is located in Tompkins County. The District's general fund budget totaled \$90,940 for the 2013 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 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 for meeting any other reporting requirements. The Secretary, who is also a

Commissioner, maintains the Board meeting minutes and a summary register of certain cash activities.

We examined the internal controls over the District's financial operations for the period January 1, 2012 through September 18, 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 consisting 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, including the General Municipal Law (GML) requirement for a procurement policy and an investment policy. Also, Town Law requires the Treasurer to account with the Board for all moneys received and disbursed during the preceding fiscal year and produce all supporting documents.

The Treasurer must maintain complete, accurate and timely records to properly account for all of the District's financial activities. Additionally, the Treasurer should prepare and submit monthly reports to the Board and is required to prepare and submit an annual financial report of the District's financial condition to the Office of the State Comptroller 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.

The District does not have adequate financial policies. The Board did not formally adopt a procurement policy or an investment policy, as required by statute.

We found that, while the Board established some controls, they lacked some key components to ensure that financial activity was properly recorded and reported to safeguard District moneys. For example, the Board did not review the Treasurer's monthly bank reconciliations; however, the Treasurer presented the year-end bank reconciliation and bank statement to the Board to compare the bank records to the District records. The Treasurer also prepared a monthly report for the Board containing checking account activity. Positively, the Secretary compared the Treasurer's monthly report to his own set of records<sup>1</sup> on a monthly basis. While this did provide some oversight, no one compared the financial activity recorded to the bank statements and/or canceled check images on a monthly basis. Therefore, inappropriate disbursements could be made throughout the year and not found until year-end or at all. Furthermore, the Board did not ensure that the Treasurer accounted with it annually, which would also include providing the related supporting documentation for the Board's review.

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<sup>1</sup> The Secretary's set of records includes a register which lists the disbursement detail, deposits and a running cash balance.

In addition, the Treasurer has not filed the required annual financial report with our office for the last three years. The last report filed was for fiscal year ending 2009. However, the Treasurer did provide the Board with a monthly report consisting of the beginning checking account bank balance, disbursement activity (check number, vendor name and amount), deposits and a running checking account balance, but it lacked certain financial activity and comparisons. For example, it did not contain activity in the equipment purchase savings account or budget-versus-actual activity. Without accurate and complete monthly and annual reports, the Board cannot properly monitor the District's fiscal operations.

Due to these deficiencies, we reviewed all 115 disbursements,<sup>2</sup> totaling \$126,427, to verify that they were authorized, supported, proper District charges, accurately recorded and that the items were shipped to the District; we found no discrepancies. Furthermore, we verified that all 26 deposits per the bank statements, totaling \$181,977, were properly recorded, and all receipts recorded were properly deposited. For real property tax revenues, we verified the amount deposited agreed with the amount levied by the Town and was properly recorded. For other deposits, we traced the amounts to supporting documentation, verified they were properly recorded and found no errors. We also reviewed the bank reconciliations for the months ended December 31, 2012 and August 31, 2013 to verify that they were prepared timely and accurately. We found that the reconciliations were prepared accurately. However, District officials could not provide us with adequate documentation to determine whether these reconciliations were prepared in a timely manner because they had not dated the reconciliations. Further, the Board minutes did not include information regarding when reconciliations were provided to the Board for review.

Even though we found no discrepancies, without adequate Board oversight, the Treasurer could – without the Board's knowledge – write a check that was not for District purposes. Additionally, the Board cannot properly monitor the District's financial condition without complete monthly and annual reports. Our last audit,<sup>3</sup> which was released in May 2007, also reported on the lack of adequate Board oversight and an annual audit. Without proper Board oversight, District moneys are not adequately safeguarded, which could inhibit the timely detection of errors and irregularities and the proper assessment of the District's financial position.

## **Recommendations**

1. The Board should formally adopt a procurement policy and an investment policy, and annually review and update these policies as needed.
2. The Board should provide more routine oversight which includes:
  - Review of the monthly bank reconciliations to ensure accurate and timely preparation,

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<sup>2</sup> Disbursements were made up of 115 checks and/or debits recorded during our audit period.

<sup>3</sup> Office of the State Comptroller, *Slaterville Springs Fire District: Management of Financial Operations, June 1, 2004 – October 16, 2006*, May 2007, Report 2007M-87.

- Routine comparison of activity recorded by the Treasurer to the bank statement, including canceled check images and
  - Ensuring that the Treasurer accounts with the Board annually and provides it with supporting documentation.
3. The Treasurer should file the annual financial reports with the Office of the State Comptroller within 60 days of the fiscal year end.
  4. The Treasurer should prepare complete monthly reports, which should include all District bank accounts and budget-versus-actual activity.

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,

Gabriel F. Deyo

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

# Slaterville Springs Fire District



January 9, 2014

H. Todd Eames, Chief Examiner  
State Office Building  
Suite 1702  
44 Hawley St.  
Binghamton, NY 13901-4417

Mr. Eames,

The Board of Fire Commissioners met last night and fully agreed with your findings and recommendations.

We have already instituted several of your recommendations and will have all changes in effect within 60 days. We will send the CAP within that time frame.

Thank you for your help. These audits only make us better.

Sincerely,

Richard A. White,  
Secretary,  
Slaterville Springs Fire District