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STEVEN J. HANCOX  
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April 19, 2013

Mr. John Tobin, Chairman  
Members of the Board of Commissioners  
Bloomingburg Joint Fire District  
117 Godfrey Road  
Bloomingburg, NY 12721

Report Number: 2013M-042

Dear Mr. Tobin and Members of the Board of Commissioners:

One of the Office of the State Comptroller's 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 Bloomingburg Joint Fire District (District), which addressed the following question:

- Did the Board ensure that disbursements were made for authorized District purposes?

The results of our audit and recommendation have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendation and included their corrective action plan as part of their response.

### **Background and Methodology**

The Bloomingburg Joint Fire District (District) is a district corporation of the State, distinct and separate from the Towns of Mamakating and Wallkill located in the Counties of Sullivan and Orange, respectively. The District's 2013 general fund budget totaled approximately \$613,300 and is funded primarily through property taxes.

The Board of Fire Commissioners (Board) consists of seven elected members and is responsible for the District's overall financial management including establishing appropriate internal controls. A Chairman is appointed by the Board and serves as the Chief Executive Officer. Additionally, the Board appointed a Treasurer,<sup>1</sup> who serves as the Chief Fiscal Officer. The Treasurer is responsible for receiving, maintaining custody of, disbursing and accounting for all District funds. The Treasurer accounts for the District's financial activities in the general fund.

We examined the District's cash disbursements for the period January 1, 2012 to January 15, 2013. We interviewed District officials and key employees, 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 the general management and control of the District's finances. An important aspect of this responsibility is to provide a process to routinely monitor and review the work performed by those who handle moneys as part of their District duties. Oversight becomes particularly important in operations that do not have adequate segregation of duties. If one person, such as the Treasurer, performs nearly all financial duties, including disbursing money, maintaining the accounting records and performing bank reconciliations, it diminishes the ability to verify the propriety of the District's financial operations. Fire districts with annual revenues of \$200,000 or more are required to obtain an annual independent audit of their financial statements. Moreover, the Treasurer is required to present all of the District's financial records to the Board at least annually for review.

The Board did not ensure that disbursements were made for authorized District purposes. The Board did not adequately segregate duties or implement sufficient compensating controls. The Treasurer performs all aspects of the cash disbursements process including preparing the monthly abstracts; printing, signing, and mailing the checks; and preparing the bank reconciliations. The Treasurer also is responsible for performing online bank transfers. The Treasurer performs all of these duties without sufficient oversight by the Board. While the Board approves all claims that are presented for audit, no one verifies that all checks disbursed were approved by the Board. The Treasurer does not provide check numbers to the Board and no one compares canceled check images to the Board-approved abstracts. With these incompatible duties and lack of oversight, the Treasurer could initiate a fraudulent transaction without detection.

While the District did engage an independent auditor for an annual audit of the District's financial statements,<sup>2</sup> the audit did not report the weaknesses we found during our audit.

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<sup>1</sup> The Treasurer also serves as the Secretary. The Treasurer was appointed in November 2012.

<sup>2</sup> The most recent audit was completed in June 2012 for fiscal year 2011 and did not identify any significant internal control weaknesses.

As a result of these weaknesses, we performed certain tests to ensure that disbursements were properly approved and legitimate District expenditures. For example, we reviewed the general fund bank reconciliations for February and December 2012. We judgmentally selected a sample of 23 canceled check images totaling \$5,045 made to credit card vendors, utility, cable, phone, garbage, fuel, internet, or any other unusual vendors. We also judgmentally selected a sample of 15 journal entries for credits to cash totaling \$7,275. While our testing disclosed no material discrepancies, because the Board does not segregate the Treasurer's duties or provide adequate oversight, there is still a significant risk that errors and irregularities could occur and not be detected in a timely manner.

### **Recommendation**

1. The Board should segregate the duties over the disbursements process. If it is not practical to segregate these duties, the Board should establish mitigating controls.

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-Treasurer's office.

Sincerely,

Steven J. Hancox  
Deputy Comptroller  
Division of Local Government  
and School Accountability

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

BLOOMINGBURG JOINT FIRE DISTRICT  
117 GODFREY ROAD  
BLOOMINGBURG, NEW YORK 12721

**John Tobln, Chairman**  
**Larry W. Arnold**  
**Thomas Dempsey**  
**Russell Wood, Jr.**

**Richard G. Knibbs, Vice-Chairman**  
**James H Beuerman**  
**Harold K. Baird**

April 9, 2013

Steven J. Hancox, Deputy Comptroller  
Office of the State Comptroller  
Division of Local Government & School Accountability  
State Office Building-Room1702  
44 Hawley Street  
Binghamton, New York 13901-4417

Re: Report #2013M-042

Dear Mr. Hancox:

This letter serves as our audit response letter and corrective action plan (CAP) for the above referenced draft audit report for the Bloomingburg Joint Fire District. The Bloomingburg Joint Fire District Board of Fire Commissioners has reviewed the draft audit report, along with your findings and recommendations which include segregating the duties over the disbursements process and if not practical to segregate these duties, the Board should establish mitigating controls. The Board of Fire Commissioners agrees with your findings and recommendations and has implemented several procedural changes during our monthly board meetings which were implemented in January 2013. These procedural changes include the Board's monthly review of all bank statements, the distribution of monthly account balances and a monthly QuickBooks detailed report of unpaid bills to be approved for payment. Additionally, starting in February 2013, the Board of Commissioners are being provided a monthly list of previously approved paid bills including utility, gas, and salary which are approved by the Board of Commissioners and authorized for payment by the Treasurer at the annual re-organization meeting held each January. The Board of Commissioners has also begun the practice of having the Chairman and/or Vice-Chairman sign the payroll check for the Secretary/Treasurer.

Since meeting with your examiner and reviewing your recommendations, the Board of Fire Commissioners will now implement additional oversight to ensure that disbursements were made for authorized District purposes, specifically, the Board of Fire Commissioners will request the Treasurer to provide the "bills to be paid" abstract prior to the monthly board meeting so that the finance committee can have adequate time to review the QuickBooks "bills to be paid" abstract and also ensure that previously approved bills were appropriately disbursed by matching the bill abstract to the canceled check images enclosed in the monthly bank statement and allowing time to thoroughly review the bank statement and reconciliation. This corrective action plan will begin prior to the next scheduled monthly meeting in May 2013.

With the implementation of the above outlined corrective action plan, the Bloomingburg Joint Fire District Board of Fire Commissioners is committed to ensure that proper oversight is provided to mitigate risk.

Sincerely, 

John Tobin, Chairman  
Board of Fire Commissioners  
Bloomingburg Joint Fire District

CC: Board of Fire Commissioners