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July 19, 2013

Mr. Daniel Barcomb, Chairman  
Members of the Board of Fire Commissioners  
Ellenburg Center No. 15 Fire District  
1 Church Street  
Ellenburg, New York 12934

Report Number: 2013M-103

Dear Mr. Barcomb and Members of the Board of Fire 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 to account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Ellenburg Center No. 15 Fire District (District) which addressed the following question:

- Are District controls over financial operations adequate to ensure that District moneys are safeguarded?

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comment on issues raised in the District's response.

### **Background and Methodology**

The District is a district corporation of the State, distinct and separate from the Town of Ellenburg, located in Clinton County. The District's general fund budget was \$78,540 for the 2012 fiscal year.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. The elected Treasurer acts as the District's 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 meeting any other reporting requirements. During our audit period, the District had two Treasurers. The current Treasurer was appointed on July 1, 2012.

We examined the internal controls over the District's financial operations for the period January 1, 2011, to February 28, 2013. We interviewed 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. In addition, the District must comply with applicable laws, rules and regulations, including General Municipal Law (GML) requirements which require the District to establish a code of ethics, investment policy, and procurement policy. To provide adequate accountability for taxpayer moneys, the Board should review and approve all claims prior to the payment being made by the Treasurer.

The Treasurer must maintain complete, accurate, and timely records to properly account for all the District's financial activities. The Treasurer should prepare and submit monthly reports to the Board and is required to prepare and submit the District's annual financial report with the Office of the State Comptroller (OSC) within 60 days after the close of the fiscal year. The annual financial report is an important fiscal tool which provides the Board with necessary financial information to monitor District operations and provides other interested parties with a complete summary of the District's financial activities.

The Board should improve its oversight of the District's financial activities. The Board has not adopted a code of ethics or procurement and investment policies as required by GML. The lack of these policies results in the Board not setting appropriate expectations for District operations. For example, the Treasurer was unaware of where she is authorized to deposit District funds due to the lack of an investment policy. We found the District has deposits and short-term investments in a credit union which is not a financial institution authorized by GML. As of December 31, 2012, the District had \$585,045 (or 99 percent of the District's total cash on hand) in cash deposits and certificates of deposits at the credit union.

The Board did not conduct an annual audit of the Treasurer's records and reports which would have provided it with some assurance that the Treasurer was performing her duties in a satisfactory manner. We found the former Treasurer did not complete monthly bank reconciliations during the period January 1, 2011, through June 30, 2012, and the 2011 annual financial report filed with OSC was not accurate. The former Treasurer reported the District's

cash balance as the actual bank balances rather than an amount reconciled to the District's checkbook. As a result, cash was overstated on the District's annual report by \$9,058 as of December 31, 2011. Furthermore, the prior Treasurer did not prepare and submit monthly reports to the Board; therefore, the Board was unaware that reconciliations were not being completed. The Board appointed a new Treasurer on July 1, 2012. We verified the current Treasurer has completed monthly bank reconciliations since August 2012 and is providing the Board with monthly account balances of the District's cash deposits and temporary investments and an itemized list of claims paid.

Prior to the current Treasurer taking office, the Board did not perform a thorough and timely audit of claims prior to payment. During the 2011 fiscal year, the Board conducted only three regular Board meetings<sup>1</sup> which prevented an audit of claims prior to monthly bills being paid. Also, during that period the Board did not indicate in the Board minutes which claims were audited and approved for payment. Due to these deficiencies, we selected and reviewed a judgmental<sup>2</sup> sample of 67 disbursements totaling \$36,109 from the 2011 and 2012 fiscal years. We tested the payments to determine if corresponding claims contained adequate supporting documentation and if they were legitimate District expenditures. We found all payments were for appropriate District business and the claims contained sufficient supporting documentation with minor discrepancies, which we discussed with District officials. Since August 2012, the Board has held monthly meetings where claims are audited prior to payment.

The lack of oversight diminished the Board's ability to properly monitor the District's financial operations and led to an increased risk that errors or irregularities could occur and remain undetected and uncorrected.

## **Recommendations**

1. To strengthen the District's internal control structure, the Board should establish financial policies and procedures as required by GML.
2. The Board should deposit the District funds in a financial institution authorized by GML.
3. The Treasurer should continue preparing monthly bank reconciliations and providing monthly financial reports to the Board.
4. The Board should continue to conduct a proper audit of claims prior to disbursement by the Treasurer and include the claim numbers and total dollar amounts of the approved claims in the Board minutes.

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.

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<sup>1</sup> February, March, and May 2011

<sup>2</sup> We judgmentally selected disbursements from every third month in 2011, beginning with March 2011, and every third month in 2012, beginning with January 2012.

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 State and Local Government  
Accountability

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

*Ellenburg Center Fire District 15*  
*Post Office Box 42 ~ 1 Church Street*  
*Ellenburg Center, NY 12934*

June 13, 2013

Andrew A. Sanfilippo, Executive Deputy Comptroller  
New York State Office of the State Comptroller  
110 State Street  
Albany, NY 12236

**Report # 2013M-103**

Dear Mr. Sanfilippo:

This letter is in response to your draft report containing findings and recommendations regarding your audit of the Ellenburg Center Fire District #15.

**Recommendation #1:** To strengthen the District's internal structure, the Board should establish financial policies and procedures as required by GML.

**Comment:** Please note that the Board previously followed similar policies as established by the Town, but had not, in fact, adopted their own policies. We are in the process of reviewing the *Fire District Procurement and Purchasing Policy* to comply with Section 104-b of the General Municipal Law.

**Recommendation #2:** The Board should deposit the District funds in a financial institution authorized by GML.

**Comment:** A resolution was passed at the June 4, 2013 meeting to transfer funds from Dannemora Federal Credit Union to NBT Bank when the four certificates of deposit become due for maturity in July and August, 2013.

**Recommendation #3:** The Treasurer should continue preparing monthly bank reconciliations and providing monthly financial reports to the Board.

**Comment:** Following the recommendation during the risk assessment audit, monthly bank reconciliations and financial reports have been completed and will continue to be an ongoing practice. A Commissioner will also continue to review, sign and date the bank statement monthly.

**Recommendation #4:** The Board should continue to conduct a proper audit of claims prior to disbursement by the Treasurer and include the claim numbers and total dollar amounts of the approved claims in the Board minutes.

**Comment:** The audit of claims is conducted during the monthly Board meetings prior to disbursement. Claims numbers, vendor name and dollar amounts are included in the official minutes.

In addition to the above recommendations and comments, I would like to further comment that on page three, paragraph one of the draft report, you indicated the former Treasurer did not complete monthly bank reconciliations during the period January 1, 2011 through June 30, 2012. It is my understanding that bank reconciliations were completed, but not documented.

See  
Note 1  
Page 8

As indicated in the above comments, the Board of Commissioners has taken the responsibility to initiate and implement the recommended corrective action. We appreciate the effort your office has extended to assist in improving our operation.

Respectfully,

Daniel Barcomb, Chairman

Board of Commissioners

## **APPENDIX B**

### **OSC COMMENT ON THE DISTRICT'S RESPONSE**

#### Note 1

District officials were unable to provide documentation that bank reconciliations were completed for the period January 1, 2011, through June 30, 2012.