

# Andes Joint Fire District

## Financial Activities

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MARCH 2021

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Andes Joint Fire District

### Audit Objective

Determine whether the Andes Joint Fire District (District) officials established adequate controls over cash receipts and disbursements.

### Key Findings

The Board of Fire Commissioners (Board) did not establish adequate controls over cash receipts and disbursements.

The Board did not:

- Segregate duties or provide additional oversight over receipts and disbursements to ensure the Treasurer recorded all transactions accurately and timely.
- Comply with New York State Town Law (Town Law) Section 176. Thirty debit card purchases totaling \$4,680 were not audited and approved before payment.
- Have adequate supporting documentation for seven disbursements totaling \$1,194 and evidence it audited claims totaling \$15,632.

### Key Recommendations

- Implement compensating controls to better monitor the Treasurer's duties.
- Discontinue the use of debit cards.
- Ensure the Board audits and approves claims that contain adequate supporting documentation before payment, except as otherwise provided by Town Law.

Officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The District is located in the Town of Andes in Delaware County. The District is governed by a five-member Board that is responsible for the District's overall financial management and safeguarding its resources.

A Board-appointed Treasurer acts as the chief fiscal officer and is responsible for receiving, disbursing and accounting for District funds and preparing financial reports.

The Board also appointed a Secretary who is responsible for maintaining Board meeting minutes.

#### 2019 Quick Facts

Receipts	\$241,350
Disbursements	\$265,307

### Audit Period

January 1, 2019 – June 30, 2020

# Financial Activities

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## How Should District Officials Establish Controls Over Cash Receipts and Disbursements?

A district board is responsible for managing and overseeing financial activities and safeguarding its resources. The board, in conjunction with the treasurer, should establish and implement procedures to help ensure money is properly safeguarded, transactions are authorized and properly accounted for and that the district complies with applicable laws, rules and regulations.

With limited exception, New York State Town Law (Town Law)<sup>1</sup> requires fire district boards to audit all claims before payment. Exceptions include claims for public utility (light and telephone), postage, freight and express charges. However, the prepaid claims must be presented and audited by the board at its next regular meeting.

Effective claims auditing procedures ensure that every claim against a district is subjected to a thorough and deliberate review and contains adequate supporting documentation to determine whether it complies with statutory requirements and district policies, and that the amounts claimed represent actual and necessary expenditures. Further, it is important the board audit and approve claims before payment and document its approval in the board minutes by specifying the number and dollar amounts of claims the treasurer is authorized to pay.

District officials should ensure that one individual does not perform all aspects of cash receipts and disbursement functions. Sufficiently segregating duties is a key element of internal controls. To compensate for when it is not feasible to segregate duties, additional oversight is necessary. Oversight activities can include reviewing bank statements and canceled check images, and verifying that deposits are made.

## The Board Needs to Improve Financial Oversight

The Treasurer performed all financial duties including receiving and disbursing cash, signing checks,<sup>2</sup> reconciling bank accounts and maintaining accounting records with limited oversight. For example, the Board receives monthly bank statements and periodic budget versus actual reports, but did not review the canceled check images to ensure that all disbursements made were for proper purposes. Furthermore, the Board did not ensure that money collected by the Treasurer was actually deposited. While the Board had an independent audit of its financial records performed, officials should provide more oversight throughout the year to quickly detect errors or malfeasance.

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<sup>1</sup> New York State Town Law (Town Law), Section 176.

<sup>2</sup> The Board Chairman also signs the checks. However, a dual signature requirement is not a failsafe protection against fraud and can be circumvented.

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Because of the lack of Board oversight, we reviewed 130 disbursements totaling \$75,400 and 12 receipts totaling \$213,420. We found all 12 receipts were properly accounted for and deposited. However, we found discrepancies with 56 disbursements totaling \$20,999. Some of these disbursements had more than one discrepancy.

- The Board did not audit 30 debit card transactions totaling \$4,680. However, these transactions, for items such as flares, safety glasses and other District supplies, were for appropriate District purposes.
- There was insufficient evidence of Board audit and approval for 24 claims totaling \$15,632. These claims abstracts were not signed or initialed by any Board member to indicate they were reviewed and approved, and the Board minutes did not include enough detail to identify the claims audited. Claims included garage door repair, fire protection contract and other District supplies. All of these claims were properly supported and were for appropriate purchases.
- Seven disbursements totaling \$1,194 did not have sufficient supporting documentation, such as adequate receipts or invoices. However, based on vendor description and discussions with District officials, we determined these disbursements were likely for appropriate purposes. These disbursements included truck repair, building supplies and legal fees.

We also reviewed all 31 bank account transfers, totaling \$900,000, and found that all transfers were deposited into another District bank account.

Control weaknesses exist because the Board did not implement compensating controls, such as supervisory or other oversight procedures to reduce the risk of errors or fraud occurring and not being detected. While we found that financial transactions were appropriate and properly accounted for, without proper controls, there is a risk that disbursements will not be made for proper purposes and money collected will not be deposited. Furthermore, using debit cards poses additional risks because it allows a payment to be directly withdrawn from the District's bank account and unauthorized use may not be quickly detected.

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Control weaknesses exist because the Board did not implement compensating controls...

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## What Do We Recommend?

The Board should:

1. Discontinue the use of debit cards.
2. Audit and approve claims before disbursements are made, except as otherwise provided by law.
3. Ensure that claims contain adequate supporting documentation before authorizing payment.

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4. Implement compensating controls over the Treasurer's duties. Oversight activities can include verifying deposit tickets match bank deposits and reviewing canceled check images.

The Treasurer should:

5. Pay claims only after they have been audited and approved by the Board, unless otherwise provided by law.

# Appendix A: Response From District Officials<sup>3</sup>

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Office of the New York State Comptroller  
Division of Local Government & School Accountability  
PSU-CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

Unit Name: Andes Joint Fire District  
Audit Report Title: Financial Activities  
Report of Examination  
Audit Report Number: 2020M-158

Dear [REDACTED]

Thank you for your office's draft report on your findings to the recent audit of The Andes Joint Fire District. The Commissioners are grateful for the professionalism shown by the site auditor, and with her patience in working with our Treasurer and myself to assure our fiscal responsibilities to our taxpayers.

We are very appreciative of her confirmation that the audit found no indication of any fraud, theft, or any other possible misconduct by fire district officials in dealing with public funds.

We agree with your findings and have begun the process of implementing measures to improve the District's management and oversight of the District's fiscal affairs as outlined in your recommendations. We also welcome this opportunity to present our completed corrective action plan to improve our internal controls.

The Board of Fire Commissioners has carefully considered the Report of Examination as well as each of the recommendations, and believes it is in the best interest of both the District and taxpayers to combine our response with our Corrective Action Plan.

**Audit Recommendation #1:**

*Discontinue the use of debit cards.*

**Implementation of Action Plan:** The Board of Fire Commissioners adopted a debit card usage policy in December 2018 which stated that usage of the District's debit card was for purchases pre-approved by the Board for purchases not to exceed 250.00 for any one purchase where a significant savings was documented. A separate checking account was opened solely linked to the debit card and was audited each month by the Board. When our District was audited, a decision was made to discontinue use of the debit card and to apply for a traditional credit card for District purchases.

**Implementation Date:** With the approval of the Board of Fire Commissioners, the District Treasurer has collected all debit cards as of January 11, 2021 and we have instructed her to research and apply for a traditional credit card application with [REDACTED]

**Person Responsible for Implementation:** The Board of Fire Commissioners will be responsible for drafting a new credit card policy as well as the monthly audit of any charges made to district card.

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<sup>3</sup> The District's response letter refers to an attachment that supports the response letter. Because the District's response letter provides sufficient detail of its actions, we did not include the attachment in Appendix A.

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**Audit Recommendation #2:**

*Audit and approve claims before disbursements are made, except as otherwise provided by law.*

**Implementation of Action Plan:** All goods and services received by the Board of Fire Commissioners are subject to the following procedure: All purchases and services are approved by the Board of Commissioners at a regularly scheduled public meeting. However, there are times where emergency arises- equipment must be repaired or replaced, building structural damage. Prior to any emergency repairs members of the Board are contacted either through email or text messages no less than three Commissioners must give their approval for purchase. The secretary is informed, and a record is recorded. The Chairman then contacts the District Treasurer for a check to be prepared. The District has a two-signature required on all check payments, either emergency payment or at regular monthly bills. A voucher is prepared and both Chairman and Treasurer sign check.

**Implementation Date:** This has been a long-standing practice within the district. 2018/2019 has proven incredibly challenging for us with several emergency repairs. Moving forward the Board will take greater care to ensure a more accurate record is kept and ensure that at the next scheduled district meeting votes and any emergency purchases are read into the minutes. Each Commissioner signs the monthly bill report verifying voucher and check amounts.

**Person Responsible for Implementation:** Each Commissioner is assigned an area of responsibility, i.e. buildings and grounds, fire trucks and rescue vehicles, uniforms and mechanical and electrical systems. When invoices are received, they are distributed to each Commissioner for review and approval. The treasurer then completes a voucher for each invoice and prepares check for payment. At the District's scheduled monthly meeting, the Chairman reviews each invoice to check and signs as second signature.

**Audit Recommendation #3:**

*Ensure that claims contain adequate supporting documentation before authorizing payment.*

**Implementation of Action Plan:** The District Treasurer prepares a voucher for each statement submitted from vendors for payment. A spreadsheet is prepared for each Commissioner to review and is read into the minutes at each meeting. Any questions regarding bills or vouchers is discussed during the treasurer report. Once all questions or concerns are answered, the commissioners vote to approve monthly bills and signatures are placed on the official copy of monthly bill statement. The Chairmen then signs checks to be mailed out with corresponding vouchers.

**Implementation Date:** This procedure was created upon the hiring of the current Treasurer. The Commissioners have as on January 11, 2021 enacted a new financial report presented at each monthly meeting with information including cancel check numbers, starting/ending check number, any outstanding check number, transfer amount and account numbers.

**Person Responsible for Implementation:** A current Commissioner has now been assigned the duty of overseeing and approving the new financial report and signing off upon his inspection.

**Audit Recommendation #4:**

*Implement compensating controls over the Treasurer's duties. Oversight activities can include verifying deposit tickets match bank deposits and reviewing canceled check images.*

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**Implementation of Action Plan:** As of January 11, 2021, the Board of Fire Commissioners created a new Financial report (attached is a copy) with specific information that the audit recommended that should be verified each month. The Commissioners have also discussed with the Recording Secretary to take more detail notes regarding the Treasurer report each month.

**Implementation Date:** This new procedure has been implemented already and will continue monthly.

**Person Responsible for Implementation:** A Commissioner has been directed to work directly with the Treasurer before the monthly meeting is called to order to review all bills, vouchers, check amounts, banking statements and to sign the Financial Report.

Respectfully submitted,

Richard Winner  
Chairman of the Board Andes Joint Fire District

## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed Board minutes and policies to gain an understanding of Board oversight of financial operations including the audit of claims, and controls over the Treasurer and procedures used to record and monitor financial transactions.
- We traced 12 cash receipts totaling \$213,420 per the Board minutes to the bank statements to verify receipts were deposited timely.
- We reviewed 22 deposits totaling \$406,331 on the bank statements and traced to District records to verify the source of the deposits, such as the town budgets and copies of checks.
- We judgmentally selected 53 disbursements totaling \$23,234 paid to the Treasurer and other personal type expenditures, such as utilities. We traced those payments to supporting documentation and abstracts to determine whether they were for proper District purposes and Board approved.
- We reviewed the bank statements for January 2019 through June 2020 to determine whether bank transfers and withdrawals were for proper District purposes.
- We selected all abstracts in our audit period and reviewed the check sequence to determine whether there were any checks that were not listed on abstracts. We reviewed three disbursements totaling \$27,670 that were not included on abstracts to determine whether they were for proper District purposes and Board approved.
- We selected all 42 check images from the months of December 2019 and May 2020 totaling \$31,125. We traced those payments to supporting documentation and abstracts to determine whether they were supported for proper District purposes and Board approved.
- We reviewed 100 percent of the debit card transactions during the audit period (33 transactions totaling \$4,976). We traced the debits to supporting documentation and abstracts to determine whether they were supported for proper District purposes and Board approved.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

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Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State 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. We encourage the Board to make the CAP available for public review.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf)

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### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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