

Delhi Joint Fire District

Cash Receipts and Disbursements

FEBRUARY 2021



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

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Report Highlights

Delhi Joint Fire District

Audit Objective

Determine whether the Delhi Joint Fire District's (District) Board of Fire Commissioners (Board) ensured receipts were deposited, recorded and reported and disbursements were proper and supported.

Key Findings

The Board ensured the \$746,000 in cash receipts were deposited, recorded and reported and disbursements we reviewed were proper and supported. However, the Board did not properly audit claims and:

- A cash receipts log is not maintained and the Treasurer's records are not reconciled to ensure that all receipts were deposited.
- \$4,700 in fees were waived without evidence of Board approval.
- \$300 was disbursed without the Board's approval. The Board approved this payment after the claim was paid.

Key Recommendations

- Require someone other than the Treasurer to maintain a receipt log to verify that money collected has been deposited.
- Document the waiving of facility use fees.
- Perform a thorough audit of all claims prior to payment, unless allowed by Town Law to be paid prior to audit, to ensure they are supported and proper District expenditures.

District officials agreed with our recommendations and indicated they have taken corrective action.

Background

The District is located in the Town and Village of Delhi in Delaware County.

The District is governed by an elected five-member Board. The Board is responsible for the District's overall financial management and safeguarding its resources.

The Board-appointed Treasurer is the chief fiscal officer and is responsible for receiving, disbursing, recording and maintaining custody of all District money.

The Board-appointed Secretary is responsible for maintaining a complete and accurate record of Board meeting minutes.

Quick Facts

Receipts During our Audit Period	\$751,067
Disbursements During our Audit Period	\$308,615
2020 Real Property Tax Levy	\$286,872

Audit Period

January 1, 2019 – June 30, 2020

Cash Receipts and Disbursements

What Are Adequate Controls Over Cash Receipts and Disbursements?

The board is responsible for overseeing the fire district's financial activities and safeguarding its assets. To fulfill this duty, the board should establish adequate internal controls over the cash receipts and disbursements processes so that no one individual is performing all aspects of the transaction (i.e., collecting, recording, depositing). If this is not possible, mitigating controls should be implemented, such as having someone else open the mail and log the receipts to reconcile to the treasurer's records, and having someone review the bank statements and canceled check images.

The board is required to perform a thorough audit of claims before they are paid to ensure that they are supported with itemized receipts and district funds are used for legitimate purposes. The board may by resolution authorize the payment in advance of the audit of claims for light, telephone, postage, freight and express charges. However, all such claims must be presented at the next regular board meeting for audit.

The board should also adopt and enforce written policies addressing credit card usage and the documentation necessary to support purchases made by authorized users.

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Controls Over Cash Receipts Could Be Improved

The Secretary generally opens the mail and collects most cash receipts including donations, facility use fees, real property taxes, payments in lieu of taxes (PILOT), fire protection fees, refunds of overpayments and sale of surplus equipment. The Treasurer then deposits and records these cash receipts. However, the Secretary does not maintain a log of receipts to reconcile to the Treasurer's records to ensure that all receipts were deposited.

We tested all receipts from all known sources¹ and the Treasurer's report and determined that, with the exception of minor discrepancies discussed with District officials, \$746,000 was properly deposited, recorded and reported.

However, the fees were waived for 31 facility use applications. The Board has a policy that allows Department or District members to use the building for free and the Board to waive the rental fee at their discretion for others. We found 13 of these facility use applications were not for Department or District members and there was no evidence of the Board's approval to waive the \$4,700 in fees. The Board Chairman stated that the Board typically waives the fees for functions that benefit the community. He also stated that the Board discusses all facility use

¹ See Appendix B: Audit Methodology and Standards for the known sources used.

requests, but acknowledged that they need to improve the documentation of that discussion and the waiving of the fees in the minutes.

The Board Does Not Properly Audit Claims

The Treasurer prepares and signs the checks, records the disbursements and reconciles the bank accounts. One board member reviews the bank statements and canceled check images and a second signature is required on all checks over \$2,000. The Board authorized the Treasurer to pay electric, telephone, postage and freight charges prior to Board audit and approval. The Board also adopted an adequate credit card policy for the use of the two District credit cards. Credit card users must provide adequate support for the charges. The Treasurer prepares a list of bills to be paid monthly for the Board's review, including the credit card payments. Although the Treasurer brings the bills to the monthly meetings, the Board only reviews and approves the list of bills. The Board reviews the supporting documentation if a member has a question.

Due to the lack of an adequate Board audit, we reviewed 38 canceled checks, including eight credit card payments, totaling almost \$23,400. We found that all of these were supported, for proper District purposes and recorded accurately in the accounting records. Additionally, there was one disbursement totaling \$300, where the Treasurer paid the claim prior to the Board's approval. Although this claim was presented to the Board at the next meeting, it was not for an item that was allowed to be paid in advance.

Without an adequate audit process, there is an increased risk that unauthorized purchases and disbursements may occur and go undetected by the District officials.

What Do We Recommend?

The Board should:

1. Require someone other than the Treasurer to maintain a receipt log to verify that money collected is deposited.
2. Document its approval of any facility use fees waived in the Board meeting minutes.
3. Perform a deliberate and thorough audit of all claims prior to payment, unless allowed by Town Law to be paid prior to audit, to ensure the claims have proper supporting documentation and are legitimate District expenditures.

Appendix A: Response From Fire District Officials



Delhi Joint Fire District



Office of the State Comptroller
Division of Local Government and School Accountability
44 Hawley St, Suite 1702
Binghamton, NY 13901-4417

RE: Audit Number 2020M-142 – Delhi Joint Fire District Cash Receipts and Disbursements

January 11, 2020

Dear Division of Local Government and School Accountability:

Thank you for meeting on December 23, 2020 to review the draft report of audit 2020M-142. The report and corrective measures have been reviewed and discussed by the Board of Fire Commissioners of the Delhi Joint Fire District. This response letter also serves as notice that corrective measures have been implemented to satisfy the recommendations.

The Board of Commissioners appreciates the courtesy and professionalism shown by the staff of the Comptroller's office during the process. Being the first OSC audit ever conducted of the Delhi Joint Fire District in our 13 years of existence, it was reassuring all expenditures were found to be properly documented by another party. The provided recommendations are welcomed and will further enhance the care and pride the Board of Commissioners takes in supervising public funds.

The Commissioners believe our process of publically reviewing monthly bills to be more comprehensive than the silent review process observed at many municipalities. The Delhi Joint Fire District review process involves a real time conversation between Commissioners and department officers at every public meeting confirming receipt of products and services prior to payment being issued. The Board of Commissioners agreed with auditors that documentation could be improved and collection of Commissioners signatures confirming their thorough audit of the claims has already been instituted.

The Secretary immediately implemented a log for received deposits and the Board of Commissioners directed the Secretary to revise the facility use form to include disposition of fees as well as record all waiver votes in meeting minutes. While those in attendance of the public meetings understand the Board of Commissioners consistently votes to waive usage fees for events that benefit the community (e.g., rabies clinic, youth leadership events), the Board of Commissioners agreed documentation needed improvement for historical reviews such as this audit.

The Board of Fire Commissioners would like to close by thanking the Office of the State Comptroller's staff for their time, cooperation and thoughtful insight during this process.

Very sincerely,

Scott May, Chairman
Board of Fire Commissioners
Delhi Joint Fire District

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Appendix B: Audit Methodology and Standards

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 meeting minutes and policies to gain an understanding of the cash receipt and disbursement processes.
- We reviewed meeting minutes, real property tax rolls, PILOT schedules from the industrial development agency, auction invoices, a fire protection contract with the neighboring Town and facility use applications in an attempt to determine whether all the amounts that should have been collected were deposited, recorded and reported properly.
- We reviewed the Treasurer's report for all additional receipts that we did not trace in our other testing, such as refunds of prior years' expenditures, donations, and other receipts and traced those to the bank statements and accounting records to determine whether they were deposited and recorded properly.
- We scanned the bank statements and used our professional judgment to select a sample of 30 canceled check images (not including the credit card disbursements) and traced them to the accounting records, bills and invoices and the Board approved list of bills to determine whether they were properly recorded, adequately supported, audited and approved by the Board prior to payment, and for appropriate District purposes.
- We scanned the bank statements and selected all eight credit card payments and traced these to the accounting records, statements and invoices, and the Board approved list of bills to determine whether they were properly recorded, adequately supported, audited and approved by the Board prior to payment, and for appropriate District purposes.

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.

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

Regional Office Directory

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

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

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

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

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

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

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

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

Contact

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