

Laurens Fire District

Financial Activities

JULY 2021



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

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Report Highlights

Laurens Fire District

Audit Objective

Determine whether the Laurens Fire District (District) Board of Fire Commissioners (Board) established adequate controls over financial activities to safeguard assets.

Key Findings

The Board did not establish adequate controls over District financial activities to safeguard assets.

- The Board did not segregate key duties or implement adequate mitigating controls.
- The Board did not contract for an independent audit of its 2019 records, as required by law, or provide for an annual audit of the Treasurer's records.
- As of June 30, 2020, the District's 2017 through 2019 annual reports were between 122 and 852 days late.

Key Recommendations

- Segregate key duties or implement adequate mitigating controls.
- Obtain an annual independent audit of the 2019 records and annually audit the Treasurer's records.
- File annual financial reports in a timely manner.

District officials agreed with our findings and indicated they will take corrective action.

Background

The District provides fire protection and emergency medical services to the Town of Laurens in Otsego County.

An elected five-member Board governs the District and is responsible for its overall financial management. The Board-appointed Treasurer is the chief fiscal officer and is responsible for receiving, maintaining custody of, disbursing and recording all District funds and preparing periodic financial reports.

The current Treasurer took office in January 2020 and is the fourth Treasurer to be appointed since January 1, 2017.

Quick Facts

2020 Budgeted Appropriations	\$260,784
Check Disbursements Paid During Audit Period	\$234,282
Residents	2,424

Audit Period

January 1, 2019 – June 30, 2020. We expanded our audit period to December 28, 2020 to determine whether delinquent annual update documents were filed.

Financial Activities

What Are Adequate Controls Over Financial Activities?

A board is responsible for overseeing a fire district's financial activities and safeguarding its assets. To fulfill this duty, it is essential that the board establish adequate internal controls over financial activities to ensure no one individual performs all aspects of a transaction (e.g., receives and disburses funds, signs checks, maintains financial records and reconciles bank accounts). If segregating key duties is not possible, sufficient mitigating controls should be implemented, such as having someone independent of the process review bank statements, canceled check images and bank reconciliations. The board is also responsible for performing a thorough audit of claims before they are paid to ensure that they are supported with itemized invoices and district funds are used for legitimate expenditures.

New York State Town Law Section 181-b requires the board to perform an annual audit of the treasurer's records, or hire an external auditor to perform an audit, when the district has revenues of \$300,000 or more. As of November 11, 2020, the threshold increased to \$400,000. Good business practices dictate that the board should routinely monitor and review the treasurer's records, including monthly financial reports.

The treasurer must maintain complete, accurate and timely records to properly account for all financial activities. The treasurer should reconcile accounting records to bank statements on a monthly basis and submit monthly financial reports to the board detailing year-to-date budget-to-actual revenues and expenditures and cash balances. The treasurer is required to prepare and submit an annual financial report, commonly referred to as the annual update document (AUD), of the district's financial condition to the Office of the State Comptroller (OSC) within 60 days after the close of the fiscal year. A 60-day extension is possible if requested by the chief fiscal officer and granted by OSC.

Controls Over Financial Activities Should Be Improved

The Board did not segregate the Treasurer's duties or establish adequate mitigating controls. The Treasurer performed all financial duties without sufficient oversight, including:

- Receiving and disbursing funds,
- Signing checks,
- Maintaining financial records and
- Reconciling bank accounts.

Although the Board audited claims and reviewed financial reports provided by the Treasurer each month, including detailed revenue, expenditure and balance sheet reports, it had no mechanism to ascertain the accuracy of these reports. For example, the Board did not annually audit the Treasurer's records and no one other than the Treasurer reviewed bank statements, canceled check images or bank reconciliations. In addition, in 2019, the District received \$705,270 in revenues, including \$510,000 in bond revenues, and the Board did not hire an external auditor to perform an audit as required by law. The Chairman told us that he was aware of the \$300,000 threshold for requiring an audit, but he did not take into consideration the bond revenues received.

...[T]he
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Treasurer's
records...

We reviewed all 228 check disbursements made during our audit period, totaling \$234,282, and all bank transfers, withdrawals and supporting documentation and determined they were for proper District purposes. In addition, we reviewed 166 check disbursements totaling \$183,741 to determine whether they were audited and approved before payment. Although the Board often discussed, adjusted or denied claims as noted in the Board minutes, 90 claims totaling \$114,461 were not signed to indicate approval, and the remaining 76 claims totaling \$69,280 were signed by only the Chairman. We also reviewed all known sources of revenue, totaling \$972,671, and found them to be deposited intact and in a timely manner.

Additionally, we reviewed the Treasurer's monthly reports and bank reconciliations for November 2019 and June 2020 and generally found them to be complete, accurate and timely. However, as of the end of our audit period, the AUDs for 2017, 2018 and 2019 were between 122 and 852 days late and remained unfiled. Officials said this was due to the significant turnover in the Treasurer position. District officials have since contracted with a certified public accountant to assist in filing the AUDs and, as of December 28, 2020, each of the delinquent AUDs have been filed.

Without sufficient oversight and an audit of the Treasurer's records, there is an increased risk that errors and irregularities could occur and remain undetected and uncorrected.

What Do We Recommend?

The Board should:

1. Segregate key financial duties or provide mitigating controls by requiring someone other than the Treasurer to review bank statements, canceled check images and bank reconciliations. This will ensure all receipts are deposited and that only approved, legitimate expenses are paid.

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2. Ensure that the audit and approval of claims for payment is adequately documented.
 3. Obtain an independent audit for fiscal year 2019, as required.
 4. Provide for an annual audit of the Treasurer's records, as required.
 5. File AUDs within 60 days of fiscal year end, as required.

Appendix A: Response From District Officials

Laurens Fire District
PO Box 43
Laurens, NY 13797

Chief Examiner Singer,

This is the Laurens Fire District's response and corrective action to the draft of examination 2021M-043.

We would like to respond to the recommendations listed in the report:

1. We have instituted a review of bank statements and disbursements.
2. We have implemented a process for reviewing and approving claims consistent with recommendations.
3. An audit of 2019 was completed by Mostert, Manzanero & Scott, LLP on April 14th, 2021
4. We will be reviewing annual audit procedures offered by the Comptroller and implementing them going forward.
5. We have completed outstanding all AUDs

Sincerely,

Jonathan Chambers

Chairman, Laurens Fire District

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, resolutions and policies to gain an understanding of District operations.
- We reviewed bank statements, canceled check images, detailed check registers and abstracts of audited claims and supporting documentation to determine whether all 228 check disbursements made totaling \$234,282 were audited, Board-approved and for proper District purposes.
- We reviewed 166 check disbursements totaling \$183,741 to determine whether they were audited and approved before payment. We excluded 62 claims totaling \$50,541 from the January 2019, February 2019, April 2020, May 2020 and June 2020 Board meetings; the Treasurer could not locate the claims for January or February 2019 because they were prepared by the previous Treasurer, and the April, May and June 2020 Board meetings did not occur due to the COVID-19 pandemic.
- We reviewed the Treasurer's monthly reports and corresponding bank reconciliations for November 2019 and June 2020 to determine whether they were complete and accurate.
- We reviewed the 2017, 2018 and 2019 AUD filing dates to determine whether the Treasurers submitted the AUDs in a timely manner.
- We reviewed the District's 2019 statutory spending limit calculation to determine whether it was accurate. We compared the calculation to 2019 expenditures to determine whether the District exceeded the spending limit.
- We obtained conflicts of interest forms from each Board member and the Treasurer to determine whether District officials had any prohibited conflicts of interest.

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

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

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

<https://www.osc.state.ny.us/local-government/publications>

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

<https://www.osc.state.ny.us/local-government/publications>

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

<https://www.osc.state.ny.us/files/local-government/publications/pdf/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

<https://www.osc.state.ny.us/local-government/publications>

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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