

# Masonville 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

## Masonville Fire District

### Audit Objective

Determine whether the Masonville Fire District's (District) Board of Fire Commissioners (Board) provided adequate oversight over the District's financial operations.

### Key Findings

The Board did not provide adequate financial operations oversight. The Board did not:

- Review adequate supporting documentation for nine disbursements totaling \$57,374.
- Approve 12 disbursements totaling \$75,880 before payment.
- Audit the Treasurer's records.
- Ensure sensitive and personal electronic data was adequately protected because the Treasurer used her personal computer to maintain District financial records and perform online banking transactions.

### Key Recommendations

- Establish adequate oversight controls including reviewing canceled check images, ensuring claims have adequate documentation, auditing claims before payment and annually auditing the Treasurer's records.
- Ensure that the Treasurer transfers all District records from her own personal computer to the District computer.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The District, located in the Town of Masonville in Delaware County (County), is governed by an elected four-member Board.

The Board is responsible for overall financial management and safeguarding District resources.

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

#### 2019 Quick Facts

Receipts	\$114,662
Disbursements	\$209,601
Bank Transfers	\$163,300

### Audit Period

January 1, 2019 – May 31, 2020

# Board Oversight

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## How Should a Board Provide Adequate Oversight of Financial Activities?

The board is responsible for managing and overseeing a district's overall fiscal affairs 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.

District officials should ensure that compensating controls are established to provide additional oversight when one individual performs all aspects of cash receipts and disbursements functions and it is not feasible to segregate duties. Oversight activities can include reviewing bank statements and canceled check images, and verifying that deposits are made. The treasurer must deposit money within 10 days of receipt.

The board is responsible for thoroughly auditing claims before they are paid to ensure they are adequately supported and for legitimate purposes. Additionally, the board should annually audit the treasurer's records. The treasurer must produce all books, records, receipts, vouchers and canceled checks or check images to the board annually. An annual audit helps ensure that cash is properly accounted for. Annual audits are particularly important when one individual is able to perform all aspects of a financial transaction.

Sensitive and personal electronic data should be safeguarded so that such information will not be subject to loss, abuse or misuse. Without controls in place, the risk to data security is significant.

## The Board Did Not Adequately Oversee the Treasurer's Financial Activities

The Treasurer was responsible for most financial duties with little oversight, including receiving and disbursing cash, signing checks, reconciling bank accounts and maintaining the accounting records. While the Board reviewed budget versus actual reports and vouchers each month, it did not review supporting bank statements or cancelled check images.

Additionally, District officials did not ensure that money the Treasurer collected was deposited, disbursement checks included dual signatures (as required by the Board) or payees and amounts were applied to checks before they were signed. Further, the Board did not audit the Treasurer's records.

Because of the lack of Board oversight, we tested all 10 receipts totaling \$253,808 (excluding interest income deposits of \$92), all 114 disbursements totaling \$234,995 and all 17 bank transfers totaling \$193,200 during our audit period.

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- While all 10 receipts were deposited, the Treasurer did not always deposit within 10 days of receipt, as required. Over the audit period, deposits were made an average of 54 business days after the check date, with the latest being deposited 132 business days after the check date.
  - We found that all 114 disbursements were generally supported by invoices or other documentation, and were for proper purposes. However, the Board approved \$57,374 in purchases without adequate supporting documentation. We obtained supporting documentation for all these unsupported purchases and determined they were for proper purposes. These disbursements included firefighting gear and repairs to a District vehicle. In addition, \$75,880 was paid before Board-approval for vehicle repair, insurance and firefighting gear.
  - All 17 transfers were made between existing District bank accounts and for appropriate purposes.

While the District required the use of two signatures on check disbursements, officials told us that all checks were pre-signed. Furthermore, based on our review of canceled check images, three checks totaling \$1,777 for health insurance, a telephone bill and building supplies were processed with one signature. District officials told us they have discontinued pre-signing checks.

Control weaknesses existed because the Board did not provide compensating controls, such as supervisory or other oversight procedures designed to reduce the risk of errors or fraud occurring and not being detected. Furthermore, Board members were unaware that they should audit the Treasurer's records.

Although we did not find any inappropriate transactions, without proper controls in place, there is a risk that money collected will not be deposited and disbursements will not be made for proper purposes. During our fieldwork, we provided officials with fiscal oversight guidance available in our publication *Fiscal Oversight Responsibilities of the Governing Board*.

### **The Board Did Not Ensure Sensitive Electronic Data Was Adequately Secured**

The Treasurer maintained the financial records and performed online banking transactions on her own personal computer.

As a result, we were unable to assess the adequacy of the computer's controls, which would include answers to the following questions:

- Who had access to the computer?
- Were passwords used to access the computer and, if so, were the passwords sufficiently secured?

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...[T]he Board did not implement compensating controls...to reduce the risk of errors or fraud occurring and not being detected.

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- Was virus protection in place and up-to-date?
  - Was personal, private and sensitive information (PPSI) on the computer and if so, was it stored in a secure manner?
  - Was the computer scanned for malicious software and other cybersecurity threats?

While officials were not aware of any compromised PPSI, not having the records on a dedicated District computer increased the risk that PPSI could become compromised. As a result of our audit, District officials purchased a laptop computer for financial recordkeeping. During our fieldwork, we provided officials with fiscal oversight guidance available in our publication *Information Technology Governance*.

### **What Do We Recommend?**

The Board should:

1. Implement compensating controls over the Treasurer's duties such as reviewing bank statements and canceled check images, verifying that deposits are made, auditing claims before payment and performing an annual audit of the Treasurer's records.
2. Approve payments only with adequate supporting documentation, such as itemized receipts or invoices.
3. Ensure that the Treasurer transfers all District records from her personal computer to the District computer.

The Treasurer should:

4. Deposit money within 10 days of receipt.
5. Pay claims only after they have been audited and approved by the Board.

# Appendix A: Response From District Officials

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1890 State Hwy 206  
PO Box 21  
Masonville, NY 13804**

February 19, 2021

The Masonville Fire District accept the examination of financial activities report 2020M-165 findings.

The following action will be taken by the Masonville Fire District :

1. Review all bank statements and cancelled check images.
2. Approve all payments with proper documentation.
3. Pay vouchers after they have been audited and approved by Board.
4. Perform annual audit of Treasurer records.
5. Deposit any monies in the bank within 10 days of receipt.
6. All checks, two signatures required.

NOTE: A new computer has been dedicated for Fire District records and has virus protection. The computer is under the control of the Treasurer only and is stored at the Town Hall in a fireproof records room.



Steven Roff - Chairman

## 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 the officials' processes regarding deposits, expenditures and claims audit.
- We reviewed bank statements, County records and Board minutes for the audit period to determine the number and amount of known receipts (excluding interest and transfers between District bank accounts). We reviewed all these cash receipts totaling \$253,808 to determine whether they were deposited within the required timeframe.
- We reviewed all disbursements for the audit period totaling \$234,995 to determine whether they were approved, supported and for appropriate purposes.
- We reviewed all bank transfers for the audit period to determine whether funds were transferred to other District bank accounts, for appropriate District business and transfers from reserve accounts were properly authorized by the Board.

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

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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)

### **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](http://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](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)

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