

Stamford-Harpersfield-Kortright Fire District

Financial Activities

JANUARY 2021



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

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Report Highlights

Stamford-Harpersfield-Kortright Fire District

Audit Objective

Determine whether the Stamford-Harpersfield-Kortright 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 or provide adequate fiscal oversight of the Treasurer. As a result, District assets were not safeguarded.

The Board did not:

- Adequately monitor fiscal operations,
- Properly document disbursement approvals,
- Conduct required audits or
- Adopt a procurement policy, investment policy or code of ethics, as required.

Although the Treasurer's financial records and reports we reviewed were accurate and financial transactions were appropriate and properly accounted for, the Treasurer performed all financial duties including receiving and disbursing cash, signing District checks and maintaining the accounting records with no oversight.

Key Recommendations

- Establish adequate oversight controls including reviewing canceled check images, auditing claims on a monthly basis and annually auditing the Treasurer's records.
- Adopt a procurement policy, investment policy and code of ethics.

District officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The District is located in the Towns of Stamford, Harpersfield and Kortright 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.

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 meeting minutes.

Quick Facts

Receipts	\$50,303
Disbursements	\$26,700

Audit Period

January 1, 2019 – June 30, 2020

Financial Activities

How Should the Board Establish Controls Over Financial Activities?

The board is responsible for managing and overseeing the district's overall financial activities and safeguarding its assets. The treasurer must maintain complete, accurate and timely records to properly account for all financial activities. However, the board should ensure that one individual is not able to perform all aspects of a financial transaction related to cash receipts, cash disbursements and the accounting records. The board should establish compensating controls that provide additional oversight when 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 board is responsible for thoroughly auditing claims¹ before they are paid to ensure they are supported and district funds are used for legitimate expenditures. Additionally, the board should annually audit the treasurer's records. Town Law² requires the treasurer to 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 and transactions are properly recorded. Annual audits are particularly important when one individual is able to perform all aspects of a financial transaction.

Districts must comply with applicable laws, rules and regulations, including the New York State General Municipal Law (GML) requirements for a procurement policy,³ investment policy⁴ and code of ethics.⁵ The secretary is required to keep a complete and accurate record of board meetings⁶ and 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.⁷

The Board
should
establish
compensating
controls
that provide
additional
oversight
when it is
not feasible
to segregate
duties.

The Board Did Not Establish Controls Over Financial Activities

The Board did not provide adequate fiscal oversight of the Treasurer by monitoring fiscal operations, conducting audits and adopting policies.

1 New York State Town Law (Town Law) Section 176-4(a)

2 Town Law Section 177

3 GML Section 104-b

4 GML Section 39

5 GML Section 806

6 Town Law Section 178

7 GML Section 30

Treasurer's Duties – The Treasurer performed all financial duties including receiving and disbursing cash, signing District checks and maintaining the accounting records with no oversight. For example, no one other than the Treasurer reviewed the canceled check images to ensure that all disbursements were made for proper purposes. Furthermore, no one ensured that money collected by the Treasurer was actually deposited.

Claims Audit and Annual Audit – The Board did not audit claims on a monthly basis before payment. In fact, Board members told us they reviewed claims two or three times per year at scheduled Board meetings. However, we were unable to verify their assertions because the Secretary did not maintain meeting minutes during the audit period. Additionally, the Board did not direct the Treasurer to pay claims by a resolution of the Board, as required. Although the Treasurer submits his financial records to the Board for review as required, the Board does not perform an annual audit of those records.

Required Board Policies – The Board did not adopt a procurement policy, investment policy or code of ethics.

Because of the lack of Board oversight, we tested the following:

- All seven known revenues from third-party sources totaling \$99,214. We found that all were recorded and deposited.⁸
- All 17 disbursements totaling \$46,418. We found all disbursements were generally supported by invoices or other documentation, and were for proper District purposes. However, we could not determine whether they were approved because the Board members did not sign the claims and the Secretary did not maintain meeting minutes during our audit period.
- All activity on the bank statements, including beginning and ending cash balances. We compared the activity to the accounting records and then compared bank activity to the AUD. We found that records and reports were accurate and the AUD was submitted by the deadline.

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. Furthermore, Board members were unaware that they were required to audit the Treasurer's records and adopt certain policies. While we found that the Treasurer's financial records and reports were accurate and financial transactions were appropriate and properly accounted for, without proper controls, there is a risk that disbursements will not be made for proper purposes, money collected will not be deposited, investments will not be secure and that goods and services will not be acquired in a cost-effective manner.

⁸ Six deposits were for taxes from the Towns of Stamford, Harpersfield and Kortright and one deposit was for an insurance refund.

During the course of our fieldwork, we provided officials with a model code of ethics and fiscal oversight guidance available in our publication *Fiscal Oversight Responsibilities of the Governing Board*.⁹

What Do We Recommend?

The Board should:

1. Implement compensating controls over the Treasurer's duties such as reviewing canceled check images, verifying that deposits are made, auditing claims on a monthly basis before payment and performing an annual audit of the Treasurer's records.
2. Direct the Treasurer to pay claims in the amounts allowed by Board resolution.
3. Adopt a procurement policy, investment policy and code of ethics.

The Secretary should:

4. Maintain a complete and accurate record of Board meetings.

⁹ https://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/fiscal_oversight.pdf

Appendix A: Response From District Officials¹⁰

18 November 2020

Office of NYS Comptroller
Binghamton Regional Office
State Office Building
Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417
[REDACTED]

Dear [REDACTED]

The Board of the Stamford – Harpersfield – Kortright Fire District agrees with the findings of the audit.

Attached please find a Corrective Action Report that addresses the findings set forth in the Report of Examination 2020M-123.

Thank you for your efforts in assisting the Board in our efforts to improve our performance.

Sincerely,

Brent Trimbell
Chair

¹⁰ The District's response letter refers to attachments 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.

CORRECTIVE ACTION REPORT
STAMFORD – HARPERSFIELD – KORTRIGHT FIRE DISTRICT
REPORT OF EXAMINATION 2020M-123
12 November 2020

Corrective Actions Taken

1. At a meeting held on 30 September the Board directed the Chair to review supporting material and if appropriate sign checks prepared by the Treasurer.
2. Since the Board has limited business and only meets 3 times a year, disbursements will be made upon the Chair's review and approval and without an authorizing Board resolution.
3. The Chair will review deposit slips to ensure all receipts are accounted for.
4. The Board will conduct an annual audit of the Treasurer's records at its annual meeting.
5. At a special meeting held 11 November 2020 the Board approved the following documents:
 - a. Procurement Policy of the Stamford-Harpersfield-Kortright Fire District (copy attached).
 - b. Stamford-Harpersfield-Kortrigfht Fire District Investment Policy (copy attached).
 - c. Stamford-Harpersfield-Kortright Fire District Code of Ethics Policy (copy attached).
6. The implementation of these three documents has been initiated and will be completed at the annual meeting scheduled for January 2021.
7. The Secretary will record accurate and complete records of all Fire District meetings which will be reviewed and approved by the Board in a timely manner.

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 regarding their job duties, minutes and policies.
- We reviewed seven deposits totaling \$99,214 to determine whether they were recorded and deposited.
- We reviewed all 17 disbursements totaling \$46,418 to determine whether they were approved, supported and for proper purposes.
- We compared bank activity and bank balances per the bank statements to the accounting records and AUD to determine whether records and reports were accurate and complete. We also determined whether the AUD was submitted by the deadline.

We conducted this performance audit in accordance with GAGAS (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.

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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