



South Otselic Fire District

Financial Activities

2022M-169 | January 2023

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Report Highlights

South Otselic Fire District

Audit Objective

Determine whether the South Otselic Fire District (District) Board of Fire Commissioners (Board) provided oversight of District financial activities.

Key Findings

The Board generally provided adequate oversight of District financial activities. However, Board members did not complete mandatory fiscal oversight training. As a result, the Board did not:

- Ensure the Secretary-Treasurer (Treasurer) properly filed required annual update documents (AUDs) for fiscal years 2019 through 2021. As of September 7, 2022 the reports were between 189 and 920 days late.

Had Board members attended the mandatory training, they could have ensured reporting requirements were in place.

Key Recommendations

- File the required delinquent AUDs with our office within 60 days of the close of the fiscal year.
- Complete the mandatory fiscal oversight training.

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

Background

The District provides fire protection and emergency medical services to the Towns of Lincklaen, Otselic and Pitcher in Chenango 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, preparing periodic financial reports and keeping the minutes of Board meetings.

The current Treasurer took office in January 2021.

Quick Facts

Budgeted Appropriations

2022	\$100,163
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2021	\$98,199
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Disbursements

2021	\$87,151
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Audit Period

January 1, 2021 – July 31, 2022

Financial Activities

How Should a Fire District Board Oversee Fire District Financial Activities?

A fire district board is responsible for managing and overseeing a fire district's financial activities and safeguarding its assets. To fulfill this duty, it is essential that the fire district 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. A fire district board should also periodically review financial reports showing cash activity and balances and budget-to-actual comparisons for revenues and expenditures to effectively oversee a fire district's financial operations.

Furthermore, a fire district board must perform a thorough and deliberate review of claims prior to payment to ensure that each claim contains adequate supporting documentation and the amounts claimed represent actual and necessary fire district expenditures.

A board should ensure the fire district's required annual report of its financial position and results of operations, known as the AUD, is filed with the Office of the State Comptroller (OSC) within 60 days after the close of that fire district's fiscal year. The AUD is an important fiscal tool to help a fire district board monitor operations and provides interested parties and stakeholders with a complete summary of a fire district's financial activities.

The Board Generally Provided Adequate Oversight of Financial Activities

Although the Board did not segregate the Treasurer's duties, it established sufficient mitigating controls, such as a monthly review of the Treasurer's financial reports, checkbook ledger, bank statements, canceled check images and bank reconciliations. The Board also performed a thorough audit of all claims.

The Treasurer performed all financial duties including receiving and disbursing cash, signing District checks and maintaining the accounting records. The Treasurer provided the Board with individual claims for each expenditure, budget-to-actual reports and a Treasurer's report detailing revenues received, transfers made and current cash balances in the District's bank accounts.

We traced receipts for fire protection contracts and insurance claims totaling \$200,205 and determined they were properly recorded, accounted for and deposited to District accounts. We also reviewed 32 claims during our audit period

Although the Board did not segregate the Treasurer's duties, it established sufficient mitigating controls. ...

totaling \$25,656 to determine whether they were Board approved and included adequate supporting documentation. Apart from minor discrepancies that we communicated to officials, we found they were adequately supported and were for proper District purposes.

However, the Board did not ensure that the Treasurer properly prepared and filed the District's AUD for three consecutive years (2019, 2020 and 2021).

The current Treasurer told us that she was unaware of the requirement to file the AUD and it was not communicated to her when she started in January 2021. When AUDs are not filed in a timely manner, the Board, taxpayers, OSC and other interested parties are denied the ability to assess the District's financial standing and the transparency of operations is diminished.

The Treasurer began filing prior year AUDs to bring the District current while we were onsite for our audit and on September 7, 2022, she filed the 2019 AUD.

Figure 1: Late and/or Unfiled AUDs as of September 7, 2022

Fiscal Year	Days Late
2019	920
2020	554
2021	189

Why Must Fire District Commissioners Attend Mandatory Training?

One way that fire district board members can become aware of statutory requirements and sound management practices is to participate in mandatory training. Elected and appointed fire district commissioners must complete an OSC-approved fiscal oversight training course within 270 days of their first day in office. New York State Town Law Section 176-e requires the training course to cover the fire commissioners' legal, fiduciary, financial, procurement and ethical responsibilities. Specifically, this training includes a discussion of internal controls, segregation of duties, how to perform bank reconciliations and the necessity of doing them. It also reviews annual report filing requirements for the AUDs and explains how a fire district board should audit claims.

The training course is offered on multiple dates and in various locations across the State as well as online to facilitate attendance. Fire district commissioners are required to complete the training each time they are elected, re-elected, appointed or reappointed to office.

Fire Commissioners Did Not Attend Mandatory Training

Only one of the District's five Board members has completed the mandatory training course. District officials told us that the training information was presented to the Commissioners, but that it was not completed. We provided officials with information of how to obtain the training and why it is important.

Had Board members attended the mandatory training, they could have ensured the necessary internal controls and reporting requirements were in place.

What Do We Recommend?

The Board should ensure that:

1. The Treasurer prepares and files the District's remaining delinquent AUDs and each fiscal year's AUD with OSC within 60 days of the close of the fiscal year.
2. All elected or appointed commissioners complete mandatory fiscal oversight training within 270 days of assuming their roles.

Appendix A: Response From District Officials

**South Otselic Fire District
Board of Commissioners
P.O. Box 266 South Otselic, NY 13155**

Chairman Herbert Neal
Commissioner Steven Moyer
Commissioner Daniel Davis
Commissioner Steven Graham
Commissioner Calvin Hite
Secretary/Treasurer Rebecca Baerga

**South Otselic Fire District Report of Examination OSC 2022M-169
Audit Response with Corrective Actions Plan**

South Otselic Fire District Board of Fire Commissioners has reviewed the key findings and recommendations of the Office of the NYS Comptroller Audit. The board agrees with what was reported and has taken immediate action to bring current the delinquent Annual Update Documents (AUD) and mandatory fiscal oversight training. We have already resolved the delinquency on all past due AUDs and two of the four commissioners completed the mandatory fiscal oversight training.

This audit response also includes Corrective Actions for each recommendation stated in the report. Together these actions will make up the Corrective Action Plan (CAP).

Audit Recommendation #1: File the required delinquent AUDs with our office within 60 days of the close of the fiscal year.

All past due AUDs have been filed with the state on the following dates:
Fiscal Year 2019 submission filed 09/07/2022
Fiscal Year 2020 submission filed 10/30/2022
Fiscal Year 2021 submission filed 12/04/2022

Implementation Date: NA-Completed

Person Responsible: Treasurer

Audit Recommendation #2: Complete the mandatory fiscal oversight training.

Plan of Action: All fire commissioners will take the mandatory fiscal oversight training.

Implementation Date: 06/30/2023

- Two of the four commissioners have already completed the mandatory fiscal oversight training as of 12/19/2022.

Person Responsible: Board Members

Respectfully Submitted

Herbert Neal, Chairman
South Otselic Board of Fire Commissioners

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 to gain an understanding of the District's internal controls, what financial reports the Board receives, and whether Board members received mandatory training after assuming their roles as Board members.
- We inquired about the District's claims auditing and annual audit procedures.
- We reviewed the Board meeting minutes, Treasurer's monthly reports and detailed check registers to determine whether they were complete and accurate.
- We reviewed all District bank account activity for unusual transactions or withdrawals and verified receipts totaling \$200,205 were properly recorded in the financial records and deposited in the District's bank account.
- We used our professional judgment to select a sample of 32 claims from three months to cover various times and expenditures throughout the scope period, totaling \$25,656, to determine whether they were properly supported, Board approved prior to payment and for legitimate 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/files/local-government/pdf/regional-directory.pdf

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

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

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

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

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

Local Government and School Accountability Help Line: (866) 321-8503

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