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December 19, 2014

Mr. Harry Buxton, Chairman
Members of the Board of Fire Commissioners
Long Lake Fire District No. 1
5585 Newcomb Road
Long Lake, NY 12847

Report Number: 2014M-272

Dear Chairman Buxton and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and to account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Long Lake Fire District No. 1 (District) which addressed the following question:

- Did the District establish adequate controls to ensure that financial activity is properly recorded and reported and to safeguard District moneys?

We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials generally agreed with our recommendations and have initiated corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Long Lake, in Hamilton County. The District's budget for the 2014 fiscal year is \$406,500.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. The appointed Secretary/Treasurer (Treasurer) acts as the District's chief fiscal officer. The Treasurer is responsible for the receipt, custody and

disbursement of District funds; accounting for those funds and preparing monthly and annual financial reports.

We examined the internal controls over District's financial activities from January 1, 2013 through May 31, 2014. We extended our scope back to January 1, 2011 for the purpose of determining if the annual financial reports were being prepared timely. We interviewed appropriate officials and reviewed financial records and Board minutes. We conducted this performance audit in accordance with 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.

Audit Results

The Board is responsible for overseeing the District's financial activities and safeguarding its assets and resources. The Treasurer must maintain complete, accurate and timely records to account for all of the District's financial activities properly and should prepare and submit monthly reports to the Board. The monthly report should be accompanied by a bank reconciliation which reconciles the amount of cash on the bank statement to the amount of cash reported on the monthly report and recorded in the checkbook register. The bank reconciliation should be signed and dated when completed. This allows the Board to ensure that the monthly financial reports accurately reflect the amount of funds the District has available. The Treasurer is also required to prepare and submit an annual financial report of the District's financial condition to the Office of the State Comptroller (OSC) within 60¹ days after the close of the fiscal year. This report is an important fiscal tool which provides the Board with necessary information to monitor District operations and provides other interested parties with a summary of the District's financial activities. New York State Town Law (Town Law) requires the Board to perform a thorough audit of claims before they are paid and ensure that District funds are used only for legitimate District expenditures. Town Law does not authorize the use of a debit card by a municipality as transactions made with a debit card preclude the audit of claims by the Board prior to payment.

The Treasurer maintains a manual checkbook register along with a manual cash receipts and disbursements ledger which lists, by date, the District's revenues and expenditures, as well as a running cash balance. This financial information is used to prepare a monthly Treasurer's report which consists of that month's revenues, disbursements and a reconciled bank statement. We reviewed the Treasurer's reports for all 17 months in our audit period to determine if they were accurate, complete and submitted to the Board in a timely manner and found a few minor exceptions which we discussed with District officials but, overall, the records were accurate, complete and timely. Starting in March 2014, the Treasurer also provided a quarterly report to the Board that shows the year-to-date, individual expenditures and related appropriations. These reports allow the Board to oversee the financial operations of the District.

To verify the accuracy of the Treasurer's records, we traced 25 disbursements² totaling \$19,816 from the bank statements to the checkbook register, cash disbursements ledger and Treasurer's

¹ Upon written request, the deadline may be extended for an additional 60 days.

² There were 497 disbursements totaling \$578,575 made during our audit period.

reports. We also reviewed these payments to determine if they were for valid District purposes and found no exceptions. Nineteen of the 25 disbursements totaling \$18,389 were for payroll-related items and other charges that did not require Board approval prior to payment.³ As a result, we tested an additional 25 disbursements totaling \$52,194 to determine if the related claims were audited and approved by the Board prior to payment and found that they were audited and approved with only one minor exception which we discussed with District officials. However, while reviewing the bank statement transactions, we noticed that the District has a debit card which was used to pay expenditures directly from the general fund checking account.

The debit card disburses funds from the District's bank account upon its use and, therefore, does not allow for the required Board audit of claims prior to the disbursement of funds. Therefore, we reviewed all 11 debit card transactions totaling \$2,403 made during our audit period. Nine transactions, consisting of eight transactions totaling \$2,021 for conference and travel expenditures and a \$66 charge for District purposes, were all supported by itemized receipts. The remaining two charges totaling \$316 did not have supporting invoices to determine the purpose of these purchases. The vendor payments were made to a company that makes plaques and trophies and to a fire equipment store and appeared to be for appropriate District purchases.

Despite maintaining adequate records and preparing monthly reports, the Treasurer has not filed an annual financial report with OSC since August 6, 2011 for the year ended December 31, 2010. This was 97 days later than the District's required filing date. The Treasurer indicated that the annual financial report for the year ended December 31, 2010 was filed by the independent public accountants who performed the annual audit for the District. The Treasurer stated that he thought that the independent public accountants had continued filing the annual financial reports on behalf of the District. He also stated that he was not aware that the annual financial reports for the years subsequent to 2010 had not been filed. However, OSC sent two letters to the Treasurer and the Chairman each year since June 2011 indicating that an annual financial report had not been submitted for years ended December 31, 2011, 2012 and 2013.

While the Treasurer maintained adequate records of the District's financial activity and provided detailed monthly and quarterly reports to the Board, the use of a debit card creates a significant risk that irregularities with District moneys could occur and not be detected in a timely manner. Furthermore, the failure to file an annual financial report for the past three years negatively impacts the Board's ability to assess the District's financial condition and operations, and prevents the District's taxpayers and other interested parties from having an annual accounting of the District's financial operations.

Recommendations

The Board should:

³ The Board may, by resolution, authorize the payment of public utility services, postage, freight and express charges prior to audit and approval. However, these claims must be subsequently audited by the Board.

1. Discontinue the use of a debit card since these charges do not allow for the audit of claims prior to payment as required by Town Law. If needed, the District could use a credit card for these payments.
2. Ensure that the Treasurer files the annual financial report with OSC within 60 days after the close of the year.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of the 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. The Board should make the CAP available for public review in the Secretary's office.

We thank officials and staff of the District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

Long Lake Fire District #1
P. O. Box 438
Long Lake, N.Y. 12847

12/7/14

Gabriel F. Deyo
Deputy Comptroller
110 State st.
Albany, N.Y. 12236

Unit Name: Long Lake Fire District #1
Report Number: 2014M-272

Dear Mr. Deyo

Enclosed please find our response to the draft letter and final meeting with [REDACTED] and [REDACTED], this also serves as our corrective action. We would like to thank [REDACTED] for being helpful and professional during the audit process. Below is a response to each item and the corrective action plan.

1. Discontinue the use of a debit card.

As of this date we have discontinued the use of our debit card, card, pin# and all paperwork with it have been destroyed.

2. File annual financial report with OSC within 60 days after close of year.

We are currently working with our independent auditor to file past years audit reports to bring them up to date and to ensure future reports are filed in a timely manner.

Respectfully Submitted,

Harry Buxton
Chairman, Long Lake fire district #1

12/7/14
Date

Anthony Clark,
Secretary/Treasurer

12/7/14
Date