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July 2015

Michael Buckley, Chairman
Members of the Board of Fire Commissioners
Alton Fire District
5755 Route 14
P.O. Box 52
Alton, NY 14413

Report Number: 2015M-96

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

The Office of the State Comptroller works to identify areas where fire district 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 fire district officials to reduce costs, improve service delivery and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Alton Fire District (District) which addressed the following question:

- Has the Board provided adequate oversight of the District's financial operations to ensure that assets are safeguarded?

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 agreed with our recommendations and indicated they plan to take corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Sodus, located in Wayne County. The District disbursed \$110,028 during our audit period and the 2015 general fund budget totaled \$85,283.

The Board of Fire Commissioners (Board) comprises five elected¹ members and is responsible for the District's overall financial management. The Board appointed a Treasurer who acts as the

¹ During our audit period, due to vacancies, two new Board members were appointed.

District's chief fiscal officer. The Treasurer is responsible for the receipt and custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and meeting any other reporting requirements.

We examined the internal controls over the District's financial operations for the period January 1, 2014 through April 27, 2015. We interviewed District 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 fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Board establish internal controls, which consists of policies and procedures that ensure transactions are authorized and properly recorded; financial reports are accurate, reliable, and filed in a timely manner; and the District complies with applicable laws, rules and regulations, including New York State General Municipal Law requirements to adopt a code of ethics, a procurement policy and an investment policy. The Board should also perform, or contract for, an annual audit of the Treasurer's books and records on a timely basis. An annual audit is an important control procedure which gives the Board an opportunity to verify that cash is properly accounted for and transactions are properly recorded.

We found the Board generally provides adequate oversight of District financial activities, but should make certain improvements. The Board has adopted a code of ethics and a procurement policy, as required, but not an investment policy. Additionally, the Treasurer performed monthly bank reconciliations but did not bring the bank statements containing the reconciliations to Board meetings for the Board's review. Further, the District does not get copies of canceled check images, which Board members should compare with the abstracts (lists of claims to be paid) to ensure that District funds are used for legitimate District expenditures. Lastly, the Board did not complete, or contract with an independent accountant to complete, an annual audit of the Treasurer's books and records.

We reviewed all disbursements totaling \$105,330 made from January 1, 2014 through March 13, 2015. Generally, these transactions were supported by adequate documentation and appeared to be for valid District purposes. We also reviewed all District bank statements issued during the audit period for unusual items and two months of canceled check images² for 27 disbursements totaling \$6,209. The bank statements were generally reconciled and the canceled checks agreed with the Treasurer's records.

We discussed other minor deficiencies with District officials during our fieldwork.

Recommendations

The Board should:

² We judgmentally selected March 2014 and November 2014 for our sample months. Three of these disbursements were electronic payments and, therefore, did not have canceled check images.

1. Adopt an investment policy.
2. Review the District's monthly bank statements with the related reconciliations performed by the Treasurer along with canceled check images.
3. Ensure that the Treasurer's financial records are audited annually.

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. The Board should make the CAP available for public review in the Secretary's office.

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

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

ALTON FIRE DISTRICT
5755 Route 14, P.O. Box 52
Alton, New York 14413

Edward V. Grant, Jr.
Chief Examiner
Rochester Regional Office
Office of State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608

June 30, 2015

Dear Mr. Grant:

This letter is in response to the preliminary draft findings and recommendations of your office's recent examination and exit interview of the Alton Fire District.

We agree with your findings and recommendations and will be filing a corrective action plan with OSC.

The Alton Fire District continually strives to provide our residents with the highest quality of emergency services while being fiscally responsible.

Sincerely,

Michael K. Buckley, Chairman
Alton Fire District