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August 21, 2015

Andy Hewitt, Chairman
Board of Fire Commissioners
Bovina Fire District
36 Maple Street
Bovina Center, NY 13740

Report Number: 2015M-138

Dear Chairman Hewitt and Members of the Board:

The Office of the State Comptroller (OSC) 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 Bovina Fire District (District) which addressed the following question:

- Did the Board properly manage the District's fund balance?

The results of our audit have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our findings and indicated they planned to initiate corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Bovina, and is located in Delaware County. The District provides all of the fire and rescue apparatus and supplies for the volunteers of the Bovina Fire Department (Department), who perform fire and rescue services. The District's 2015 budgeted appropriations totaled \$95,380 and are funded almost entirely with property taxes. The Board of Fire Commissioners (Board) consists of five elected members, with one member appointed as Chairman, and is responsible for the District's overall financial management. The Board appoints a Secretary/Treasurer (Treasurer) who acts as the District's chief fiscal officer. As such, the Treasurer is responsible for preparing all financial reports.

We examined the District's management of fund balance for the period January 1, 2014 through May 31, 2015. We extended the scope of our audit back to January 1, 2012 to analyze prior years' fund balance. We interviewed District officials and reviewed financial records and reports, adopted budgets, bank activity 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 managing its fund balance.¹ This includes planning for future capital needs by documenting such plans and formally establishing necessary reserves to fund these needs.² Effective management ensures that the Board does not raise taxes more than the amount deemed necessary. Additionally, the Treasurer is responsible for preparing financial reports, including reporting account cash balances, which assists the Board in its oversight responsibilities.

The Board did not properly manage the District's fund balance. The District's available fund balance has accumulated to more than 400 percent of the 2015 budgeted appropriations as of the end of 2014. Almost 89 percent of the District's \$383,300 fund balance has been placed in 25 certificates of deposit (CD) accounts. While District officials told us these accounts were created to be used for future capital purposes, these funds have not been formally established as reserves. Therefore, these funds are available for funding operations. From 2012 to 2015 the Board budgeted to raise \$91,300 in real property taxes for capital purposes.

This occurred because the District does not have a written capital plan, including an equipment replacement schedule, to help identify capital funding needs or to determine the intended use of the existing funds. There is no consensus between the Commissioners or the Department officials regarding capital planning. For example, the Department has requested a new ambulance. However, two of the Commissioners question the necessity of replacing the current ambulance because it has low mileage. Additionally, the Treasurer has not provided CD reports to the Commissioners since December 2013.

Due to the lack of periodic reporting of the CDs to the Board, we confirmed that the CDs recorded in the records were accounted for with local financial institutions. We did not find any discrepancies. Since the Board is not reviewing the cash balances on a periodic basis, it might not be aware of the total amounts raised for capital purposes. With this lack of oversight, there is a heightened risk that fraud or abuse could occur without detection. By not developing a written capital plan or formally establishing capital reserves while raising significantly more tax revenue than needed for operations, the Board is putting an unnecessary burden on taxpayers.

¹ Fund balance represents resources remaining from prior fiscal years that can be used to fund unexpected fluctuations in operations, assist with cash flow fluctuations or lower property taxes for the ensuing fiscal year.

² Districts may also establish reserves to restrict a reasonable portion of fund balance for a specific purpose, in compliance with statutory directives.

Recommendations

The Board should:

1. Establish formal reserve funds using money designated for capital purposes or use the balance of funds on hand to reduce future tax levies.
2. Develop a written long-term capital plan that details anticipated equipment replacement needs based on useful life. Such documentation could include an inventory listing of all equipment and the age and remaining useful life of the items. This plan should also include the funding and use of the existing Board-established reserve funds.

The Treasurer should:

3. Provide periodic CD reports to the Board.

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. 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 Treasurer's office.

We thank the officials and staff of the 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.

BOVINA FIRE DISTRICT
36 Maple Avenue
Bovina Center, NY 13740

August 17, 2015

H. Todd Eames, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Report Number: 2015M-138

Dear Mr. Eames:

I, Chairman Hewitt, as well as the Members of the Board of Commissioners have reviewed the draft report submitted as a result of the recently conducted audit of the Bovina Fire District.

We agree with the findings report and will submit a corrective action plan to your office within 90 days.

Sincerely,

Andrew Hewitt
Chairman