

Bainbridge Fire District

Board Oversight

FEBRUARY 2019



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

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Report Highlights

Bainbridge Fire District

Audit Objective

Determine whether District officials established adequate controls over financial activities to safeguard assets.

Key Findings

- District officials established adequate controls to help safeguard District assets.
- The Board reviewed the Treasurer's reports on a monthly basis and reviewed all claims before payment.
- Although the Treasurer's financial records and reports accurately and properly accounted for all financial activities, the Board did not provide for an annual audit of these records.

Key Recommendation

- Provide for an annual audit of the Treasurer's records.

District officials agreed with our recommendation and have initiated or indicated they planned to initiate corrective action.

Background

The Bainbridge Fire District (District) is a district corporation of the State, distinct and separate from the Town of Bainbridge in Chenango County. The District provides fire protection and emergency rescue services to approximately 3,300 residents over 34 square miles.

An elected five-member Board of Fire Commissioners (Board) governs the District and is responsible for the overall financial management. The Board appoints a Secretary-Treasurer (Treasurer) who acts as the chief fiscal officer and is responsible for receiving, having custody, disbursing and accounting for District funds and preparing periodic financial reports.

Quick Facts

Members	27
2018 Budgeted Appropriations	\$152,400
2017 Disbursements ^a	\$713,375
2017 Receipts	\$261,369

^a This includes the purchase of one fire truck for approximately \$550,000.

Audit Period

January 1, 2017 – October 16, 2018

Board Oversight

What Controls Should District Officials Establish?

A board is responsible for overseeing a fire district's financial activities and safeguarding its assets. To fulfill this duty, it is essential that the board establish controls, including policies and procedures to ensure that 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 the New York State General Municipal Law requirement for a procurement policy,¹ investment policy² and code of ethics.³

The treasurer must maintain complete, accurate and timely records to properly account for all district financial activities. Additionally, the treasurer should reconcile district accounting records to bank statements on a monthly basis. The treasurer should prepare and submit monthly reports to the board and is required to prepare and submit an annual financial report of the district's financial condition to the Office of the State Comptroller (OSC) within 60 days after the close of the fiscal year.

The board is responsible for performing a thorough audit of claims before they are paid to ensure that they are supported and district funds are used for legitimate expenditures. Lastly, the board is responsible for performing an annual audit of the treasurer's records.

District Officials Established Adequate Controls

The Board established adequate controls to help safeguard assets, and the legally required procurement policy, investment policy and code of ethics were in place. The Board is currently working on updating these policies and all of its other policies.

We reviewed the Treasurer's financial records and reports⁴ for the audit period and found that these records accurately and properly accounted for all financial activities.

The Treasurer:

- Maintained complete, accurate and timely accounting records.
- Reconciled the accounting records to the bank statements on a monthly basis.

1 New York State General Municipal Law (GML), Section 104-b

2 GML, Section 39

3 GML, Section 806

4 See Appendix B for information on our methodology.

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- Prepared accurate and reliable financial reports and presented them to the Board in a timely manner.
 - Prepared and submitted the annual financial report of financial condition to OSC within 60 days after the close of both 2016 and 2017.

Although the Board did not perform a formal annual audit of the Treasurer's records, it reviewed the Treasurer's reports each month, including bank reconciliations and associated bank statements and cancelled check images, and performed a thorough audit of claims before they were paid to ensure they were supported and that funds were used for legitimate expenditures.

What Do We Recommend?

The Board should:

1. Provide for an annual audit of the Treasurer's records.

Appendix A: Response From District Officials

BAINBRIDGE FIRE DISTRICT BAINBRIDGE, NEW YORK 13733



Office of New York State Comptroller
Division of Local Government and School Accountability
44 Hawley Street #1702
Binghamton, NY 13902

Attention: Chief Examiner Ann Singer

RE: Bainbridge Fire District Board Oversight- 218M-252
Response to recommendations and Corrective Action Plan

Dear Ms. Singer:

In response to the audit report no. 2018M-0252, the Board of Fire Commissioners would like to address the recommendation made by the OSC audit team. First, we want to thank you for pointing out the things that we do right and for identifying the areas where we need improvement. I would also like to thank your auditors for their professionalism and for answering our questions in a timely and courteous manner.

After reviewing the audit, the Bainbridge Fire District Board sees no reason to dispute any of the findings.

Our corrective action plan will be as follows:

The Secretary/Treasurer will provide to the Board Members a copy of the Annual State Audit Report once it is submitted to the State. Once they have a chance to look it over the Secretary/Treasurer will receive a copy signed by the Board members acknowledging their receipt and approval.

Thank you

Brad Larsen
Bainbridge Fire District
Chairman of the Board

Thank you

Sandra Zorda
Bainbridge Fire District
Secretary/Treasurer

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 controls and financial condition, including all revenues and reserve funds.
- We assessed the accounting system and records and the Treasurer's financial reports for accuracy.
- We reviewed all policies and procedures to determine whether they were adequate.
- We reviewed all bank account activity for the audit period for unusually large dollar transactions or withdrawals and account openings or closings.
- We reviewed bank reconciliations at the end of the most recently completed year (December 2017) and the most recently completed month (September 2018) to determine whether they were timely and accurate.
- We reviewed the 2016 and 2017 annual financial reports. We assessed financial condition, compared the financial reports to the Treasurer's records and to bank activity and documented the filing date of both reports.
- We reviewed all claims and abstracts from four judgmentally selected months (September 2017, January 2018, April 2018 and July 2018) to determine whether they were Board-approved and included adequate supporting documentation. These months were selected based on the large amount of disbursement activity when compared to other months. This testing included 53 disbursements totaling over \$126,000.
- We reviewed all claims paid to vendors with a higher risk for personal use (utilities, gasoline, hardware stores, auto repair and individuals) and one judgmentally selected higher risk equipment vendor, to determine whether they were Board-approved and included adequate supporting documentation. From 275 claims paid during our audit period totaling approximately \$366,500, we reviewed 138 totaling almost \$188,000.
- We reviewed all seven disbursements paid to the sole employee in 2017 totaling \$3,158 to determine whether they were approved and appropriate.

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 relevant population size 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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

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www.osc.state.ny.us/localgov/index.htm

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

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