



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

ELLIOTT AUERBACH
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

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Ronald Broas, Chairman
Members of the Board of Fire Commissioners
Pocatello Fire District
5 Pocatello Road
Middletown, NY 10940

Report Number: 2016M-301-F

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

One of the Office of the State Comptroller's (OSC's) primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage fire district officials to reduce costs, improve service delivery and to account for and protect their fire district's assets. In accordance with these objectives, we conducted an audit of the Pocatello Fire District (District) to assess board oversight and the treasurer's records and reports. As a result of our audit, we issued a report, dated January 2017, identifying certain conditions and opportunities for District management's review and consideration.

To further our policy of providing assistance to local governments, we revisited the District in September 2019 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with District personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the District has made minimal progress implementing corrective action. Of the nine audit recommendations, two recommendations were implemented, two recommendations were partially implemented and five recommendations were not implemented.

The recommendations we provided during our audit were to help the District with basic financial management. They included recommendations for Board oversight of District finances and required recording and reporting of financial operations by the Treasurer. At the time of our audit, District officials provided a response letter to our audit in which they agreed with all of our findings and provided a plan to address the findings. It has been over two years since we issued our report and in that time the District has made minimal progress on corrective action, even on such basic things as keeping complete and up-to-date records and completing annual reports.

Based on our findings during this follow-up of our prior audit, we recommend that the Board update the corrective action plan and include a time line for completion for each of the audit

findings that have not been fully implemented. The results of our assessment of the implementation of each of our audit recommendations follows.

Recommendation 1 – Policies and Procedures

Develop, adopt and implement written policies and procedures to control and monitor District operations. The policies and procedures should include:

- Detailed purchasing requirements, including how and when to obtain competition.
- Detailed investment requirements, including how to secure bank accounts and investments that exceed Federal Deposit Insurance Corporation (FDIC) coverage.

Status of Corrective Action: Partially Implemented

Observations/Findings: The District’s corrective action plan stated that the Board has met on a monthly basis and was writing a policies and procedures manual detailing the purchasing plan and investment policy. The Board did adopt a purchasing policy detailing how and when to obtain competition. We found the policy thresholds for when to obtain verbal and written quotes and the necessary guidelines for following General Municipal Law to be reasonable. We also reviewed all disbursements for July and August 2019 and did not find any that would fall under the purchasing policy thresholds. However, the Board did not adopt an investment policy that addresses how to secure bank accounts and investments that exceed FDIC coverage.

Recommendation 2 – Code of Ethics

Develop and formally adopt a Code that complies with OSC's model.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed the District’s code of ethics and found it complies with OSC’s model.

Recommendation 3 – Secretary’s Records

Ensure that the Secretary takes a complete and accurate record of the proceedings and maintain all minutes, resolutions and other District records.

Status of Corrective Action: Partially Implemented

Observations/Findings: We reviewed the Board minutes from January 2018 through July 2019 and determined:

- Two months of Board minutes were not maintained.
- The Secretary was not present at six Board meetings, in some cases due to illness.
- None of the minutes indicated that claims were approved or that there was a resolution authorizing the payment of claims.

It is important to note, that the one Secretary resigned in September 2018 and a new one was appointed. Although the new Secretary's minutes are more detailed, they still are not complete or contain all necessary resolutions and records.

Recommendation 4 – Claims Abstract and Audit

Require the Treasurer to prepare a claims abstract to be audited and approved for payment at the regular monthly Board meetings. The Board should audit and approve all claims prior to payment.

Status of Corrective Action: Not Implemented

Observations/Findings: The Treasurer does not provide an abstract of audited claims. The Treasurer provides a list of checks paid, but does not provide an abstract of claims to be audited and approved for payment. Upon approval of the listed claims, the abstract should be signed by the Board indicating approval and made part of the minutes.

In addition, we reviewed 31 claims paid in July and August 2019 and determined that 12 did not contain all Board member signatures and five were paid prior to Board approval.

Recommendation 5 – Debit Card

Discontinue the use of the debit card.

Status of Corrective Action: Fully Implemented

Observations/Findings: The District discontinued the use of a debit card as of March 2017.

Recommendation 6 – Annual Audit

Perform a detailed annual audit of the Treasurer's books and records.

Status of Corrective Action: Not Implemented

Observations/Findings: An annual audit of the Treasurer's books and records was not completed by the Board members, nor did the District hire an external auditor to perform this function. The last external audit was performed in 2016 for the 2015 fiscal year. The Commissioner and Treasurer explained they put an ad in the paper and only received one response. The audit was then put on hold by the accountant because there was nowhere for the accountant to come and complete the audit because the building was being majorly renovated. However, officials could not explain why the auditor did not complete the audit at another location.

Recommendation 7 – Annual Reports

Ensure that the Treasurer prepares and submits annual reports on the District's finances to OSC, the Clerk and the Board in a timely manner.

Status of Corrective Action: Not Implemented

Observations/Findings: The Treasurer did not file the annual update document (AUD) which is the annual financial report, with OSC in a timely manner. In 2018, the Treasurer filed a 2017 AUD that was not complete or accurate and was 133 days late. The 2018 AUD was due by March 1, 2019; however, it has not been filed and is currently 248 days overdue. In addition, the Treasurer did not account to the Board for all money received and disbursed for the prior year at the Reorganizational Meeting as required.

Recommendation 8 – Bank Reconciliations

Require the Treasurer to perform accurate, complete bank reconciliations for all accounts, and the Board should review the bank reconciliations.

Status of Corrective Action: Not Implemented

Observations/Findings: The Treasurer does not perform accurate bank reconciliations. For example, the Treasurer prepares a report he refers to as a bank reconciliation for one of the four accounts. The report contains a running balance similar to a check register; however, it is never reconciled to the actual bank statement or general ledger. The Board members are provided with that one monthly report; however, they do not review it for accuracy or compare it to any reports or documentation.

Recommendation 9 – Accounting Records

Maintain accurate, complete and up-to-date accounting records that document all transactions using the Uniform System of Accounts (USA) codes. The Treasurer should include all cash balances in the accounting records that reflect posted cash receipts and disbursements.

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed the Treasurer's reports and accounting records from 2018 through July 2019 to determine whether they contained necessary information:

- Bank balances of all accounts are not listed on the reports provided to the Board. Furthermore, two Commissioners were unaware there were two District savings accounts and a checking account with money in them because no accounting records were maintained.
- The Treasurer does not document any transactions using the USA codes. In addition, the budget filed with the Clerk was not in the proper format because the expenses were listed by category, but not identified by the proper USA codes.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage District officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Lisa Reynolds, Chief Examiner of our Newburgh Regional Office at 845-567-0858.

Sincerely,

Elliott Auerbach
Deputy Comptroller