



THOMAS P. DiNAPOLI
COMPTROLLER

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

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

November 22, 2013

Clint Austin, Chairman
Members of the Board of Fire Commissioners
Afton Fire District
15 Spring Street
Afton, NY 13730

Report Number: 2013M-248

Dear Mr. Austin and Members of the Board of Fire Commissioners:

One of the Office of the State Comptroller'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. 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 account for and protect their entity's assets.

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

- Are District controls adequate to ensure that financial activity is properly recorded and reported and that District moneys 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 generally 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 Afton, and located in Chenango County. The District's general fund budget totaled \$114,800 for the 2013 fiscal year.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. The Board appoints a Treasurer who acts as the 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, 2011, to July 12, 2013. We interviewed appropriate 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. The Board is also responsible for establishing policies and procedures that ensure transactions are authorized and properly recorded, financial reports are accurate and reliable and the District complies with applicable laws, rules and regulations, including the General Municipal Law requirement for a purchasing policy, investment policy and code of ethics.

The Treasurer must maintain complete, accurate and timely records to account for all of the District's financial activities properly. Additionally, 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 within 60 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. The Board is also responsible for performing a thorough audit of claims before they are paid to ensure that claims are supported and the District's funds are used for only legitimate District expenditures. Lastly, the Board is responsible for performing an annual audit of the Treasurer's records.

District controls are not adequate to ensure that financial activity is properly recorded and reported and that District moneys are safeguarded. While the Board has adopted a code of ethics, it has not adopted investment or procurement policies. Additionally, although the Treasurer prepares monthly reports to account for the District's financial activities and files an annual update document with the State Comptroller's Office each year, the Treasurer does not present the Board with budget-to-actual reports for expenditures on a monthly basis. The Board authorizes each claim for payment and indicates its approval by affixing each member's signature on the warrant and on each attached invoice; however, the Board has no process in place to verify it is approving all claims for payment because the Board is not reviewing monthly bank statements or bank reconciliations. Furthermore, although the Board contracted with an independent accountant to perform an audit of the Treasurer's records for the 2010 fiscal year, the 2011 and 2012 records had not been reviewed as of July 31, 2013.

Because of the weaknesses we identified, we verified that the 2013 real property tax cash receipts, totaling \$108,000, which the Treasurer recorded in the accounting records, were deposited in the District's bank account. We also judgmentally selected 35 check disbursements totaling \$62,500 based on employee reimbursements and personal use vendors; we found that the disbursements appeared to be for proper District purposes and were recorded in the District's financial system. However, we found minor discrepancies with the supporting documentation on three claims, which we communicated to District officials. We reviewed the shipping addresses listed on all invoices paid in 2011 and found three purchases totaling \$400 where items were

shipped to members' personal residences or businesses instead of to the District. For example, tie-down equipment totaling \$323 was shipped to the former Chairman's home address instead of to the District. Although the disbursements appeared to be for proper District purposes, disbursing District funds without proper support or allowing purchased items to be shipped off-site does not adequately safeguard District moneys and could result in theft or misuse of District assets.

Recommendations

1. The Board should adopt investment and procurement policies.
2. The Board should ensure it is receiving adequate financial reports to perform its duties and monitor the District's financial position.
3. The Board should implement a process to ensure it is auditing all claims for payment.
4. The Board should audit or cause for an audit of the Treasurer's records annually.
5. The Board should ensure that all disbursements have proper supporting documentation before approving payments.
6. The Board should ensure all items purchased are shipped to, and received at, the District.

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.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Afton Fire District

15 Spring Street

Afton NY 13730

11/13/2013

Unit Name: Afton Fire District

Audit Report Title: Audit of the Afton Fire District

Audit Report Number: 2013M-248

Response: The board of commissioners for the Afton Fire District agrees with the letter of recommendation received.

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendations:

1. The board will review and adopt both an investment and procurement policy at the November 14, 2013 meeting.
2. The board will implement a policy that will follow the previous month's checks and audit from the bank statement. Question any payments position if needed at the November 14, 2013 meeting.
3. The board is going to implement and review monthly bank statements for the previous months approved payments.
4. The board will review and adopt a monthly audit of the treasurer's records. This will be performed by the commissioners at the monthly meeting starting at the November 14, 2013.
5. The board will no longer approve payments until proper documentation is provided. The board will review and adopt an invoice booklet for receipt documentation if needed.
6. The board will adopt a place of shipment for items purchased to a new location of the Town Clerks Office. This office is open Monday, Wednesday, and Friday of the week. When items are received at the Town Clerks Office a member of the fire district staff will be notified of the package arrival. This will be addressed at the November 14, 2013 meeting.

///signed///

Clinton Austin

Chairman Afton Board of Commissioners