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May 10, 2013

Mr. Peter Damico, Chairman
Members of the Board of Fire Commissioners
Apalachin Fire District
230 Pennsylvania Avenue
Apalachin, NY 13732

Report Number: 2013M-57

Dear Mr. Damico 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 Apalachin Fire District (District) which addressed the following question:

- Did the District establish adequate controls to ensure that financial activity is properly recorded and reported and to safeguard District moneys?

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.

Background and Methodology

The Apalachin Fire District is a district corporation of the State, distinct and separate from the Town of Owego and located in Tioga County. The District's general fund budget totaled approximately \$744,000 for the 2012 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, for disbursing and accounting for those funds, for preparing monthly and annual financial reports, and for meeting any other reporting requirements.

We examined the internal controls over the District's financial operations for the period January 1, 2012, to February 4, 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. To fulfill this duty, it is essential that the Board establish a system of internal controls consisting of policies and procedures that ensure transactions are authorized and properly recorded; that financial reports are accurate, reliable, and filed in a timely manner; and that 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 properly account for all of the District's financial activities. Additionally, the Treasurer should reconcile the District's accounting records to the 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 within 60 days after the close of the fiscal year. This annual financial 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 District funds are used for only legitimate District expenditures and for performing an annual audit of the Treasurer's records.

The District does have adequate financial policies and procedures. The Board has adopted purchasing, investment, and code of ethics policies, as required by statute. The Board also has ensured that procedures concerning financial recording and reporting were developed. The Treasurer submitted monthly financial reports to the Board and has filed the required annual financial report with the Office of State Comptroller. The Board authorizes each claim for payment and indicates their approval by affixing their signatures to the claims, and the Board minutes indicate the approval to pay these claims. In addition, the Board contracts with an independent auditor to perform an annual audit of the Treasurer's records.

Even with adequate Board oversight, however, there is a certain level of inherent risk that exists with cash in a fire district. Due to this inherent risk, we reviewed 36 claims totaling \$112,119 to determine whether disbursements made by the District were properly recorded and supported with appropriate documentation and whether claims appeared to be for valid District purposes. In addition, we reviewed 13 claims totaling \$19,080 to determine whether disbursements payable to personal use vendors were supported by adequate documentation and for valid District purposes. We also reviewed all 2012 receipts totaling \$843,356 to verify that cash receipts, which included real property taxes, grant moneys, and donations, recorded by the Treasurer in the accounting records, were deposited in the District's bank account. Additionally, we performed limited

testing of all monthly reports that the Treasurer prepared during fiscal year 2012, including the annual financial report, to determine if they were accurate. Our examination revealed only minor exceptions, which we discussed with District officials.

Sincerely,

Andrew A. SanFilippo
Executive Deputy Comptroller
Office of State and Local Government
Accountability

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS


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

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RE; Response to audit of the Apalachin Fire District Report # 2013M-57

Dear ,

The Board of Fire Commissioners of the Apalachin Fire District has reviewed the draft of report #2013M-57 concerning the operations of the Fire District. The board is in agreement with its findings. The board is taking the necessary actions based on the recommendations of the auditors at the exit interview.

Sincerely,

Peter J Damico, Chair
Board of Fire Commissioners
Apalachin Fire District