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September 27, 2013

Mr. Ronald Brooks, Chairman  
Members of the Board of Fire Commissioners  
Coldspring Fire District  
P.O. Box 52  
Steamburg, NY 14783

Report Number: 2013M-229

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

One of the Office of the State Comptroller's primary objectives is to identify areas where 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 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 Coldspring 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?

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 generally agreed with our recommendations and indicated they planned to take corrective action.

### **Background and Methodology**

The District is a district corporation of the State, distinct and separate from the Town of Coldspring, and located in Cattaraugus County. The District's general fund budget totaled \$49,050 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 receiving and maintaining 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, 2012, to July 31, 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, which consists 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 (GML) requirement for a code of ethics.

The Treasurer must maintain complete, accurate, and timely records to account for all of the District's financial activities. 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. Town Law requires the Board to conduct an annual audit of the Treasurer's records. 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.

We found that the Board generally does not provide adequate oversight of District financial activities. The Board has not adopted procurement or code of ethics policies in accordance with GML. The Board did not perform an annual audit of the Treasurer's financial records. The only accounting records the Treasurer maintained were a check register and savings account register; the Treasurer did not maintain journals, ledgers, or subsidiary revenue or expenditure accounts. The Treasurer also did not document monthly bank reconciliations to determine whether any differences existed between bank records and her checking and savings account registers. The Board's failure to adopt policies and procedures and annually audit the Treasurer's records, combined with the Treasurer's failure to maintain detailed accounting records and prepare bank reconciliations, increases the risk that errors and irregularities could occur and go undetected and uncorrected.

We also found that the Board did not adopt an annual budget in accordance with Town Law. Per the minutes, the Board last adopted a "budget" in October 2008 for the 2009 fiscal year. However, District officials did not prepare a budget document. Rather, the Board minutes simply indicated the amount of taxes to be raised. The District has continued to levy the same amount of taxes annually, without the Board taking any formal action, since 2008.

Due to these deficiencies, we reviewed all of the Treasurer's financial records and all 71 claim vouchers for the period January 1, 2012, through July 31, 2013, totaling \$48,411. While these vouchers appeared to be legitimate District expenditures, 45 totaling \$37,652 were paid prior to

being audited by the Board and 12 totaling \$4,935 were not recorded in the minutes as approved. Original source documents or other supporting documentation were not included with seven vouchers totaling \$11,534. When disbursements are made prior to or without proper Board authorization and appropriate documentation, the risk is increased that payments could be made for non-District purposes.

## **Recommendations**

1. The Board should adopt procurement and code of ethics policies, as required by law.
2. The Treasurer should maintain accounting records to help facilitate the preparation of reports, which in turn provide the Board with information necessary to appropriately monitor the District's finances.
3. The Board should audit claim vouchers prior to payment, ensure that they are supported by appropriate documentation, and properly document its audit and approval.
4. The Board should annually develop, present, and adopt a formal budget, as required by Town Law.
5. The Board should annually audit the Treasurer's records, as required by Town Law, and document the results of this audit in the minutes.

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,

Office of the State Comptroller  
Division of Local Government  
and School Accountability

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

**Chairman**  
Ronald Brooks  
**Secretary Treasurer**  
Diana Godfrey

**Coldspring Fire District**  
P.O. Box 52  
Steamburg, NY 14783

**Fire Commissioners**  
Danton Godfrey  
David Boyer  
James Snyder  
Clayton Barber

September 21, 2013  
Report Number 2013M-229

Robert Meller, Chief Examiner  
295 Main St. , Suite 1032  
Buffalo, N.Y. 14203

September 21, 2013

Dear Mr. Meller:

This letter is to acknowledge receipt of recommendations of the Comptroller which was sent as report number 2013M-229, and to initiate corrective actions addressing the deficiencies. The Board of Commissioners agrees with the findings of the Comptroller and intends to implement the recommended changes. This audit response is intended to serve as the CAP.

Regarding each recommendation:

1. The Board should adopt procurement and code of ethics policies, as required by law.

The Board of Commissioners for the CVFD will form a meet and develop a procurement and code of ethics policy which we will adopt into policy within 60days.

Implementation date: Within 60 days

2. The Treasurer should maintain accounting records to help facilitate the preparation of records which in turn provide the Board with information necessary to appropriately monitor the District's finances.

The treasurer has spoken with the auditor and effective immediately measures will be taken to maintain accounting records which will be complete and will accurately account for the District's financial activities. These measures will include monthly reports to the Board of Commissioners and an annual financial report will be submitted to the Office of the State Comptroller within 60 days of the close of the fiscal year. The Board will conduct an annual audit of the records of the Treasurer. The Treasurer will document monthly bank reconciliations between bank records and checking and savings registers.

Implementation: Immediately begin the record keeping. Continue changes over 12 months

3. The Board should audit claim vouchers prior to payment, ensure that they are supported by appropriate documentation, and properly document its audit and approval.

Claim vouchers will be reviewed @monthly commissioner meetings and then paid as appropriate. Payments will be documented by the Treasurer and the records reviewed @ monthly meetings.

Implementation: Beginning with October 13, 2013 meeting of commissioners

4. The Board should annually develop, present and adopt a formal budget as required by Town Law.

The treasurer will develop a formal budget and present it to the board of Commissioners at the next monthly meeting where it will be approved and then presented to the town at a meeting within the next 60 days.

Implementation: Immediately begin developing the budget with approval and presentation to town within the next 60 days.

5. The Board should annually audit the Treasurer's records, as required by Town Law and document the results of this audit in the minutes.

The Treasurer's records shall be reviewed annually beginning January 2013.

Implementation: January 2013

The individuals responsible for these implementations shall be Ronald A. Brooks, Chairman of the Board of Commissioners and Diana Godfrey, secretary/treasurer.

Sincerely,

Ronald A. Brooks, Chairman Board of Commissioners  
Coldspring Fire District