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December 20, 2013

William Warren, Chairman  
Members of the Board of Fire Commissioners  
Colesville Fire District #1  
P.O. Box 245  
Harpursville, NY 13787

Report Number: 2013M-276

Dear Mr. Warren 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 Colesville Fire District #1 (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?

We discussed the findings and recommendations with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials 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 Colesville and is located in Broome County. The District's general fund budget totals approximately \$80,000 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, 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 through August 6, 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 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, code of ethics and an investment policy.

The Treasurer must maintain complete, accurate and timely records to account for all of the District's financial activities properly. The Treasurer 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. Additionally, the Treasurer should prepare and submit monthly reports to the Board and reconcile the District's bank accounts to the accounting records on a monthly basis. The Board also is responsible for performing a thorough audit of claims before they are paid and ensuring they are paid as directed to ensure District funds are used for legitimate District expenditures.

The District does not have adequate financial policies and procedures. While the Board has adopted a purchasing policy and a code of ethics, it has not adopted an investment policy. The Board also has not ensured that written procedures concerning financial recording and reporting were followed. While the Treasurer files his annual financial report in a timely manner and submits monthly financial reports to the Board, bank reconciliations of District accounts are not a part of the monthly reports because the Treasurer does not reconcile the bank accounts on a monthly basis. The District contracts with a bookkeeper who performs bank reconciliations only at year-end. Board members authorize all claims for payment and indicate their approval by affixing their initials on the vouchers, and the Board minutes consistently indicate their approvals to pay these claims; however, the Board does not see check images in the subsequent month to verify that prior approved claims were in fact paid as directed. All of these control deficiencies expose the District to the risk that errors and/or irregularities could occur and not be detected and corrected in a timely manner.

Due to these deficiencies, we reviewed 28 check disbursements totaling \$33,650 from January 1, 2012 through February 28, 2012, and 55 check disbursements totaling \$25,343 from July 1, 2012 through December 31, 2012. We found that disbursements were for District purposes and were recorded and supported. We also verified that the cash receipts recorded by the Treasurer in the accounting records were deposited in the District's bank account. To improve the accountability over taxpayer moneys, the Board should implement improved financial controls.

## Recommendations

1. The Board should adopt an investment policy.
2. The Board should ensure that formal written procedures relating to financial recording and reporting are developed.
3. The Treasurer should reconcile the District's bank accounts to the accounting records on a monthly basis.
4. The Board should require the Treasurer to provide check images for all District disbursements so it can verify that claims were paid as directed.

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.



**Town of Colesville Fire District # 1**  
**PO Box 245**  
**Harpursville, NY 13787-0245**

State of New York  
Office of the State Comptroller  
110 State Street  
Albany, New York 12236

Report Number: 2013M-276

To whom it may concern:

On November 7, 2013 we had our exit interview to discuss the findings of the audit that was performed on the minutes/financial records of the Town of Colesville Fire District #1. Although the exit interview is not the final official findings this letter will serve as a response to the findings that were disclosed at the meeting. The following recommendations were made in the exit interview via a draft:

1. The Board should adopt an investment policy.
2. The Board should ensure that formal written procedures relating to financial recording and reporting are developed.
3. The Treasurer should reconcile the District's bank accounts to the accounting records on a monthly basis.
4. The Board should require the Treasurer to provide check images for all District disbursements so it can verify claims were paid as directed.

The Town of Colesville Fire District #1 has reviewed the recommendations as provided by your office and agree with the findings submitted. Therefore the Town of Colesville Board of Fire Commissioners for District #1 will prepare to have written policies in place to address these concerns. We will make every effort to have policies prepared and implemented for our Organizational Meeting to be held on the 1<sup>st</sup> Monday in January 2014. When we have prepared these written policies we will forward to your office a copy of them to comply with Section 181-b of Town Law. It is our intent that these policies will satisfy CAP requirements. When all findings are completed and a written CAP is in effect we will make copies available for public view.

Sincerely,  
William Warren- Chairman  
Town of Colesville Fire District #1