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November 22, 2013

Howard Hemminger, Chairman
Members of the Board of Fire Commissioners
Stanley Fire District
2040 NY 245
PO Box 481
Stanley, NY 14561-0481

Report Number: 2013M-259

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

One of the Office of the State Comptroller's primary objectives is to identify areas where fire 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 fire 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 Stanley 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 and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered when preparing this report. District officials generally agreed with our recommendations.

Background and Methodology

The District, located in Ontario County, is a district corporation of the State, distinct and separate from the Town of Seneca. The District's general fund budget totaled \$130,230 for the 2013 fiscal year. The District provided coverage to 12.5 square miles¹ and in 2012 responded to 78 calls for assistance. The District also received \$12,977 from the Town in 2012 for providing fire protection services to the County landfill.²

¹ The District is located in the Town of Seneca, in the County of Ontario, which is 50.4 square miles.

² The payment is the result of a host agreement between the Town and the waste management company operating the County landfill.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. The Board elects 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 August 20, 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. To ensure that District operations are in conformance with the law and the Board's expectations, policies should be reviewed and updated as conditions change and be distributed to District personnel.

Board members have not provided adequate fiscal oversight to the District, which may be caused by their lack of training as required by law.³ Board members did not complete their required training in legal, fiduciary, financial, procurement and ethical responsibilities. The Board has also not established written policies and procedures to govern financial operations, such as investments, cash receipts and disbursements, credit cards, claims processing, capital planning and information technology. District officials initially told us that they were unaware of a code of ethics. However, District officials later located a copy of the District's code of ethics that was adopted in 2007. District officials also stated they had a procurement policy from mid-1990 and were aware of the competitive bidding requirements, but they could not locate this procurement policy. This is especially concerning because the Board annually approves and accepts the procurement policy at its organizational meeting.

The Treasurer did not generate monthly or quarterly reports and the Board did not require that the Treasurer provide them, which severely limited the Board's ability to manage the District's financial affairs. However, for the Board's annual audit, the Treasurer provided the Board with a manual spreadsheet that detailed all receipts and disbursements for the year. Even though the District purchased a computerized accounting system for the Treasurer, the system was used only to record cash receipts and disbursements. The Treasurer has not recorded the adopted budget or prepared any journal entries in the system, which restricted her from generating budget-to-actual

³ Effective January 22, 2007, Board members are required to complete training within 270 days of taking office. Board members must complete the required training each time they are elected, re-elected, appointed or re-appointed to office.

reports. Without accurate, up-to-date interim financial reports, the Board is unable to monitor the adopted budget and ensure that the District's financial resources are spent appropriately.

Finally, the District has no internal controls over credit cards. During the audit period, District credit card payments totaled approximately \$2,500. However, District officials were unaware of how many fuel credits cards were issued or who had possession of them. According to the Treasurer, the fuel credit cards do not have a corresponding pin number that identified who was using the credit card. Therefore, she was unable to track details about fuel purchases, such as who made a purchase and for what truck. The Treasurer also stated that she received credit card bills and submitted them to the Board for payment, without review. As a result, there is an increased risk that fuel may be purchased for non-District vehicles or equipment.

Due to these deficiencies, we reviewed the District's bank activity for 2012 including bank deposits, totaling \$128,595, and all 104 cash disbursements with their corresponding bills and invoices, totaling \$146,662. We found that financial activity was properly recorded in the Treasurer's manual check register and computerized accounting system and generally supported with appropriate documentation. We verbally discussed other minor deficiencies with District officials during the conduct of our fieldwork.

Recommendations

1. All Board members should attend and complete the mandatory fiscal oversight training as soon as practicable.
2. The Board should adopt comprehensive policies and procedures for investments, cash receipts and disbursements, claims processing, capital planning, procurement and information technology. The Board should also ensure that these policies, along with the code of ethics, are distributed to District personnel and reviewed on an annual basis.
3. The Board should require the Treasurer to prepare and present comprehensive monthly financial reports that include budget-to-actual comparisons to the Board so it can better monitor District finances.
4. The Board should assess the need for credit cards. If credit cards continue to be used, the Board should adopt a comprehensive credit card policy and review and update the policy annually. The credit card policy should:
 - Identify all authorized users and set appropriate limits
 - Establish custody of the cards when not in use
 - Require the reconciliation of credit card purchase documentation to statements and the pre-approval of purchases
 - Establish a means to recoup any unauthorized expenditures.

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.

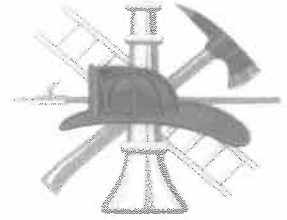
Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Stanley Fire District
2040 State Rt 245
Stanley, NY 14561

November 6, 2013

To whom it may concern,

This letter is in response to the financial audit conducted on the Stanley Fire District. I have met with the auditors and accept their report.

Howard Hemminger

Chairman, Stanley Fire District Commissioner