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November 22, 2013

Steve Hatfield, Chairman
Members of the Board of Fire Commissioners
Westford Fire District
1812 County Highway 34,
Westford, NY 13488

Report Number: 2013M-270

Dear Mr. Hatfield 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 Westford Fire District (District) which addressed the following question:

- Did District officials establish adequate controls to ensure that financial activity is properly recorded and reported 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 Westford and Otsego County in which it is located. The District's general fund budget totaled \$38,662 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 1, 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 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 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 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 such claims are supported and the District funds are used for only legitimate District expenditures. Lastly, the Board is responsible for performing an annual audit of the Treasurer's records.

The Board has not established adequate financial policies and procedures. While the Board has adopted a code of ethics, it has not adopted purchasing and investment policies, as required by statute. The Board also has not ensured that written procedures concerning financial recording and reporting were developed. While we found that the Treasurer does submit monthly financial reports to the Board, the informal bank reconciliations prepared by the Treasurer were not a part of those reports. The Board does authorize each claim for payment and Fire Commissioners indicate their approval by affixing their initials on the voucher. Board minutes consistently indicate the Board's approval to pay these claims. Moreover, the Treasurer performs all duties with no Board oversight. Also, the Board does not conduct an annual audit of the Treasurer's records and does not contract with an independent auditor to perform such an audit. 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 all 127 check disbursements totaling \$192,830 from January 1, 2012, through August 1, 2013. Generally, we found that disbursements appeared to be 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 and found no significant differences in the deposited amounts. To improve the accountability over taxpayer moneys, the Board should improve financial controls.

Recommendations

1. The Board should adopt an investment policy and a purchasing 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 accounting records to the bank statements monthly, follow up on any differences and document such reconciliations. Copies of the reconciliation should be provided to the Board with the monthly report.
4. The Board should audit the Treasurer's records annually or contract with an independent firm to do so and perform routine oversight of the Treasurer such as reviewing check images in the subsequent month to verify that prior approved claims were in fact 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.



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

Ladies and Gentlemen:

The Westford Fire Commission is in receipt of your letter and report, dated October 18, 2013. The Chairman of the Commission met with comptrollers staff on **October 22, 2013** at the Westford Town Hall to discuss the report. To the best of our understanding, the report seems fair and accurate. We look forward to working with the State Comptrollers office to implement the necessary policy and practices that will make the Westford Fire Commission compliant with State recording and reporting practices. The Commission will adopt policy as noted in the 4 recommended points mentioned in the letter. The corrective actions will correct any non-compliant practices that have been in place to date. The CAP will be submitted within the 90 day period allowed.

Sincerely,

Steven Hatfield
Chairman
Westford Fire Commissioners

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