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April 25, 2014

Dorothy Smith, Chairperson
Members of the Board of Fire Commissioners
Cincinnatus Fire District
5722 Telephone Road Extension
Cincinnatus, NY 13040

Report Number: 2014M-49

Dear Ms. Smith and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works 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 Cincinnatus Fire District (District) which addressed the following question:

- Did the Board of Fire Commissioners establish adequate controls 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 in preparing this report. District officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Cincinnatus, and is located in Cortland County. The District's general fund budget totals \$233,379 for the 2014 fiscal year.

The Board of Fire Commissioners (Board) consists of five members, including the Chairman, and is responsible for the District's overall financial management. The Board appoints a

Treasurer¹ who acts as the District's chief fiscal officer. The Treasurer is responsible for receiving and maintaining 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. The District provides fire protection services to seven towns in Cortland County.

We examined the internal controls over the District's financial operations for the period of January 1, 2012 through December 16, 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 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 an investment policy and procurement policy. It is also important for the Board to perform or contract for an annual audit of the Treasurer's books and records on a timely basis. An annual audit serves as an important control procedure because it gives the Board an opportunity to verify that cash has been accounted for and transactions have been properly recorded.

The Treasurer must maintain complete, accurate and timely records to properly account for all of the District's financial activities. The Treasurer should prepare and submit monthly reports to the Board 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 needs to improve controls over District financial activities. The Board did not establish adequate controls to ensure that financial activity is properly recorded and reported and that District moneys are safeguarded. Although the Board has adopted procurement and code of ethics policies, it did not adopt an investment or credit card use policy.

The Treasurer submits monthly financial reports to the Board, including monthly budget-to-actual reports. The Treasurer also provides the Board with a monthly listing of claims, which it reviews and approves at the monthly Board meetings after reviewing the individual claims. However, the listing of claims does not include a check sequence. Therefore, the Board is not

¹ The District's Treasurer position experienced turnover in the last two fiscal years. The prior Treasurer resigned in July 2012 and was replaced with another Treasurer who served from August 2012 until resigning in January 2014. The current Treasurer started in January 2014.

assured that it is reviewing and approving all claims prior to payment. District officials informed us that the former Chairman reviewed monthly bank statements. However, because he was also authorized to sign the checks, this was not an adequate control to ensure that the checks listed on the bank statement were legitimate District disbursements. We found that the former Chairman signed 20 checks totaling approximately \$21,400.² Further, the Board approved claims for the payment of credit card charges without adequate support. The Board discovered that a Fire Chief made credit card charges that included personal expenditures at various gas stations totaling \$795.³ The Board required the Fire Chief to return the credit card and to reimburse the District.⁴

In addition, the Treasurer filed the 2010 and 2011 annual financial reports in June 2013 and July 2013, respectively, well after the 60-day deadlines. She has yet to file the 2012 and 2013 reports. While the Board has contracted with an external auditor to perform the required annual audit, the audits were not timely for the last three years. For example, the audits for the 2010 and 2011 fiscal years were completed in 2012 and the 2012 fiscal year audit has yet to be completed.

Due to these weaknesses, we verified that moneys received from the 2012 and 2013 fire protection contracts and tax levies, totaling approximately \$442,700, were properly recorded and deposited. We scanned the bank statements for all canceled check images made payable to the Treasurers and former Chairman and verified that all four check images, totaling \$5,800, were legitimate District expenditures. We also reviewed 25 disbursements totaling \$36,600 from the claims listing to verify that they were legitimate District expenditures. We also reviewed 25 credit card charges totaling \$2,500 and verified that all charges, except approximately \$300 associated with the inappropriate credit card usage discussed previously, were legitimate District expenditures.

Recommendations

The Board should:

1. Adopt an investment policy, as required by GML,
2. Adopt a credit card usage policy,
3. Continue to review and approve vouchers and include a review of the monthly bank statement and check images to ensure that it is reviewing and approving all claims,
4. Ensure that the Treasurer submits the District's annual financial reports to the Comptroller's office in a timely manner and
5. Ensure that the Treasurer's records are audited annually and in a timely manner.

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,

² During this period, the District issued 508 checks totaling \$452,844.

³ The District determined that the Fire Chief had \$795 of personal charges using the credit card.

⁴ We verified that the \$795 was reimbursed to the District.

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.

We thank the officials of the Cincinnati Fire District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Cincinnati Fire District
5722 Telephone Road Extension
Cincinnati, NY 13040

Cincinnati Fire District
Audit Review 2013
Report Number: 2014M-49

The Cincinnati Fire District Board agrees with the recommendations included in the audit report. With this we respectfully submit our corrective action.

1. The Board should:
 - Adopt an investment policy, as required by GML,
 - Adopt a credit card usage policy,
 - Continue to review and approve vouchers and include a review of the monthly bank statement and check images to ensure that they are reviewing and approving all claims,
 - Ensure that the Treasurer submits the District's annual financial reports to the Comptroller's office in a timely manner, and
 - Ensure that the Treasurer's records are audited annually and in a timely manner.
2. Implementation Plan of Action(s):
 - We now have a current investment policy.
 - We did find a Credit Card Policy adopted in 2006
 - We still have two people approving the vouchers and two different people signing checks. We continue reviewing bank statements monthly. The Board along with the Fire Chief and Squad Captain continue to review all claims of purchases.
 - We have submitted our District's annual financial reports to Kane, Bowles & Moore P.C. for our yearly audit.
3. Implementation Date:
 - Investment Policy adopted Tuesday, April 15, 2014.
 - Credit Card Policy was adopted March 21st, 2006
 - We are continuing our approval of voucher and all claim procedures
 - We are continuing to submit our District's annual financial reports for our yearly audit.
4. Person Responsible for Implementation:
 - The Cincinnati Fire District Chairperson: Dorothy Smith.

Signed: 

Dorothy Smith, Chairperson
Name and Title.

April 17, 2014
Date.