



# Circleville Fire District Board Oversight

## Report of Examination

Period Covered:

January 1, 2012 — August 18, 2013

2013M-343



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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

March 2014

Dear Fire District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Fire Commissioners' governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Circleville Fire District, entitled Board Oversight. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

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



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Circleville Fire District (District) is a district corporation of the State, distinct and separate from the Town of Wallkill and Orange County. The Circleville Fire Company, a not-for-profit company of firefighters, provides the District's approximately 4,000 residents with fire protection services.

An elected five-member Board of Fire Commissioners (Board) governs the District. The Board is responsible for the overall financial management of the District, including establishing appropriate internal controls over District operations and recordkeeping, monitoring the controls to ensure that assets are properly safeguarded and ensuring that financial transactions are executed in accordance with statutory and managerial authorization.

The District Treasurer is the chief fiscal officer and is responsible for the receipt, custody, disbursement and accounting for District funds and for preparing monthly and annual financial reports. The Treasurer accounts for the District's financial activities in the general fund. The District's general fund budget for 2012 and 2013 fiscal years were \$626,319 and \$696,208, respectively.

### **Scope and Objective**

The objective of our audit was to examine the Board's oversight of selected financial activities for the period January 1, 2012 through August 18, 2013. Our audit addressed the following related question:

- Did the Board provide adequate oversight of the District's financial activities to ensure that District resources are safeguarded?

### **Audit Results**

The Board did not establish adequate internal controls or provide sufficient oversight of the District's financial operations. The Board's audit of claims was not effective. We found that almost half of the 60 claims we reviewed, totaling \$15,109, had deficiencies such as insufficient supporting documentation, lack of Board approval or were approved by the individual submitting the claim. The District's use of credit cards was not in accordance with Board policy. Of the credit card charges we reviewed, about 60 percent either were not itemized or receipts were not provided to show that they were for valid District expenditures. These transactions included two payments of about \$3,900 to a communications company, two payments of about \$2,500 to a Baltimore, MD, restaurant and one payment of about \$1,000 to a computer company.<sup>1</sup> In addition, the District could have saved approximately \$11,000 if District officials were reimbursed for travel costs at Federal reimbursement rates.

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<sup>1</sup> The remaining transactions were smaller dollar amounts.

The Board has not adopted an online banking policy and has not entered into an agreement with the District's bank for electronic transfers. In addition, the Treasurer performed online transactions without Board oversight and bypassed established internal controls over cash disbursements. As a result, District funds are at risk of loss. The Treasurer also failed to file the required annual financial reports with the State Comptroller's Office in a timely manner or provide the Board with a required annual report. The Board also has not obtained an independent audit of the District's finances or length of service award program (LOSAP)<sup>2</sup> as required by law. As a result, the Board cannot be assured of the District's financial position and members cannot be certain of the LOSAP's financial status.

### **Comments of District Officials**

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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the District's response letter.

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<sup>2</sup> LOSAP is a pension-like program intended to help recruit and retain volunteer firefighters and volunteer ambulance squad members. Volunteers are financially rewarded based upon the number of years they serve.

# Introduction

## Background

The Circleville Fire District (District) is a district corporation of the State, distinct and separate from the Town of Wallkill and Orange County. The Circleville Fire Company, a not-for-profit company of firefighters, provides the District's approximately 4,000 residents with fire protection services.

An elected five-member Board of Fire Commissioners (Board) governs the District. The Board is responsible for the overall financial management of the District, including establishing appropriate internal controls over District operations and recordkeeping, monitoring the controls to ensure that assets are properly safeguarded and ensuring that financial transactions are executed in accordance with statutory and managerial authorization.

The District Treasurer is the chief fiscal officer and is responsible for the receipt, custody, disbursement and accounting for District funds and for preparing monthly and annual financial reports. The Treasurer accounts for the District's financial activities in the general fund. The District's general fund budget for 2012 and 2013 fiscal years were \$626,319 and \$696,208, respectively.

## Objective

The objective of our audit was to examine over the Board's oversight of selected financial activities. Our audit addressed the following related question:

- Did the Board provide adequate oversight of the District's financial activities to ensure that District resources are safeguarded?

## Scope and Methodology

We examined the District's internal controls over selected financial activities and reviewed records and reports for the period January 1, 2012 through August 18, 2013.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix C of this report.

## Comments of District Officials and Corrective Action

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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the District's response letter.

## Board Oversight

The Board is responsible for overseeing the District's financial activities and safeguarding its resources. To fulfill this duty it is essential that the Board develop and implement a system of internal controls to ensure that transactions are authorized and recorded, financial reports are accurate and filed in a timely manner, and applicable laws, rules and regulations are followed.

The Board did not establish adequate internal controls or provide sufficient oversight of the District's financial operations. The Board's audit of claims was not effective. We found that almost half of the claims we reviewed had deficiencies such as insufficient supporting documentation, lack of Board approval or were approved by the individual submitting the claim. The District's use of credit cards was not in accordance with Board policy. Of the credit card charges we reviewed, about 60 percent were either not itemized or receipts were not provided to show that they were for valid District expenditures. In addition, the District could have saved approximately \$11,000 if District officials were reimbursed for travel costs at Federal reimbursement rates.

The Board also has not adopted an online banking policy and has not entered into an agreement with the District's bank covering electronic transfers. In addition, the Treasurer performed online transactions without Board oversight and bypassed established internal controls over cash disbursements. As a result, District funds are at increased risk of loss. The Treasurer also did not file the required annual reports with the Office of the State Comptroller in a timely manner or provide the Board with a required annual report. The Board also has not obtained an independent audit of the District's finances or length of service award program (LOSAP)<sup>3</sup> as required by law. As a result, the Board cannot be assured of the District's financial position and members cannot be certain of the LOSAP's financial status.

### Claims Processing

The audit and approval of claims is one of the most critical elements of the District's internal control system. Town Law requires the entire Board to audit and approve all claims against the District. It is essential for each Commissioner to conduct a thorough review of each claim to determine whether it is a proper and valid charge; to verify that the purchase was incurred by an authorized official and to ensure that each claim is itemized, includes a receipt for the goods or

<sup>3</sup> A LOSAP is a pension-like program intended to help recruit and retain volunteer firefighters and volunteer ambulance squad members. Volunteers are financially rewarded based upon the number of years they serve.

services purchased and includes confirmation of delivery of goods. Board approval should be documented by the signatures or initials of all Commissioners with dates reviewed on each claim and by entries in the Board minutes.

The District paid 607 claims totaling \$1.2 million<sup>4</sup> during our audit period. District officials explained that one Commissioner is assigned to audit the claims and it is his responsibility to review each claim and determine if it is a proper District expenditure. The remainder of the Board does not audit claims. Instead, at the monthly meetings, the Board receives an abstract of claims for approval.

Because the entire Board does not audit the claims, as required by law, the claims audit process is not effective. We reviewed 10 percent of claims paid (60 claims) and found that documentation was not sufficient to determine whether all claims were actual and necessary District expenditures. In fact, it appears that some of the claims paid were for Circleville Fire Company (Company) expenditures and should not have been paid by the District. Of the 60 claims, totaling \$83,926, we found deficiencies in 29, or 48 percent, of the claims tested totaling \$15,108.

- Twenty-one of the claims totaling \$9,462 did not have sufficient documentation to support the claim as an actual and necessary District expense.
- Three claims totaling \$4,378 did not have Board approval.
- Five claims totaling \$1,269 were approved by the Commissioner who submitted the claims.

Because the Board as a whole did not audit the claims and relied on one Commissioner to approve claims for payment, the District has paid claims without sufficient support to ensure they are valid District expenditures.

## **Credit Card Usage**

An effective system of internal controls over credit card use requires the Board to establish a policy that describes the appropriate use of credit cards and the procedures for monitoring card use. It is important that the policy identify the individuals who are authorized to use the credit cards, describe the types of purchases allowed, stipulate the documentation required to support the purchases and address the methods to recover moneys from improper use of the credit cards.

<sup>4</sup> This amount includes almost \$50,000 of credit card charges.



The Board-adopted credit card policy authorizes one credit card account, identifies the positions of individuals who are authorized to use the credit card and outlines the parameters for credit card use. The credit card policy states that all charges incurred on the credit card must include the name of the person incurring the charge, reason for the charge and be supported by original invoices or receipts that provide a description and itemization of all charges to substantiate that the charges are for valid and proper purchases. In addition, the policy states if the individual incurring the charges fails to comply with District procedures, that individual will be personally responsible for the charges.

Contrary to the Board’s policy, the District has two separate credit card accounts. Five District officials and three Company officers were issued credit cards for both accounts; one of the accounts has an additional card that is not assigned to a specific user. The District allows the card to be used by firefighters with the Board’s permission.

The total amount the District paid during our audit period for credit card usage was \$49,432. We reviewed all payments, comprising 394 transactions and found that 237, or 60 percent, of the transactions totaling \$27,263 were for purchases that were not in accordance with the District’s credit card policy. These transactions included two payments of about \$3,900 to a communications company, two payments of about \$2,500 to a Baltimore, MD, restaurant and one payment of about \$1,000 to a computer company.<sup>5</sup> The District did not hold the card users accountable for charges not supported by receipts. Table 1 illustrates the charges which were not in accordance with the District’s policy:

Type	Number of Transactions	Amount
No support	183	\$20,089
No Itemization	54	\$7,174
<b>Totals</b>	<b>237</b>	<b>\$27,263</b>

Credit card use has a high level of inherent risk because purchases are made without pre-approvals. Because the Board failed to enforce compliance with the District’s credit card policy and provide sufficient oversight of the use of credit cards, there is no assurance that credit card charges were actual and necessary District expenditures.

## Travel Expenses

General Municipal Law (GML) allows a fire district to pay for actual and necessary expenditures for travel, meals, lodging and registration fees incurred in attending a conference or convention by authorized

<sup>5</sup> The remaining payments were smaller dollar amounts.

officials or employees. It is important that the Board adopt and enforce formal policies that give clear and specific guidelines with respect to attendance, associated costs and documentation requirements for conventions to minimize the risk of excessive expenditures. If the Board elects to adopt a per diem meal allowance as part of those policies, GML states that this allowance must not exceed the daily meal and incidental expense rate adopted by the United States General Services Administration (GSA).

The District has a travel policy that conveys clear, specific guidelines as to who may travel for conferences, the process for authorizing travel, what costs may or may not be reimbursed and the documentation that must be submitted with reimbursement requests. A signed statement of travel expenses on a District form detailing expenses with appropriate original receipts is required. The District policy permits reimbursement for meals at actual costs not to exceed \$75 per day. For lodging, the policy states that the GSA rate will be used when available or a maximum rate set by the Board at the time of travel approval.

The District allows the Commissioners, Company Officers and members to attend out-of-state training. Each year, members attend the Firehouse Exposition in Baltimore, MD. Six people attended in 2012 (one Commissioner and five Company Officers) and 2013 (two Commissioners and four Company Officers). The District spent \$13,660 for the exposition in 2012 and \$17,777 in 2013. We reviewed the expenses incurred for both years. The majority of the expenditures were made using District credit cards. These purchases were generally not supported with original, itemized receipts. For example, meal expenses incurred at restaurants were usually supported with only a credit card slip showing the total amount charged.

If the District policy included set rates similar to those established by GSA<sup>6</sup> to limit travel cost for meals and lodging, it could have saved \$9,831, which includes \$4,175 in meal and \$5,656 in lodging expenses.

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<sup>6</sup> The GSA rates vary by location and are adjusted for different timeframes throughout the year.

<b>Table 2: Meal and Lodging Expenses</b>			
<b>Year</b>	<b>Actual Meal Expenses</b>	<b>Meal Expenses with GSA Rate</b>	<b>Potential Meal Savings</b>
2012	\$4,006	\$1,598	\$2,408
2013	\$4,110	\$2,343	\$1,767
<b>Total</b>	<b>\$8,116</b>	<b>\$3,941</b>	<b>\$4,175</b>
<b>Year</b>	<b>Actual Lodging Expenses</b>	<b>Lodging Expenses with GSA Rate</b>	<b>Potential Lodging Savings</b>
2012	\$5,774 <sup>a</sup>	\$3,350	\$2,424
2013	\$8,256	\$5,024	\$3,232
<b>Total</b>	<b>\$14,030</b>	<b>\$8,374</b>	<b>\$5,656</b>
<b>Total Potential Savings</b>			<b>\$9,831</b>
<sup>a</sup> This includes \$253 for a room for a "no show."			

In addition, the District also paid \$1,630 for valet parking, \$420 in 2012 and \$1,210 in 2013. Therefore, the potential cost savings for these two trips is \$11,461, had the GSA rate been used and valet parking been avoided.

The failure of the Board to require the exposition attendees to adhere to the District travel policy and require the submission of original receipts for expenses incurred and the lack of adherence to GSA rates has resulted in at least \$11,000 in expenditures over two years that could have been avoided.

## Online Banking

Online banking offers the District the ability to review account balances, make transfers between bank accounts, reconcile accounts and closely monitor cash balances. Because electronic transfers can disburse significant amounts of money, usually within minutes of being executed, it is essential that District officials ensure that such transactions are reviewed and authorized in a timely manner.

GML requires that the Board enter into a written agreement with its banking institution, prescribing the manner in which electronic transfers will be made, identifying by number and name those accounts from which the electronic transfers may be made and identifying the officer authorized to make electronic transfers. At least two District officials should be involved in each electronic transaction, one for authorization and one for transmittal. In addition, District officials should have a callback provision in the written agreement that requires the bank to call someone other than the person initiating the transaction to confirm the appropriateness of the transfer. The financial institution must provide a written confirmation of the transaction no later than the following business day. The confirmation should not be received by the same individual who initiates the transfers. Town Law requires the Treasurer to disburse all payments by check, payable to the person or entity for which the payment is intended.

The Board did not enter into a written agreement with its bank for electronic transfers. In addition, the Board has not adopted a written policy and District officials have not developed written procedures for electronic transfers. As a result, the Treasurer authorizes and initiates electronic transfers of District moneys among accounts within the same bank. The Treasurer also receives bank confirmations and records electronic transfers, all without any other District official reviewing or approving the transactions.

During our audit period, the District made 318 electronic transactions totaling approximately \$1.6 million. We reviewed the transactions to determine whether they were preauthorized, were for valid District purposes and were reviewed by the Board in a timely manner. Thirty-six electronic transfers among the District's bank accounts appeared to be valid. However, the Treasurer made 282 alternative electronic payments, totaling \$180,719, to outside vendors. These alternative payment methods include electronic payments, electronic authorization for the bank to issue checks and web payments. These alternative payment methods are inconsistent with Town Law requiring payments be made by check and the District's own bill payment policy which requires all checks to be signed by the Treasurer and co-signed by either the Chairperson or Vice Chairperson. Although all payments appear to be valid District expenditures, by not issuing written checks the Treasurer has circumvented an essential internal control that requires dual signatures on disbursements.

Electronic payments are not monitored by Board members. Therefore, disbursements could be made that are not valid District expenditures. Because incompatible duties are not segregated, there is an increased risk that moneys may be transferred improperly or that a transfer will not be properly recorded and documented.

### **Treasurer's Duties**

The Treasurer is required to file an annual update document (AUD) with the State Comptroller's Office. This report must be certified by the Treasurer and filed within 60 days of the close of the fiscal year. This report provides the Board and other interested parties with necessary information to monitor the District's operations. In addition, the Board is required to audit the Treasurer's records annually.

At the annual organizational meeting, the Treasurer is required to account to the Board for all moneys received and disbursed during the preceding year. The Treasurer must also file with the Board a statement covering receipts and disbursements for the preceding year that must be detailed and noted in the Board minutes.

The Treasurer has not filed an AUD since the 2008 fiscal year report which was submitted in May 2010. The Treasurer stated that she

had difficulty in filing the 2008 report and did not attempt to file any other reports since. The District filed the 2009 report subsequent to completion of our fieldwork. The failure to prepare and file AUDs timely leaves the District with no means to demonstrate financial transparency to the Board, taxpayers and any other interested parties.

There was also no indication that the Treasurer accounted for all moneys received, submitted a detailed report of receipts and expenses to the Board or that the Board audited the Treasurer's records. This lack of oversight has diminished the Board's ability to properly monitor financial operations and increases the risk that errors or irregularities could occur and remain undetected and uncorrected.

## **Independent Audit**

Town Law requires fire districts with annual revenues of \$200,000 or more to obtain an independent annual financial audit.<sup>7</sup> The independent public accountant (IPA) audit report must include the District's financial condition, its resources and other items as designated and prescribed by the State Comptroller. In addition, GML requires that the District, as sponsor or the program administrator of a LOSAP, must obtain an annual audit of its records by an IPA either as part of the District audit or separately. The audit must explore the LOSAP's financial condition, actuarial assumptions, fiduciary investment and control asset allocations, including whether current assets are adequate to fund future liabilities.

The District has not had an independent audit of its financial records since 2008 and has never had its LOSAP audited. By not obtaining the required annual independent audit, the Board is in violation of GML and does not have a certified and accurate account of the District's finances to rely on. As a result, taxpayers cannot be assured of the District's financial position and members cannot be assured of the financial status of the LOSAP funds.

## **Recommendations**

1. The Board should audit all claims and ensure that each claim includes an itemized invoice with enough detail to support the claim as an actual and necessary District expense.
2. The Board should ensure that the District credit card policy is enforced.
3. The Board should revise its travel policy to include limits on lodging and related expenses.

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<sup>7</sup> For the fiscal year 2013, GML amended the revenue threshold requirement for annual independent audits for fire districts and fire companies. The revenue threshold was increased from \$200,000 to \$300,000.

4. The Board should adopt an online banking policy and enter into a written agreement with its financial institution to establish controls over the use of online banking.
5. The Board should ensure that the Treasurer disburses funds using District checks, rather than electronic transfers, bank checks and web withdrawals.
6. The Board should require the Treasurer to prepare and submit the AUD to the State Comptroller and file a copy with the Town Clerk within 60 days of the close of each fiscal year.
7. The Board should perform the annual audit of the Treasurer's books and records and require the Treasurer to submit a statement for revenues and expenditures.
8. Due to the lack of segregation of the Treasurer's duties, the Board should periodically review the Treasurer's records and reports to assess completeness, accuracy and timeliness.
9. The Board should engage an IPA to audit the District's financial and LOSAP records.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



# CIRCLEVILLE FIRE DISTRICT

2147 ROUTE 302 • CIRCLEVILLE, NEW YORK 10919



February 10, 2014

State of New York  
Office of the State Comptroller  
Newburgh Regional Office  
Tenneh Blamah, Chief Examiner  
33 Airport Center Drive, Suite 103  
New Windsor, New York 12553

Dear Ms. Blamah:

Thank you for your office's revised preliminary report which was received on January 22, 2014 and the same has been reviewed and discussed by the Board of Fire Commissioners, its Secretary and Treasurer following the exit conference with examiner-in-charge [REDACTED] on January 27, 2014.

We are grateful for the professionalism shown by the Comptroller's staff, particular [REDACTED]. Her suggestions and observations for our assuring continued awareness of taxpayer protection has been extremely valuable.

In particular, we are very appreciative of her confirmation that the audit found no indications of any fraud, theft or other possible misconduct by fire district officials in dealing with public funds.

Except as noted below we are in agreement with the audit's findings and have begun the process of implementing measures to improve the District's management and oversight of the District's fiscal affairs as outlined in your recommendations. We also welcome this opportunity to prepare and present our completed corrective action plan, which provides a detailed account of how we have used the audit findings and recommendations to positively improve operations and internal controls.

The Board of Fire Commissioners has carefully considered the Report of Examination as well as each of the recommendations, and believes it is in the best interest of both the Fire District and the taxpayers of the Fire District to combine its response with its Correction Action Plan. Additionally, the prior Treasurer has been replaced and the Fire District, following an extensive search, has appointed a new Treasurer with an extensive municipal financial background.

Accordingly, this audit response is also serving as the Correction Action Plan.

## **Audit Recommendation #1:**

*The Board should audit all claims and ensure that each claim includes an itemized invoice with enough detail to support the claim as an actual and necessary District expense.*



**Implementation Plan of Action:** The Board of Fire Commissioners has consulted with its legal counsel and has reviewed procedures for a thorough audit and approval of all claims prior to payment and has revised its procedures for audit and allowance of claims made against the Fire District consistent with the requirements of Town Law 176(4-a), where all claims will be audited and approved by the entire Board of Fire Commissioners prior to payment by the Treasurer. Additionally, the Fire District minutes of each meeting where claims are audited and payments by the Treasurer are ordered paid by the Board will fully recite the audit and order by the Board to ensure that such claims are proper and valid charges against the District with proper documentation. No payments will be permitted by the Treasurer without prior authorization by the Board of Fire Commissioners.

Additionally, the Board of Fire Commissioners in reviewing and preparing to implement a new Cash Receipts and Disbursements Policy which establishes, among other things, specific responsibilities of the Treasurer for the submission of required reports and records to the Board of Fire Commissioners in a timely and ongoing basis as part of the audit and payment process.

**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** The Board of Fire Commissioners and the Treasurer.

**Audit Recommendation #2:**

*The Board should ensure that the District credit card policy is enforced.*

**Implementation Plan of Action:** The Board will review its credit card policy with all designated users and enforce the requirements for proper documentation and receipts for all purchases. Each credit card purchase will be treated as a separate purchasing transaction and all documentation required for all other, non-credit card transactions will be followed for all credit card purchases.

Credit cards are issued only to district commissioners and the fire chiefs, who are officers of the Fire District (*see*, Town Law 175 subd. 7; Town Law 176 subd. 11-a and Town Law 176-a subd. 1). No fire company officer possesses or uses a Fire District credit card.

See  
Note 1  
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**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** The Board of Fire Commissioners and Treasurer.

**Audit Recommendation #3:**

*The Board should revise its travel policy to include limits on lodging and related expenses.*

**Implementation Plan of Action:** The Board of Fire Commissioners will assure that the Fire District's travel policy is utilized in all travel for Fire District business and within the requirements of the General Municipal Law and other pertinent laws.

**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** The Board of Fire Commissioners and the Treasurer.

**Audit Recommendation #4:**

*The Board should adopt an online banking policy and enter into a written agreement with its financial institution to establish controls over the use of online banking.*

**Implementation Plan of Action:** The Board of Fire Commissioners is evaluating the use of online banking, with the assistance of its new Treasurer and its legal counsel. Should online banking continue, it will be done only pursuant to policies and procedures adopted by the Board of Fire Commissioners and consistent with the requirements of the General Municipal Law and otherwise.

**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** Board of Fire Commissioners and the Treasurer, with the assistance of legal counsel.

**Audit Recommendation #5:**

*The Board should ensure that the Treasurer disburses funds using District checks, rather than electronic transfers, bank checks and web withdrawals.*

**Implementation Plan of Action:** As stated earlier, the Board of Fire Commissioners is in the process of adopting and implementing a new Cash Receipts and Disbursements Policy, which establishes, among other things, specific responsibilities of the Treasurer for the payment of all audited and approved claims and obligations by check, unless specifically authorized by the Board of Fire Commissioners by policy or otherwise. The Treasurer shall submit records of all payments submission of required reports and records to the Board of Fire Commissioners in a timely and ongoing basis. No payments of any type will be permitted by the Treasurer without prior authorization by the Board of Fire Commissioners.

**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** Board of Fire Commissioners and the Treasurer.

**Audit Recommendation #6:**

*The Board should require the Treasurer to prepare and submit the AUD to the State Comptroller and file a copy with the Town Clerk within 60 days of the close of each fiscal year.*

**Implementation Plan of Action**

The Board of Fire Commissioners will assure that the Treasurer will prepare and file the annual update report with the OSC and town clerk in a timely fashion. All past reports have been filed as of the date of this Corrective Action Plan.

Additionally, the Board Fire Commissioners and the Fire District's new Treasurer have met to review the Treasurer's duties as well as provide Board support and direction for the Treasurer's timely submission of all annual reports as required. The Board will require the Treasurer to regularly report

and submit financial records to the Board for review and audit in a timely and complete fashion. The Board of Fire Commissioners is in the process of adopting and implementing a new Cash Receipts and Disbursements Policy which establishes, among other things, specific responsibilities of the Treasurer for the submission of required reports and records to the Board of Fire Commissioners in a timely and ongoing basis.

**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** Treasurer and Board of Fire Commissioners.

**Audit Recommendation #7:**

*The Board should perform the annual audit of the Treasurer's books and records and require the Treasurer to submit a statement for revenues and expenditures.*

**Implementation Plan of Action:** As previously stated, the Board of Fire Commissioners is in the process of adopting and implementing a new Cash Receipts and Disbursements Policy which establishes Board audit and review of the Treasurer's books and records, as well as submitting the required statement of revenues and expenditures.

**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** Board of Fire Commissioners and Treasurer.

**Audit Recommendation #8:**

*Due to the lack of segregation of the Treasurer's duties, the Board should periodically review the Treasurer's records and reports to assess completeness, accuracy and timeliness.*

**Implementation Plan of Action:** The new Cash Receipts and Disbursements Policy establishes regular, periodic Board review of the Treasurer's records and reports to assess completeness, accuracy and timeliness of such.

**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** The Board of Fire Commissioners.

**Audit Recommendation #9:**

*The Board should engage an IPA to audit the District's financial and LOSAP records.*

**Implementation Plan of Action:** In addition to the other elements of this Corrective Action Plan, the Board of Fire Commissioners will conduct an annual independent audit of the Fire District consistent with the requirements of Town Law 181-a.

**Implementation Date:** Immediately and ongoing.

**Person Responsible for Implementation:** Board of Fire Commissioners.

Again, we wish to thank your team of examiners for their thorough examination of the Fire District's records and the time spent with District officials in explaining the audit process and their findings.

Very truly yours,

CIRCLEVILLE FIRE DISTRICT

By: \_\_\_\_\_  
James Brech, Chairman  
Board of Fire Commissioners

## **APPENDIX B**

### **OSC COMMENT ON THE DISTRICT'S RESPONSE**

Note 1

Receipts for 69 transactions totaling \$7,929 indicated that Company members were using one of the District's credit cards.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to assess the Board's oversight of the District's financial activities and to examine the internal controls over selected financial activities for the period of January 1, 2012 through August 18, 2013. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials to gain an understanding of the District's policies and procedures.
- We reviewed the minutes of the Board's proceedings to obtain an understanding of the District's policies and procedures.
- We reviewed the District's financial records and reports. We obtained and reviewed bank statements, canceled checks and claims packets. We tested the accuracy and validity of selected claims.
- We reviewed credit card statements and tested payments for credit card transactions.
- We obtained all available documentation pertaining to the District's trip to Baltimore and reviewed charges and compared those charges to established GSA rates.
- We reviewed bank statements and interfund transfers.
- We review annual update documents filed with the State Comptroller's Office.

We conducted this performance audit in accordance with GAGAS. 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.

## APPENDIX D

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