



Endwell Fire District Controls Over Financial Operations

Report of Examination

Period Covered:

January 1, 2012 — June 14, 2013

2013M-277



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 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 Commissioner's 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 Endwell Fire District, entitled Controls Over Financial Operations. 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

EXECUTIVE SUMMARY

The Endwell Fire District (District) is a district corporation of the State, distinct and separate from the Town of Union and the County of Broome in which it is located. The District provides fire protection services from three stations over an area of seven square miles and serves 12,000 residents. The District's 2013 budget appropriations were approximately \$896,700, funded primarily with real property taxes.

The Board of Fire Commissioners (Board), which consists of five elected members, governs the District. The Board appoints a Treasurer who acts as the District's chief fiscal officer and is responsible for the custody, deposit and disbursement of District money. The District employs an administrative assistant to perform day to day administrative functions and a payroll vendor to process payroll.

Scope and Objective

The objective of our audit was to evaluate the District's controls over financial operations for the period January 1, 2012 through June 14, 2013. We extended our review of certain budgetary practices back to January 1, 2008. Our audit addressed the following related questions:

- Did the Board ensure that disbursements were for proper District purposes?
- Did the Board properly manage the District's financial condition?

Audit Results

The Board did not ensure that all disbursements were for proper purposes. The Board did not audit and approve 63 disbursements prior to payment, totaling \$149,505. We reviewed 64 disbursements totaling \$110,090 that were approved by the Board and found discrepancies with 31 disbursements totaling \$24,808. Of this amount, \$5,883 was disbursed for items that were not appropriate District expenditures, such as clambake tickets, volunteer incentive gifts, meals and travel expenses for mutual aid. In addition, the payroll vendor has access to a District bank account with a significant amount of District cash. As a result, District assets are at an increased risk of being lost or misappropriated. Finally, while District officials did establish policies to safeguard the use of certain District vehicles, they did not implement such policies for District-owned computers. As a result, District computers were used for inappropriate purposes.

The Board did not properly manage the District's financial condition. We found deficiencies in the manner in which the Board budgeted for operations and capital purposes. Overall, there were variations

between actual expenditures and budgeted estimates during fiscal years 2008 through 2012. The District recognized surpluses in three years and deficits in two years. During the five years reviewed, these practices resulted in a net surplus of \$101,300, which ultimately increased the District's unexpended surplus fund balance.¹ In addition, the District only included an appropriation of \$185,000 for a projected \$278,000 capital project in the 2013 budget, which could result in an operating deficit. These practices did not provide the taxpayers with a clear picture of what their moneys were being used to fund. Moreover, there is no policy in place to evaluate how much fund balance should be retained for future operating or capital needs. Finally, we found that the District had no formal long-term capital plan. Without comprehensive long-term planning, the District risks prioritizing projects inappropriately and incurring more debt than is necessary.

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. District officials generally agreed with our recommendations and indicated they plan to initiate corrective action. Appendix B includes our comment on an issue District officials raised in their response.

¹ The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted and unrestricted (comprising committed, assigned and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011 and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term "unexpended surplus funds" to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54) and is now classified as unrestricted, less any amounts appropriated for the ensuing year's budget (after Statement 54).

Introduction

Background

The Endwell Fire District (District) is a district corporation of the State, distinct and separate from the Town of Union and the County of Broome in which it is located. The District provides fire protection services from three stations over an area of seven square miles and serves 12,000 residents. The District's 2013 budget appropriations were approximately \$896,700, funded primarily with real property taxes.

The Board of Fire Commissioners (Board) consists of five elected members, with one member being appointed as Chairman, and is responsible for the District's overall financial management. Those responsibilities include establishing appropriate internal controls and safeguarding District assets. The Board is also responsible for providing a thorough audit of each claim before approving it for payment.

The Board appoints a Treasurer who acts as the District's chief fiscal officer and is responsible for the custody, deposit and disbursement of District money. The Treasurer is also responsible for processing all of the District's claims for payment. The District also employs an administrative assistant whose duties include assisting the Treasurer in the processing of claims and acting as the system administrator of the District's computer network. The Secretary, who was appointed April 2013, performs a review of claims before District checks are disbursed. In addition, the District hired a payroll vendor to process payroll, including making direct deposits and remitting the related withholdings.

Objective

The objective of our audit was to evaluate the District's internal controls over financial operations. Our audit addressed the following related questions:

- Did the Board ensure that disbursements were for proper District purposes?
- Did the Board properly manage the District's financial condition?

Scope and Methodology

We examined the Board's oversight over financial operations and information technology (IT) for the period January 1, 2012 through June 14, 2013. We extended our audit scope back to January 1, 2008 for budget analysis purposes. Our audit disclosed areas in need of improvement concerning IT controls. Because of the sensitivity of

this information, certain vulnerabilities are not discussed in this report but have been communicated to District officials so they could take corrective action.

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. District officials generally agreed with our recommendations and indicated they plan to initiate corrective action. Appendix B includes our comment on an issue District officials raised in their response.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. 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. We encourage the District to make this plan available for public review in the Treasurer/Secretary's office.

Disbursements

The Board is responsible for managing and overseeing the District's overall fiscal affairs and safeguarding its resources. To fulfill this duty, the Board is required to audit all claims prior to their payment, including verifying that the claims contain sufficient documentation and are for allowable District expenditures. The Board should also ensure that only District officials have access to the District's bank accounts. Finally, the Board must safeguard District assets and inventories, such as computers and vehicles, by establishing policies that govern their use.

The Board did not ensure that all disbursements were for proper purposes. The Board did not audit and approve 63 disbursements prior to payment, totaling \$149,505. We reviewed 64 disbursements totaling \$110,090 that were approved by the Board and found discrepancies with 31 disbursements totaling \$24,808. Of this amount, \$5,883 was disbursed for items that were not appropriate District expenditures, such as clambake tickets, volunteer incentive gifts, meals and travel expenses for mutual aid. In addition, the payroll vendor has access to a District bank account with a significant amount of District cash. As a result, District assets are at an increased risk of being lost or misappropriated. Finally, while District officials did establish policies to safeguard the use of certain District vehicles, they did not implement such policies for District-owned computers. As a result, District computers were used for inappropriate purposes.

Claims Approval

The audit and approval of claims is one of the most critical ways for the Board to ensure all disbursements are for proper District purposes. Town Law requires the Board to audit and approve all claims against the District prior to directing the Treasurer to pay them.² It is essential for each Board member to conduct a thorough review of each claim with the supporting documentation to determine whether each claim is itemized, includes a receipt for the goods or services purchased and includes confirmation of receipt. Board approval should be formally documented and include detailed entries in the minutes of the Board proceedings.

The Board did not perform a proper audit of claims or ensure that all disbursements were approved prior to payment. The administrative assistant and Treasurer (who are husband and wife) are responsible

² The one exception to this is that the Board may, by resolution, authorize payment in advance of audit for claims related to light, telephone, postage, freight and express charges. However, claims for such prepayments must be presented at the next regular Board meeting for audit.

for all disbursement functions; no one adequately reviews their work to ensure that they are disbursing District funds for appropriate purposes. Instead of reviewing and approving each claim, the Board simply reviewed and approved a listing of the claims to be paid. Although the current Secretary reviewed the individual claims, he was performing this review after the Board meetings. Further, he has only been in that position since April 2013. Additionally, he was not reviewing the claims in detail, such as verifying that the goods or services were received or that sales tax was not charged.

We found 63 disbursements totaling \$149,505 were not on the Board-approved listing. These disbursements were for a variety of items that the District had accrued as accounts payable at year end in 2011 and 2012. These items included a new vehicle for the Fire Chief, Fire Department supplies, parts, fuel, equipment and gear, as well as the District's legal and accounting fees, building expenses and computers. While these disbursements appeared to be for valid District purposes, when disbursements are made without first being approved by the Board, the risk is increased that District funds could be disbursed for inappropriate purposes.

We also reviewed 64 disbursements totaling \$110,090 that were approved by the Board and found discrepancies with 31 disbursements totaling \$24,808, as indicated below. Some disbursements contained more than one discrepancy.

- Fourteen disbursements totaling \$5,883 were not appropriate District expenditures. These payments included clambake tickets, volunteer incentive gifts, meals and travel expenses for mutual aid. District officials informed us that they did not know these expenditures were not allowable.
- Seven disbursements totaling almost \$14,478 were paid prior to Board approval.
- Fourteen disbursements totaling \$6,933 did not contain sufficient documentation of the receipt of the good or service.
- Three disbursements totaling \$1,930 included \$143 in charges for sales tax.

District officials informed us that they were not aware that Town Law requires the audit and approval of all claims prior to payment, and that such an audit should include verifying that claims contain sufficient documentation to determine the nature of the service and that sales tax has not been charged.

Without basic oversight of the disbursements process, payments could be made for non-District purposes and not be detected timely, if at all.

Payroll Vendor

District officials may engage a private contractor to perform certain functions in connection with payroll preparation. However, the Board should also ensure that non-District officials do not have direct access to the District's bank accounts because this is in conflict with the law and produces unnecessary risk of loss of funds.

The Board has improperly authorized the payroll vendor to access the District's general checking account to withdraw funds to process the District's payroll, including the funds to make payroll tax deposits. During the audit period, the payroll vendor withdrew approximately \$72,400 from this bank account, which had an average monthly balance of \$47,400 during the audit period. We tested four payroll withdrawals totaling \$8,300 and determined that the amounts withdrawn were proper. However, we found that, during the audit period, the payroll vendor erroneously withdrew \$2,400 from the District's bank account for another business. The payroll vendor replaced the funds after the error was discovered, but it was almost one month later. Because the District did not verify that the payroll vendor was making timely and accurate payroll tax deposits, we tested two of the quarterly payroll reporting periods and found no exceptions.

District officials told us that they were not aware that the Board cannot provide access to bank accounts to non-District officials. In addition, they had not considered that they should be verifying that the vendor was making proper payroll tax payments.

Allowing a vendor to have direct access to the District's bank account removes any ability to prevent errors or irregularities from occurring. Further, because the payroll vendor does not have bonding insurance, District funds are susceptible to loss without recovery.

Use of District Assets

The Board should also ensure that, after disbursements have been approved and made, District assets are used for appropriate purposes. As such, the District should have a policy in place outlining acceptable use of District assets, such as vehicles and computers. An adequate acceptable use policy defines the Board's goals for the acceptable use of District assets and includes provisions for enforcement of the policy. The computer use policy should define acceptable use of email accounts and internet access. It also should address the installation of software on District computers and include a monitoring system to detect any misuse.

While the Board did ensure that vehicles were used for proper purposes, it did not verify the same for computers. The Board implemented a vehicle use policy and monitors compliance with it on a monthly basis, to ensure that District vehicles provided to fire company officials are used properly. However, District officials do not ensure that the computers are used for appropriate District purposes. The District purchased computers for the fire company volunteers' and District employees' use. During our audit period, the District had approximately 20 computers on its network. We examined five District-owned computers, some of which had multiple users, and found a total of 99 inappropriate or sexually-suggestive images located within the computers' temporary internet files. Of the 99 total images found, 28 contained nudity. Furthermore, because the inappropriate files were found within the temporary internet files, the District's computers appear to have been used to visit inappropriate websites. We attempted to review Internet use but the entire history had been deleted; therefore, we were unable to complete this procedure.

Inappropriate use of the District's computers occurred because the Board has not adopted an adequate computer usage policy, and it is not actively monitoring usage. The District's current policy is limited to the use of information such as pictures and video obtained while on District business and does not detail any prohibitions to the actual use of District computers. Instead, to limit inappropriate computer use, District officials are relying solely on installed internet filtering software and are not monitoring computer use to evaluate if the software is effective.

Without adequate Board oversight, assets could be misused or misplaced without detection. The inappropriate use of the District's computers has exposed them to risks such as viruses or malicious software infections which could compromise the system's security. This could result in a loss of taxpayer money.

Recommendations

1. The Board should ensure that all expenditures are for allowable purposes and audit all claims prior to payment.
2. The Board should ensure that only the Treasurer has access to District bank accounts.
3. The Board should create an acceptable use policy that establishes appropriate and acceptable practices regarding the use of computer resources and establish procedures to monitor and enforce the policy.

Financial Condition

It is the responsibility of the Board and District officials to promote fiscal stability by adopting realistic budgets, routinely monitoring financial operations and planning for the future by setting adequate long-term priorities and goals. The District should have a plan to evaluate what is a reasonable level of available fund balance to be retained as a cushion for unforeseen financial circumstances. That plan should assess what is reasonable after considering such factors such as timing of receipts and disbursements, volatility of revenue and expenditures and contingency appropriations. Doing so will provide transparency to the taxpayers. In addition, the Board should establish a plan for capital additions so that officials and others can effectively project the use of available fund balance, debt service and reserves.

The Board did not properly manage the District's financial condition. We found deficiencies in the manner in which the Board budgeted for operations and capital purposes. Overall, there were variations between actual expenditures and budgeted estimates during fiscal years 2008 through 2012. The District recognized surpluses in three years and deficits in two years. During the five years reviewed, these practices resulted in a net surplus of \$101,300, which ultimately increased the District's unexpended surplus fund balance.³ In addition, the District only included a \$185,000 appropriation for a projected \$278,000 capital project in the 2013 budget, which could result in an operating deficit. These practices did not provide the taxpayers with a clear picture of what their moneys were being used to fund. Moreover, there is no policy in place to evaluate how much fund balance should be retained for future operating or capital needs. Finally, we found that the District had no formal long-term capital plan. Without comprehensive long-term planning, the District risks prioritizing projects inappropriately and incurring more debt than is necessary.

³ The Governmental Accounting Standards Board (GASB) issued Statement 54, which replaces the fund balance classifications of reserved and unreserved with new classifications: nonspendable, restricted and unrestricted (comprising committed, assigned and unassigned funds). The requirements of Statement 54 are effective for fiscal years ending June 30, 2011 and beyond. To ease comparability between fiscal years ending before and after the implementation of Statement 54, we will use the term "unexpended surplus funds" to refer to that portion of fund balance that was classified as unreserved, unappropriated (prior to Statement 54) and is now classified as unrestricted, less any amounts appropriated for the ensuing year's budget (after Statement 54).

Budgeting – The Board did not base operating budgets on expected results but instead used estimates that consistently over-estimated some expenditures and under-estimated others. Our analysis of budget line item accounts that had significant budget to actual variances for the fiscal year ended December 31, 2012 is included in Table 1.

Fiscal Year Ended December 31, 2012	Original Budgeted Appropriations	Actual Expenditures	Variance
Over-Estimated Expenditures ^a	\$118,500	\$50,864	\$67,636
Under-Estimated Expenditures ^a	\$181,800	\$357,992	(\$176,192)
Totals	\$300,300	\$408,856	(\$108,556)

^a We defined significant variances as accounts with original budget to actual variances that were greater than \$1,000 and 10 percent, and were considered consistent if the budget line had significant variances for three years out of the five years tested (fiscal years 2008-2012).

For example, six accounts – gas, electric, building improvements, equipment purchases, telephone and alarm system removal – were under-expended. Additionally, seven line item accounts were over-expended: capital improvements, professional fees, fire company equipment purchases, equipment parts, apparatus parts, supplies and diesel fuel.

Overall, the variations between actual expenditures and budgeted estimates resulted in fluctuations in operating results, with surpluses recognized in three years and deficits in two years. As illustrated in Table 2, for fiscal years 2008 through 2012, the District recognized a net surplus of \$101,300, which ultimately increased its unexpended surplus fund balance. District officials told us that roughly half of the surplus was a result of unexpended costs in 2009 for a new training center, as the project was canceled when the land to be donated for the site was no longer available.

	2008	2009	2010	2011	2012	Total
Revenues	\$822,846	\$823,338	\$916,825	\$876,726	\$904,342	\$4,344,077
Expenditures	\$836,125	\$704,016	\$898,461	\$837,628	\$966,565	\$4,242,795
Operating Surplus/(Deficit)	(\$13,279)	\$119,322	\$18,364	\$39,098	(\$62,223)	\$101,282

Furthermore, the District’s 2013 budget did not include the full amount of estimated capital expenses, which could create an operating deficit. The District was expecting to spend \$278,000 on a planned capital improvement, but included an appropriation for only \$185,000 of this cost in the 2013 budget. Had District officials included the

full amount in the budget for this capital project, they would have reported a clearer picture of the District’s finances to the taxpayers.

District officials’ failure to properly budget could negatively impact the District’s financial health.

Fund Balance – The Board has not adopted plans to determine reasonable levels of unexpended surplus funds to be maintained. For fiscal years ending 2008 through 2012, unexpended surplus funds ranged from 29 to 48 percent of the succeeding year’s budgeted appropriations, as indicated in Table 3.

Table 3: General Fund Unexpended Surplus Funds					
	2008	2009	2010	2011	2012
Year End Unexpended Surplus Funds	\$239,936	\$359,258	\$377,785	\$416,883	\$354,042
Succeeding Year's Budgeted Appropriations	\$826,330	\$840,213	\$860,213	\$874,005	\$896,725
Percentage	29%	43%	44%	48%	39%

District officials indicated that they are planning to use some of the unexpended surplus funds for capital expenditures in 2013 but, as discussed above, did not fully budget for those estimated costs or for the planned use of fund balance.

Without a policy in place to evaluate how much fund balance should be retained by the District for long-term operating and planned capital needs, District officials cannot determine what amount is available to use for spending.

Capital Plan – The Board has not adopted a formal long-term capital plan, but Board members told us that they are in the process of developing a plan. Currently, District officials simply look at when current debt service will mature and try to plan purchases when one debt is retired and funds will be available. While the consideration of available resources is part of any long-term capital plan, the emphasis on the funding aspect does not consider all aspects of capital needs and, therefore, may not provide the best criteria for planning for capital acquisitions.

Without comprehensive long-term planning, the District risks prioritizing projects inappropriately and incurring more debt than is necessary.

Recommendations

4. The Board and District officials should develop budgets based on realistic estimates of appropriations and monitor financial activity to ensure that operations stay within the budget.
5. In conjunction with realistic budgeting practices, the Board should develop a plan to reduce the amount of unexpended surplus funds in a manner that benefits District taxpayers. Such uses could include, but are not limited to:
 - Using surplus as a financing source,
 - Funding reserves to finance future capital needs,
 - Paying off debt and
 - Funding one-time expenditures.
6. The Board should adopt a long-term capital plan to address the acquisition and replacement of capital assets. This plan should include guidelines for the use of fund balance, establishment of reserves and identification of long-term borrowing needs.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



ENDWELL FIRE DISTRICT

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EMERGENCIES 911

December 31, 2013

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Mr. Eames:

Please find our response below to the draft audit report prepared for the Endwell Fire District. In general, we found the audit informative and helpful. We always welcome opportunity to improve our control over fiscal operations. We have not hesitated to seek guidance as needed and have done so many times in the past from the Office of the State Comptroller when we have been unsure about proper procedure. We will continue to do this as needed.

In regards to the present audit, the Board of Fire Commissioners appreciates the input given to us within the audit to strengthen our fiscal control and reporting. As a whole we appreciate the suggested recommendations in the report. Outlined below is a brief response to each of the report recommendations and our current status related to each item.

1. ***The Board should ensure that all expenditures are for allowable purposes and audit all claims prior to payment.*** We are currently reviewing the definition for allowable expenditures and will be setting guidelines to minimize inappropriate disbursements in the future. We have already put in process additional review of claims prior to payment.
2. ***The Board should ensure that only the Treasurer has access to District bank accounts.*** We agree with the audit findings and are currently taking steps to rectify this situation.
3. ***The Board should create an acceptable use policy that establishes and appropriate and acceptable practices regarding the use of computer resources, and establish procedures to monitor and enforce the policy.*** We agree that a stronger policy is needed and are working to adopt it, along with stronger controls in conjunction with our IT vendor.

4. ***The Board and District officials should develop budgets based on realistic estimates of appropriates and monitor financial activity to ensure that operations stay within the budget.*** In the 2013 year budget we had already addressed most of the recommendations from this audit period and used recommendations to prepare our 2014 budget. We will further implement the use of your auditor's recommendations in preparing future budgets.
5. ***In conjunction with realistic budgeting practices, the Board should develop a plan to reduce the amount of unexpended surplus funds in a manner that benefits District taxpayers. Such uses could include, but are not limited to:***
- ***Using surplus as a financing source***
 - ***Funding reserves to finance future capital needs***
 - ***Paying off debt***
 - ***Funding one-time expenditures.***

In the five-year period from 2008-2012 our records show we had an average of 2.39% surplus funds per year. There were reasons shared with the auditors for some of the individual year variances. But overall we feel that we have had a plan to manage these funds. We will agree with the audit to better clarify reasons for surplus and deficit each year. We will begin documenting in budgets unappropriated funds planned for coming year budget and document reasons for surplus funds at the end of each fiscal year.

See
Note 1
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6. ***The Board should adopt a long-term capital plan to address the acquisition and replacement of capital assets. This plan should include guidelines for the use of fund balance, establishment of reserves and long-term borrowing needs.*** We agree that a strong long-term plan is necessary. We have had a plan in place for major projects and apparatus replacement which we will be expanding and updating for better budgeting. We will also begin including equipment and firefighting gear which has a regulated term-of-life replacement as well as major expenditures for facilities maintenance and repair.

In closing, we appreciate the suggestions shared with us in the preliminary report and will be using them to strengthen our fiscal operations.

Sincerely,

Francis J. Pandich
Chairman, Board of Fire Commissioners

APPENDIX B

OSC COMMENT ON THE DISTRICT'S RESPONSE

Note 1

District officials' reference to the 2.39 percent average of surplus funds is a comparison of each year's operating surplus to its total expenditures for the five-year period ended December 31, 2012. In Table 3 of our report, we compared the available unexpended surplus funds (an accumulation of historical operational surpluses and deficits) to each subsequent fiscal year's planned expenditures for the same period. We found that the District maintained available unexpended surplus funds between 29 and 48 percent of planned expenditures. These funds could have been used to finance operations, thereby reducing the need to increase real property taxes.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

We assessed the Board's oversight of the District's financial operations for the period January 1, 2012 through June 14, 2013. We extended our audit scope back to January 1, 2008 for budget analyses purposes. To accomplish our audit objective and obtain valid and relevant audit evidence, we performed the following procedures:

- We reviewed Board minutes and the District's policy manual, and we interviewed District officials to obtain an understanding of the District's policies, procedures and other practices relating to disbursements including payroll, information technology systems and financial condition.
- We evaluated what expenditures the District can make on behalf of the fire company serving the District by reviewing Town Law in respect to fire districts.
- We sampled 38 checks from the general checking account from August 2012 and May 2013 totaling \$80,200 to verify that supporting documentation was available, the expenditures were allowable and the payments had been approved by the Board.
- We scanned check images for all bank accounts for all months in our audit period for checks made to District officials, and for travel, event tickets and other expenditures not typical of a fire district. We reviewed a sample of 26 of these checks totaling \$29,900 to verify that there was supporting documentation available, the expenditure was allowable and the payment had been approved by the Board.
- We selected all nine transfers and withdrawals totaling \$127,900 from District bank statements for March 2013 and August 2012 to verify the withdrawals and transfers were for District purposes. We randomly selected one month from each fiscal year of the audit period for testing.
- We verified that the payroll vendor used by the District was making payroll tax deposits timely and for the proper amounts by obtaining confirmation of tax payments from the tax authorities for two quarters of six tax deposits totaling \$6,500.
- We reviewed the District's vehicle use policy and monthly vehicle use reports and viewed odometer readings for two District vehicles to evaluate if the mileage reported on the monthly vehicle use reports was reasonable.
- We observed five of the District computers' temporary internet files, cookies and internet histories to determine whether the computers have been used for non-District purposes.
- We compared the adopted 2008 to 2012 original budgets for the general fund to actual expenditures and identified accounts with significant budget-to-actual variances. We made inquiries of District officials as to the cause of those variances.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D

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