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April 4, 2014

John Lockwood, Chairman  
Members of the Board of Fire Commissioners  
Humphrey Fire District  
P.O. Box 2  
Great Valley, NY 14741

Report Number: 2014M-37

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

The Office of the State Comptroller (OSC) works to identify areas where fire district officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage fire district officials to reduce costs, improve service delivery and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Humphrey Fire District (District) which addressed the following question:

- Are District controls adequate to ensure that financial activity is properly recorded and reported and that District funds are safeguarded?

We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials agreed with our recommendations and indicated they will take corrective action.

### **Background and Methodology**

The Humphrey Fire District is a district corporation of the State, distinct and separate from the Town of Humphrey and located in Cattaraugus County. The District's general fund budget totaled \$78,248 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. An appointed Treasurer acts as the District's chief fiscal officer, responsible for receiving and maintaining custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and meeting any other reporting requirements.

We examined the internal controls over the District's financial operations for the period of January 1, 2013 through January 14, 2014. We interviewed 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.

The Treasurer must maintain complete, accurate and timely records to properly account for all District financial activities. The Treasurer should also 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 OSC 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. In the absence of an external audit,<sup>1</sup> the Board should provide oversight by conducting an annual audit of the Treasurer's financial records. Further, the Board is responsible for performing a thorough audit of claims before they are paid to ensure that District funds are used for only legitimate District expenditures.

We found that the Treasurer maintained appropriate financial records and the Board generally provided adequate oversight of District financial activities. The Treasurer performed monthly bank reconciliations and submitted monthly financial reports to the Board. However, the Treasurer did not submit an annual report of financial activity to the Board and has not filed the required annual financial report with OSC since 2008.

Although the Board does not audit the Treasurer's financial records annually, it reviews her records monthly. At monthly Board meetings, the Treasurer provides the Board with bank reconciliations, bank statements, canceled check images, a report of cash receipts and disbursements and a budget report comparing actual expenditures to budget appropriations. Additionally, the Board reviews and approves all claims prior to payment.

We reviewed all 165 cash disbursements, totaling \$111,022,<sup>2</sup> that were made during the period January 1, 2013 through January 14, 2014. Financial activity was properly recorded and

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<sup>1</sup> Town Law requires fire districts with annual revenues of \$300,000 or more to obtain an annual audit by an independent certified public accountant or an independent public accountant. Since the District's revenues did not exceed this threshold, an annual audit was not required.

<sup>2</sup> Of the 165 disbursements reviewed, 16 disbursements totaling approximately \$31,500 were not budgeted as 2013 expenditures. Our review included 15 disbursements paid in January 2014 from 2014 budget appropriations. Additionally, in March of 2013, the adopted budget was modified by the Board when the District purchased a fire truck for approximately \$28,000 using capital reserve funds.

disbursements appeared to be for legitimate District purposes. We also found that bills paid during this period were supported by adequate documentation such as original invoices or receipts.

We discussed various minor deficiencies with District officials during our fieldwork.

### **Recommendations**

1. The Board should ensure that the Treasurer completes and files the delinquent annual financial reports for the 2008 through 2013 fiscal years with OSC.
2. The Treasurer should submit an annual report of financial activity to the Board.
3. The Board should conduct an annual audit of the Treasurer's financial records.

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.

We thank the officials and staff of the Humphrey 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.



**Board of Fire Commissioners**  
Town of Humphrey Fire District  
P.O. Box 2, Great Valley, NY 14741  
716-945-5123

March 27, 2014

Office of the State Comptroller  
State of New York  
110 State Street  
Albany, New York 12236

As a result of the State Comptroller's findings in the audit of the Town of Humphrey Fire District and pursuant to Section 181-B of the Town Law, the Board of Fire Commissioners will take responsibility to initiate a corrective action plan that addresses all three of the State Comptroller's recommendations.

Sincerely,

John Lockwood  
Chairman  
Board of Fire Commissioners  
Town of Humphrey Fire District