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December 19, 2014

Bruce Ball, Chairman
Members of the Board of Fire Commissioners
New Woodstock Fire District
2436 Mill Street
New Woodstock, NY 13122

Report Number: 2014M-263

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

The Office of the State Comptroller 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 New Woodstock 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 moneys 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 generally 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 Towns of Cazenovia and DeRuyter, and is located in Madison County. The District's general fund budget totaled approximately \$129,000 for the 2014 fiscal year.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. The Board appoints a Secretary-Treasurer who acts as the District's chief fiscal officer. The Secretary-Treasurer is responsible for the receipt and custody of District funds, for disbursing and accounting for those funds, for preparing annual financial reports and for meeting any other reporting requirements.

We examined the internal controls over the District's financial operations for the period January 1, 2013 through July 31, 2014. We extended our review back to 2010 for the filing of annual financial reports. 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 help 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 Board is also responsible for ensuring that District funds are used for legitimate District expenditures and for auditing all claims to ensure they contain adequate support prior to approval by the Board.

The Secretary-Treasurer must maintain complete, accurate and timely records to properly account for all of the District's financial activities. The Secretary-Treasurer should perform monthly bank reconciliations and prepare and submit periodic financial reports to the Board. In addition, the Secretary-Treasurer is required to prepare and submit an annual financial report of the District's financial condition to the Office of the State Comptroller (OSC) within 60 days after the close of the fiscal year. These reports are important fiscal tools which provide the Board with necessary information to monitor District operations and provide other interested parties with a summary of the District's financial activities. In addition, the Secretary-Treasurer is required to submit all District financial records and reports to the Board on an annual basis. The Board should audit¹ the records and reports to help verify that cash has been accounted for and that transactions have been properly recorded.

We found that the Secretary-Treasurer maintained adequate financial records and the Board generally provided adequate oversight of District financial activities. The Secretary-Treasurer performed monthly bank reconciliations and submitted periodic financial reports to the Board. However, the Secretary-Treasurer has not filed an annual financial report with OSC for the last four years (2010-2013). While it is the Secretary-Treasurer's responsibility to file the annual financial report with OSC, the Board should monitor the performance of this duty to help ensure it is performed in a timely manner. In addition, the Board did not conduct an annual audit of the Secretary-Treasurer's records for the 2013 fiscal year.

We scanned the bank statements and canceled check images during our audit period² for any unusual or questionable payments and selected 63 disbursements totaling \$475,735 to determine if they were legitimate District expenditures. With the exception of one \$700 payment to the fire chief, we found that all disbursements contained adequate support and appeared to be legitimate

¹ The Board should document the results of this audit in the Board minutes.

² The Secretary-Treasurer made 242 disbursements totaling \$512,300 during our audit period.

District expenditures. District officials told us that the \$700 payment was an annual stipend³ the District pays to the fire chief for reimbursement for mileage incurred while responding to fires and attending meetings and seminars using his personal vehicle. While the District may reimburse the fire chief a reasonable mileage allowance for the use of his personal vehicle for each mile actually and necessarily traveled by him in executing the duties of his position, there is no authority for the District to provide the chief with a lump sum stipend for the use of his personal vehicle.

We verbally discussed other minor deficiencies with District officials during the conduct of our fieldwork.

Recommendations

The Board should:

1. Ensure that the Secretary-Treasurer files the District's annual financial report with OSC in a timely manner.
2. Conduct an audit the Secretary-Treasurer's records annually and document the results of this audit in the Board minutes.
3. Require the fire chief to submit itemized claims for mileage reimbursement instead of providing the fire chief with a \$700 lump sum annual stipend for mileage incurred for the use of his own personal vehicle.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of the New York State 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-Treasurer's office.

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

Sincerely,

Gabriel F. Deyo

³ The 2013 annual budget shows the District included a line item for this amount.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



NEW WOODSTOCK FIRE DISTRICT

PO BOX 178 NEW WOODSTOCK, NY 13122



Gabriel F. Deyo
Deputy Comptroller
Division of Local Government and
School Accountability
110 State Street
Albany, NY 12236

November 24, 2014

Re: New Woodstock Fire District
Audit Report 2014M-263

Dear Mr. Deyo;

This letter is to confirm that the Board of Commissioners of the New Woodstock Fire District has received the above referenced draft audit report and has accepted the findings. We ask that you consider this our written response to the draft report and corrective action plan for the final audit report. The Board considers the audit to have met its stated objective of identifying areas that need improvement. As Commissioners, we welcome any opportunity to further improve our operations and oversight for the benefit of the taxpayer.

Corrective Action for Recommendation 1. The Board shall ensure that the Secretary-Treasurer files the District's annual financial report with OSC in a timely manner. This will become an annual agenda item until completed. (Note: The Secretary-Treasurer has contacted OSC for assistance with the software.)

Corrective Action for Recommendation 2. The Board shall conduct an official annual audit of the Secretary-Treasurer's records and document the result in the Board minutes. We will continue our practice of monthly bank statement reviews and comparisons to balance sheets and other financial records.

Corrective Action for Recommendation 3. The Board shall discontinue effective December 31, 2014 the practice of paying a lump sum annual stipend to reimburse the Fire Chief for the use of his personal vehicle, and will instead require a regular and timely submission of itemized claims for mileage reimbursement.

The Board thanks the Office of the State Comptroller for these and other valuable suggestions and comments offered during the audit, all of which have been or are in the process of being implemented.

Respectfully submitted,

Bruce W. Ball
Chairman, Board of Commissioners
New Woodstock Fire District