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October 3, 2014

Robert Patterson, Chairperson
Members of the Board of Fire Commissioners
Plymouth Fire District
3461 State Highway 23
South Plymouth, New York 13844

Report Number: 2014M-211

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

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

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

- Did the Board of Fire Commissioners (Board) provide adequate oversight of the financial activity to safeguard District money?

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 Town of Plymouth, and is located in Chenango County. The District's general fund budget totaled \$145,078 for the 2014 fiscal year.

The Board consists of five members, including the Chairman, and is responsible for the District's overall financial management. The Board appoints a Treasurer who acts as the District's chief fiscal officer. The Treasurer is 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.

The Chairman of the Board requested an audit of the District after fraudulent activity was discovered at the associated Plymouth Fire Department. We examined the internal controls over the District's financial operations for the period January 1, 2013 through June 16, 2014. We interviewed appropriate District officials and reviewed financial records and Board minutes. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Audit Results

The Board is responsible for overseeing the District's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Board adopt a code of ethics and purchasing and investment policies as required by statute and policies on key financial areas, such as budgeting, credit card usage, cash receipts, cash disbursements and reporting. It is also important for the Treasurer to prepare and submit detailed monthly reports and supporting documentation, such as bank reconciliations and canceled check images, to the Board to monitor District operations.

In the absence of an external audit, the Board should provide oversight of the Treasurer by conducting an annual audit of the financial records. The Board should also perform a thorough audit of claims before they are paid and compare canceled check images to approved abstracts to ensure that District funds are used for only legitimate District expenditures. The Board may, by resolution, authorize payment in advance of audit of claims for public utility services, postage, freight and express charges. Such claims must be presented for audit at the next Board meeting.

We found that the Board generally provides adequate oversight of the District's financial activities but should make certain improvements. The Board has adopted a code of ethics and purchasing and investment policies as required by statute and policies on key financial areas, such as budgeting, credit card usage, disbursements and reporting. However, the Board does not have any policies or procedures for cash receipts. As a result, District officials did not maintain detailed cash receipts records, including the amounts and dates received, who received the money and the source.

Additionally, the Treasurer prepared monthly bank reconciliations and submitted detailed monthly reports and abstracts of claims for payment. However, the Board did not review the bank reconciliations or bank statements on a monthly basis; moreover, the Board did not compare canceled check images to approved abstracts to ensure that District funds were used only for legitimate District expenditures. Instead, the Chairman and the Board reviewed these records every three months, which would not detect errors or irregularities in a timely manner. Furthermore, the Board did not conduct an annual audit of the Treasurer's records.

Lastly, the Board audits and approves claims for payment at its monthly meetings. However, it does not meet in August and, therefore, the Treasurer and the Chairman process and pay all of August's claims prior to the Board's audit even though not all of these claims are the type that are statutorily authorized for payment in advance of audit. For August 2013, there were 10 claims

totaling \$3,205 that were inappropriately paid in advance of audit. Although they were paid in August, the Board did review and approve them at its September 2013 meeting. All of the claims paid were for legitimate District expenditures.

Due to the various weaknesses noted previously, we reviewed all revenue sources during our audit period totaling \$294,661 to determine if they were properly recorded and deposited and found two hall rental receipts that were mentioned in the Board minutes totaling \$200 that were not recorded or deposited. We discussed these deficiencies with District officials; they were aware of these discrepancies and were instituting new procedures to prevent this from happening in the future. We also reviewed 39 additional disbursements¹ totaling \$8,591, besides the 10 claims from August 2013 discussed previously, to determine if they were approved, properly recorded and for legitimate District purposes and found no deficiencies. Although we did not find any material discrepancies, there is a risk that errors and irregularities could occur and not be detected or corrected in a timely manner.

Recommendations

The Board should:

1. Adopt a cash receipts policy that details how cash receipts should be recorded, including the amounts and dates received, who received the money and the source.
2. Review bank reconciliations and bank statements monthly and compare canceled check images to approved monthly abstracts.
3. Conduct an annual audit of the Treasurer's records.
4. Audit and approve all claims prior to payment except those that are statutorily authorized for payment in advance of audit.

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's office.

¹ We reviewed all 12 disbursements payable to the Chairman, Vice-Chairman, Treasurer and Secretary totaling \$1,270. We also reviewed all four credit card disbursements totaling \$358, all four disbursements payable to the Plymouth Fire Department totaling \$1,658 and the remaining 19 disbursements in the months of December 2013 and May 2014 (excluding the disbursements listed above) totaling \$5,305.

We thank the officials of the Plymouth 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.



Plymouth Fire District

PO Box 13
South Plymouth, NY 13844



Mr. Todd Eames
Chief Examiner
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Suite 1702
44 Hawley Street
Binghamton, N.Y. 13901-4417

September 19, 2014

Report Number: 2014M-211

Dear Mr. Deyo,

The members of the Board of Fire Commissioners of the Plymouth Fire District have reviewed the Draft Letter Report, its findings, and recommendations as prepared by your office. The Board appreciates the professional manner in which the audit was conducted.

The Examiners were not only thorough but informative and helpful providing answers to our questions and supportive publications to guide us.

The Board agrees with the audit results and recommendations. Please consider this letter as our Written Audit Response.

On behalf of the Board of Fire Commissioners of the Plymouth Fire District thank you for your review of our operations and guidance for improved service.

Sincerely,

Robert I. Patterson
Chairman
Board of Fire Commissioners
Plymouth Fire District
3461 State Hwy 23
South Plymouth, N.Y. 13844