



THOMAS P. DINAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

March 21, 2014

Louis Burke, Chairman
Members of the Board of Fire Commissioners
Raquette Lake Fire District No.3
Post Office Box 181
Raquette Lake, NY 13436

Report Number: 2013M-379

Dear Mr. Burke 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 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 Raquette Lake Fire District No. 3 (District), which addressed the following question:

- Did the District establish adequate controls to ensure that financial activity is properly recorded and reported and to safeguard District moneys?

We discussed the findings and recommendation 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 Arietta and Long Lake, in Hamilton County. The District's budget for the 2013 fiscal year was \$89,040.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. The appointed Secretary/Treasurer (Treasurer) acts as the District's chief fiscal officer. The Treasurer is responsible for the receipt and custody

of District funds, for distributing and accounting for those funds, for preparing monthly and annual financial reports and for meeting any other requirements.

We examined the internal controls over the District's financial activities for the period of January 1, 2012 through September 30, 2013. We interviewed appropriate 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 financial activities and safeguarding its assets and resources. The Treasurer must maintain complete, accurate and timely records to account for all of the District's financial activities properly and should prepare and submit monthly reports to the Board. The monthly report should be accompanied by a bank reconciliation which reconciles the amount of cash on the bank statement to the amount of cash reported on the monthly report and recorded in the checkbook register. This allows the Board to ensure that the monthly financial reports accurately reflect the amount of moneys the District has available. The Treasurer is also required to prepare and submit an annual financial report of the District's financial condition to the Office of the State Comptroller 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. Town Law requires the Board to perform a thorough audit of claims before they are paid and to ensure that District funds are used only for legitimate District expenditures. The Board is also required to conduct an annual audit of the Treasurer's records.

A monthly Treasurer's report is submitted to the Board that includes monthly payments, as well as the year-to-date expenditures and a report which compares the budgeted expenditures by individual budget line item to the total amounts spent from each line item to date. However, the monthly reports to the Board are not accompanied by bank statements or bank reconciliations, which prevents the Board from knowing the amount of cash on hand and whether the bank balance reconciles to the cash balance per the records maintained by the Treasurer.

The Treasurer maintains a manual checkbook register as well as a computer spreadsheet program to prepare the reports for the Board. The Treasurer did not maintain complete records because she did not record deposits in the checkbook register or maintain a running cash balance. We found that, although there were month-end balances recorded in the checkbook register for 2013, the balances were actually a total of expenditures to date, as opposed to a current cash balance, so the amount of cash per the bank statements could not be reconciled to a cash balance per the checkbook register. Although the Treasurer entered revenues on the monthly reports during the months the revenues were received, the balance of revenues was not carried forward on the spreadsheets used to prepare the monthly reports, only the expenditure balances were. As a result of these deficiencies, bank reconciliations could not be completed by the Treasurer and provided to the Board. During our audit, the Treasurer indicated that she did not perform bank

reconciliations or maintain a running cash balance in the checkbook register in 2012 since she did not have a starting checkbook balance from when the previous Treasurer left office in 2010.

The Board Chairman (Chairman) and another Board member indicated that the Board performed a review of the District checkbook register in September during budget preparation. The Chairman also requests to review the checkbook register at other random times during the year. They indicated that, when reviewing the checkbook register, they were looking for checks written to vendors that they did not recognize as well as for amounts that did not appear reasonable. This good internal control should be continued. However, the Board should expand this review to include determining whether deposits are recorded in the checkbook register and agree to bank validated deposit slips. The Board should also review the cash balance recorded in the checkbook register to make sure a running cash balance is maintained. Furthermore, the Board should ensure that the Treasurer is completing bank account reconciliations and that the reconciled cash balance agrees between the checkbook register and the cash balance amount reported on the monthly reports.

The Treasurer has not filed an annual financial report with the Office of the State Comptroller since the fiscal year ending December 31, 2010, when it was filed with assistance from our office. The Treasurer indicated that two District computers which held the annual financial report filing software stopped working and that she was unable to upload the necessary software on the District's new computer. She also indicated that she was not familiar with the software and would require guidance on how to file the reports. However, we did not receive any requests for assistance to complete and file the reports from the District since assisting with the 2010 report. The Board Chairman made arrangements in June 2013 for the Treasurer of a neighboring fire district to assist the Treasurer in preparing the annual financial reports; however, as of the end of our fieldwork in November 2013, the Treasurer had not met with this individual. The lack of annual reports since 2010 leaves the District with no transparent means to demonstrate its annual financial standing to the Board, taxpayers, the State and other interested parties.

The Chairman and another Board member indicated that the Board has always performed a deliberate audit of each claim prior to approving the claim for payment. Board members sign each claim that they approve for payment and each claim must have the signature of three of the five Board members before the Treasurer is allowed to pay the claim. We noted that during 2013 the Board members started to include the date along with the signatures to indicate their approval for claims to be paid. The inclusion of a date along with the Board members' signatures is a good internal control and should be implemented for all claims.

We examined all 62 claims totaling \$153,258 that were paid during our audit period to verify that the claims were supported by adequate documentation, were for valid District purposes and were audited and approved prior to being paid. For 52 claims (84 percent), we could not determine if they were audited by the Board prior to being paid because the Board members did not include the date along with their signatures when approving claims to be paid. In April 2013, the Board started to date their signatures on claims when approving them for payment. Subsequent to April 2013, there were a couple of minor exceptions where payments were made prior to audit and approval which we discussed with District officials. All the claims that we examined appeared to be for legitimate District purposes.

We also traced the 62 checks from the bank statements to the checkbook register and invoices to determine whether all the checks were supported and for valid District purposes. We found no exceptions.

Recommendations

1. The Board should ensure that the monthly reports received from the Treasurer include revenues, expenditures and reconciled cash balances so it can properly track the financial activity of the District.
2. The Treasurer should perform monthly bank reconciliations and include these along with a copy of the bank statements in her monthly report to the Board.
3. The Board should perform a thorough audit of the Treasurer's records at least annually and document the results of this audit in the Board minutes.
4. The Board should ensure that the Treasurer files the annual financial report with the Office of the State Comptroller within 60 days after the close of the fiscal year.

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 Treasurer's office.

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

Sincerely,

Gabe Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Office of the State Comptroller
Division of Local Government
And School Accountability

February 28 2014

Thank you for your recent audit of our financial records at Raquette Lake Fire District No. 3.

The results of the audit, findings and recommendations seem to be correct and your recommendations when implemented will be a great improvement in our financial awareness and control of District resources.

Recommendations

- 1 As of the next monthly mtg. the treasurer report will include a new [REDACTED] spread sheet showing revenues and expenditures coded to numerical account codes.
- 2 The treasurer is reconciling the bank balances on each monthly statement as you have recommended each month.
- 3 The board will initiate audits of the Treasurers records more frequently.
- 4 The board will file annual financial reports as required, 60 days from year end closing.

Thank you very much for your constructive findings. I am sure that our Fire District No.3 finances will run more smoothly and easier with a better picture of our financial position with the improved controls as implemented.

Sincerely

Lou Burke chairperson
Raquette Lake Fire District No. 3
Po. Box 181
Raquette Lake N.Y. 13436