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July 25, 2014

Scott Moran, Chairman
Members of the Board of Fire Commissioners
Willsboro Fire District
PO Box 786
Willsboro, NY 12996

Report Number: 2014M-156

Dear Mr. Moran 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 Willsboro 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?

The results of our audit and recommendations have been discussed with District officials. District officials were given an opportunity to respond within 30 days in writing to our findings and recommendations. We did not receive a written response within this time frame.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Town of Willsboro and Essex County, in which it is located. The District's general fund budget totaled \$239,340 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 Treasurer who acts as the District's chief fiscal officer. The Treasurer is responsible for the receipt and 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 January 1, 2013 through March 31, 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 establishes a system of internal controls, which consists of policies and procedures that ensure that transactions are properly recorded; financial reports are accurate, reliable and filed in a timely manner; and that the District complies with applicable laws, rules and regulations. Town Law requires the Board to conduct an annual audit of the Treasurer's records. The Board also is responsible for ensuring that District funds are used for legitimate District expenditures. It is important for all disbursements to be made using press-numbered checks drawn on District accounts that are payable to specific vendors or individuals and never written to "cash."

The Treasurer must maintain complete, accurate and timely records to properly account for all of the District's financial activities. The Treasurer should prepare and submit monthly reports to the Board 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.¹ This annual financial report is an important fiscal tool which provides the Board with the necessary information to monitor District operations and provides other interested parties with a summary of the District's financial activities.

The Treasurer submits a monthly report to the Board that summarizes receipts and disbursements and shows the cash balances in the District's four bank accounts, along with the bank statements. However, the Treasurer does not maintain running cash balances in the check book registers or maintain accounting records with cash accounts and subsidiary revenue and expenditure accounts. This lack of adequate accounting records has prevented the Treasurer from being able to reconcile bank balances to book balances, to provide comprehensive periodic information to the Board so it can adequately monitor the District's financial activities and to file annual financial reports with OSC. The last annual financial report that was filed with OSC was for the 2010 fiscal year, which was filed on October 7, 2013, or approximately two and one half years late. The lack of annual financial reports for the last three fiscal years² leaves the District without a transparent means to demonstrate its annual financial standing to the Board, taxpayers, the State and other interested parties. Furthermore, the Board did not conduct an annual audit of the Treasurer's records for the 2013 fiscal year, as required by statute. Had the Board conducted an audit of the Treasurer's records, it would have been aware that the records were inadequate and it could have required the Treasurer to develop and maintain adequate records.

¹ Upon written request, the deadline may be extended for an additional 60 days.

² As of April 24, 2014, the Treasurer had not filed the annual financial report for the 2013 fiscal year with OSC or requested an extension.

We scanned the bank statements and canceled checks during our audit period for any unusual or questionable payments and selected 32 disbursements totaling \$10,203 to review supporting documentation for payments made. We found that seven disbursements totaling \$1,256 were made to a local meat market and country store without any supporting documentation. Without adequate documentation, the Board could not determine if these purchases were for proper District purposes. The Treasurer also used four counter checks³ totaling \$880 for disbursements from a District bank account, which included three checks totaling \$400 payable to individuals and a \$480 check payable to cash. The three checks payable to individuals were supported by adequate documentation and were for appropriate District purposes. In addition, District officials provided us with documentation showing that the \$480 check payable to cash was for meal allowances for four individuals who attended training. Nonetheless, when counter checks are used to make disbursements and checks are made payable to cash, there is an increased risk that improper disbursements could be made and go undetected and uncorrected.

Recommendations

The Treasurer should:

1. Maintain adequate accounting records, including general ledger cash accounts and revenue and subsidiary ledgers, to ensure that the District's financial activities are properly accounted for,
2. Perform monthly bank reconciliations and present them to the Board for review and
3. File the District's annual financial report with OSC in a timely manner.

The Board should:

4. Conduct an annual audit of the Treasurer's records and document the results in the Board minutes,
5. Prohibit the use of counter checks and use press-numbered checks for all District disbursements and
6. Ensure that checks are not made payable to cash.

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.

³ A counter check is a blank check given to customers by bank tellers. These checks are not press-numbered and do not contain District information.

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

Sincerely,

Gabriel F. Deyo