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February 27, 2015

Michael Lewis, President
Members of the Board of Fire Commissioners
Lake View Fire District
2005 Lake View Road
Lake View, NY 14085

Report Number: 2014M-342

Dear President Lewis 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 Lake View Fire District (District) which addressed the following question:

- Did the Board ensure that financial activity is properly recorded and that District money is safeguarded?

The results of our audit have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our findings 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 Hamburg, located in Erie County. The District's general fund 2014 budget totaled \$726,490, which is primarily funded by real property taxes.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management and safeguarding its resources. The Board appoints a Treasurer and a Secretary. The Treasurer acts as the District's chief fiscal officer and 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. The Secretary is responsible for keeping a complete and accurate record of the proceedings of each Board meeting and all Board-adopted rules and regulations. The Board also appointed a Director of Purchasing (Director) who is responsible for making all purchases and ensuring that purchases are in compliance with Board-established rules and regulations and all applicable laws.

We examined the District's financial operations for the period January 1, 2013 through September 30, 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 and that the District complies with applicable laws, rules and regulations. For example, the Board is responsible for conducting a comprehensive audit of claims prior to payment to help ensure that they are for proper District purposes.¹

According to District officials, purchases are to be reviewed by the Director to verify that they are sufficiently supported, appropriate District expenditures and ultimately received. Once the Director authorizes the purchase, the invoice and supporting documents are provided to the Treasurer. The Treasurer then prepares an abstract.² After the Board reviews and approves the abstract, the Treasurer prints the checks. While all the disbursements we reviewed were properly recorded on Board-approved abstracts, the Board does not conduct a comprehensive audit of each claim as required by Town Law.

We reviewed 205 disbursements³ totaling \$708,616 to determine if they were properly approved and supported by adequate documentation. We found that 43 disbursements totaling \$139,303 were authorized by the Secretary instead of the Director as required. In addition, claims for 13 disbursements totaling \$170,008 did not contain an authorizing signature. The Director properly authorized the remaining 149 expenditures totaling \$399,305.

We also found credit card claims were not always supported with adequate documentation. The District's credit card policy requires that original receipts be maintained with the credit card bills. We were provided with original statements for all District credit cards except for the Director's card. Although the Director's credit card transactions were minimal (\$363), original credit card billing statements should be maintained for all cards.

¹ See New York State Town Law (Town Law)

² A listing of individual claims which when approved by the Board serves as an order to the Treasurer to pay the claims.

³ We selected our sample from all claims paid between January 1, 2013 and August 30, 2014 that were for more than \$700. Our sample included 19 District credit card bills totaling \$48,245, which were comprised of 278 individual charge transactions made on the District's nine credit cards.

Finally, we found 147 individual credit card transactions totaling \$30,003 that did not have receipts available as required by the policy.⁴ These transactions included 28 charges totaling \$9,564 related to a 2013 conference attended by the five Board members and one \$1,745 charge for disaster planning supplies.

The Secretary prepares an expenditure report which provides a description of the purchases made by credit card. Our review of this report indicated that the credit card purchases made appeared to be for appropriate District purposes. However, without adequate support for expenditures and a comprehensive audit of claims, the Board cannot ensure that purchases are for appropriate purposes and District resources are safeguarded.

Recommendations

The Board should:

1. Conduct a comprehensive audit of claims prior to payment.
2. Ensure that the Director authorizes all District purchases.
3. Ensure that original credit card receipts and statements are attached to the claims.

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 Lake View Fire District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

⁴ At least one receipt was missing for eight of the credit cards we reviewed.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

LAKE VIEW FIRE DISTRICT

E-Mail Address: lvfd@wny.twcbc.com
Website: lvfire.org

BOARD OF FIRE COMMISSIONERS

Michael F. Lewis; *Chairman*
John R. Wicka; *Secretary*
W. David Ross
Roger Black
Kyle R. Brodnicki

FIRE DISTRICT OFFICERS

Mark Szczepanik; *Chief*
Jill P. Jewett; *Treasurer*
Mary Wicka; *Purchasing Director*
Robert Feldman; *Deputy Treasurer*
Paul Notaro; *Attorney*



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(716)627-4480 Fax

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(716)627-7941

February 12, 2015

Mr. Jeffrey D. Mazula
Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Dear Mr. Mazula:

Re: Report Number 2014M-342

This is in response to your letter dated January 21, 2015 with regard to the above noted report pertaining to the financial activity of the Lake View Fire District. We have carefully reviewed the findings of the report and appreciate the input and recommendations. The report will assist us in improving the oversight of the fire district operations and our financial responsibilities to the residents of the fire district.

In response to the report, we have noted the following areas where further explanation on our part would be beneficial to clarify the findings noted. These include:

- The report details the review of 205 disbursements in which 43 were authorized by the fire district secretary instead of the fire district's Directory of Purchasing, whose responsibility includes overseeing all payments prior to the payments being made by the Treasurer. The authorization of the 43 payments was made only when the Director was unavailable to process these payments in a timely manner. Prior to the creation of the position of Director of Purchasing, the Secretary was the responsible fire district official to oversee all payments for accuracy and final approval before being processed by the Treasurer. While the formal process for allowing the Secretary to review and process payments, when the Director is not available, is not part of the current operating procedures, this will be addressed in the Corrective Action Plan (CAP).
- Thirteen (13) claims for disbursements were made without any authorizing signature. This was an oversight during payment processing and we regret the oversight. There were two (2) payments; one in June 2013 and one in June 2014, which were significant

transfers to the fire district Length of Service Awards Program¹ (LOSAP) investment account and not direct payment for bills or services. This issue and the requirement for authorized signatures will be addressed in the CAP.

- With respect to some credit card claims not being supported by adequate documentation, it is recognized this is not an acceptable practice with regard to the operations of the fire district. At the 2015 Organizational Meeting of the Fire District, the Secretary of the board was given the responsibility of overseeing the reconciliation of all credit card transactions against the master invoice provided by the credit card company. Additional actions regarding credit card responsibilities will be addressed in the CAP.
- With regard to the matter of twenty-eight (28) charges related to a 2013 conference attended by fire district officials, the receipts for these charges were not filed with the original credit card transaction report but, instead filed with the individual travel vouchers filed by the fire district officials. All of the charges on the individual travel vouchers were reviewed against the credit card invoice and reconciled in the authorization for payment.
- The one credit card purchase for disaster supplies was not filed with the credit card payment as it was an email receipt that was on file. It was inadvertently not filed with the credit card reconciliation report. This will be addressed in the CAP.

As stated earlier, the review by your office and the recommendations offered will allow us to improve our operations and better manage our financial responsibilities. We appreciate your input and assistance in identifying the areas we can improve on.

Respectfully,

John R. Wicka
Commissioner/Secretary

¹ The 2013 payment to the LOSAP fund was \$59,913.57 and the 2014 payment was \$62,805.29