



**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

June 2015

Eugene Lochner, Chairman  
Members of the Board of Fire Commissioners  
Pultneyville Fire District  
4049 Lake Road  
PO Box 115  
Pultneyville, NY 14538

Report Number: 2015M-80

Dear Mr. Lochner 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 to 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 Pultneyville Fire District (District) which addressed the following question:

- Has the Board provided adequate oversight of the District's financial operations to ensure that assets are safeguarded?

We discussed our 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 plan to take corrective action.

### **Background and Methodology**

The District is a district corporation of the State, distinct and separate from the Town of Williamson, and is located in Wayne County. The District's general fund budget totaled \$132,950 for the 2015 fiscal year.

The Board of Fire Commissioners (Board) comprises five elected members and is responsible for the District's overall financial management. The Board appoints a Secretary-Treasurer (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, 2014 to April 1, 2015. 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 establish a system of internal controls, which consists of policies and procedures that ensure transactions are authorized and properly recorded; financial reports are accurate, reliable and filed in a timely manner; and the District complies with applicable laws, rules and regulations, including New York State General Municipal Law requirements for adopting a code of ethics and purchasing and investment policies. The Board should also perform, or contract for, an annual audit of the Treasurer's books and records on a timely basis. An annual audit is an important control procedure which gives the Board an opportunity to verify that cash is properly accounted for and transactions are properly recorded.

We found that the Board generally provides adequate oversight of the District's financial activities but should make certain improvements. The Board has adopted code of ethics and purchasing policies, as required by statute, but not an investment policy. Additionally, the Treasurer prepared monthly bank reconciliations but did not bring the reconciliations and bank statements to Board meetings; therefore, the Board did not review them. Moreover, the Board did not compare canceled check images to approved abstracts (lists of claims to be paid) to ensure that District funds were used only for legitimate District expenditures. Lastly, the Board did not complete, or contract with an independent accountant to complete, an annual audit of the District's records.

We reviewed all disbursements totaling \$233,680 made from January 1, 2014 through March 16, 2015. Generally, these transactions were supported by adequate documentation and appeared to be for valid District purposes. We also reviewed all District bank statements issued during the audit period for unusual items and canceled check images for two months of disbursements totaling \$54,754.<sup>1</sup> The bank statements were generally reconciled and the canceled checks agreed to the Treasurer's records.

We discussed other minor deficiencies with District officials during our fieldwork.

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<sup>1</sup> We selected the most recent completed month, February 2015, and the same month in 2014.

## Recommendations

The Board should:

1. Adopt an investment policy.
2. Review the Treasurer's monthly bank statements and the related reconciliations and canceled check images.
3. Ensure that the Treasurer's financial records are audited annually.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of 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.

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

Sincerely,

Gabriel F. Deyo  
Deputy Comptroller

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

# *Pultneyville Fire District*

P.O. Box 115  
4049 Lake Road  
Pultneyville, NY 14538

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June 16, 2015

**Edward V. Grant Jr., Chief Examiner**

Division of Local Government and School Accountability  
Office of the State Comptroller  
The Powers Building  
16 West Main Street, Suite 522  
Rochester, NY 14614-1608

Tel. (585) 454-2460

Fax (585) 454-3545

Email: [Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us)

**RE: Report Number: 2015M-80**

Dear Mr. Grant,

Having reviewed the Office of the State Controller's (OSC) Draft Audit Report with respect to the Pultneyville Fire District, and meeting with members of the Audit Team in an exit discussion on June 2, 2015, we (the Board of the Pultneyville Fire District Commissioners) agree in principle to OSC's findings and their recommendations for corrective action.

**Regarding Recommendations:**

- Item #1 The board will adopt an Investment Policy that is commensurate with our limited resources and safeguards our financial stability and security.
- Item #2 Our initial thought is to review the treasurer's bank statements, reconciliations and cancelled check images on a quarterly basis as opposed to monthly, due to the miniscule number of disbursements and receipts.
- Item #3 Because the district has less than \$300,000 annual revenues (Town Law, Section 181B), the district will develop an internal audit process or pursue an external audit, based on financial considerations.

Our objective is to complete our obligations related to the OSC's Audit, as we develop our Corrective Action Plan (CAP).

Sincerely,

Eugene E. Lochner, Chairman  
Pultneyville Fire District