



Pittsfield Fire District Board Oversight

Report of Examination

Period Covered:

January 1, 2015 — July 31, 2016

2016M-305



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2016

Dear Fire District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Fire Commissioner governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Pittsfield Fire District, entitled Board Oversight. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Pittsfield Fire District (District) is a district corporation of the State, distinct and separate from the Town of Pittsfield, in Otsego County. The District's 2016 general fund budgeted appropriations total \$105,000 and are funded primarily by real property taxes.

The Board of Fire Commissioners (Board) consists of five elected members, including the Chairman, who are responsible for the District's overall financial management. The Board appoints a Treasurer who 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 current Chairman was elected in January 2016.

Objective

The objective of our audit was to examine internal controls over the District's financial operations. Our audit addressed the following related question:

- Did the Board provide adequate oversight to ensure that financial activity is properly recorded and reported?

Scope and Methodology

We examined the internal controls over selected financial activities and reviewed records and reports for the period January 1, 2015 to July 31, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

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.

Board Oversight

The Board is responsible for overseeing the District's financial 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 to ensure financial reports are accurate and reliable, credit card transactions are authorized and adequately supported and receipts are recorded and deposited. It is also important that the Board provides oversight by periodically reviewing detailed monthly reports with supporting documentation, such as bank reconciliations and canceled check images. Board oversight is particularly important when a single individual has the ability to perform all aspects of a financial transaction.

The Board should improve its oversight of financial activities. Although the Board has adopted a code of ethics and purchasing and investment policies as required by statute, they do not have any policies or procedures for credit card usage. Additionally, prior to the current Chairman's election, they did not have policies or procedures for hall rental receipts. Furthermore, the Treasurer is responsible for performing virtually all of the District's financial duties. While Board members did review some monthly reconciliations, they did not have adequate records to perform a comprehensive review.

Credit Card – The former Chairman told us he shredded the District credit card after the current Chairman was elected. However, the Board has not changed the name on the account and the card is still in the former Chairman's name. District officials have contacted the credit card company to close the account, but the current Chairman has not completed the process. The District has not received any credit card statements for 2016, which the Treasurer stated was due to the card not having a balance. The Treasurer called the credit card company in our presence and verified that the card has no balance due. We reviewed all 13 credit card bills, totaling \$7,200, during the audit scope and found none had adequate supporting documentation attached, such as receipts for each charge. The charges appeared to be proper District purchases based on the vendor names. Additionally, we noted that all Board members initialed the credit card bills indicating their review and approval.

Hall Rental – In 2015, the former Chairman was responsible for all aspects of renting the hall, including setting the fee schedule, scheduling the hall rentals, collecting the receipts and depositing the money. We traced all three deposits for 2015, totaling \$900, from the accounting records to the bank. However, the District did

not maintain any documentation for us to determine if all receipts collected were deposited. Board members told us that they did not have any involvement in the hall rentals for 2015 and it was only casually mentioned at monthly meetings. In 2016, the Board implemented controls including signed hall rental agreements and a formal fee schedule. While we found minor weaknesses in the new process, which we discussed with District officials, we noted an increase in hall rental receipts. As of July 31, 2016, the District had already recorded eight deposits totaling \$1,175.

Treasurer's Reports – The Treasurer prepares and presents a monthly report of the District's financial activity to the Board as well as monthly bank reconciliations. However, the Treasurer does not provide the Board with adequate support to periodically verify the accuracy or completeness of the monthly reports and reconciliations. For example, the Board does not consistently receive canceled check images to determine if the checks cleared to the proper payees and for the correct amounts. Since the Treasurer performs all financial functions with little oversight, a periodic review of the monthly reports to actual financial transactions on the bank statements could provide a mitigating control. 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. Cancel any credit card not issued to authorized District personnel.
2. Develop and adopt a credit card policy, including requirements for retaining supporting documentation for charges on each credit card bill.
3. Provide oversight of the Treasurer's duties throughout the year, including a periodic review of the Treasurer's monthly reports, bank reconciliations and supporting documentation, such as the District's bank statements, canceled check images and hall rental agreement forms.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Pittsfield Fire District

Town of Pittsfield
167 State Highway 80
New Berlin, NY 13411

Unit Name: Pittsfield Fire District
Audit Report Title: Pittsfield Fire District Board Oversight
Audit Report Number: 2016M-305

We agree with the findings in the report. This serves as our combined response and corrective action plan. For each recommendation included in the audit report, the following is our corrective actions taken or proposed.

1. Cancel any credit card not issued to authorized District personnel.

The credit card will be cancelled before the end of November.

2. Develop and adopt a credit card policy, including requirements for retaining supporting documentation for charges on each credit card bill.

The Board has decided that there will no longer be a credit card issued for the Pittsfield Fire District as of December 1, 2016.

3. Provide oversight of the Treasurer's duties throughout the year, including a periodic review of the Treasurer's monthly reports, bank reconciliation and supporting documentation, such as the District's bank statement, canceled check images and hall rental agreement forms.

The Board realizes their responsibility of overseeing the Treasurer's duties. In addition to reviewing the monthly reports in more detail, the Board is reviewing at each meeting, the bank statements, bank reconciliations and check images to see if they agree with the amounts on the warrants and the amounts due on the bills. The hall rental agreements are also being retained to see if the information corresponds to the dates on the calendar. These measures were implemented at the September 14, 2016 meeting.

We wish to thank the auditors for their help. They were very professional and a pleasure to work with.

Sincerely,

James Jackson
Chairman

November 29, 2016

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed the Board's meeting minutes and interviewed District officials to gain an understanding of the District's policies and procedures.
- We reviewed all 13 credit card payments to determine if they were Board approved, supported and proper District expenditures.
- We reviewed all hall rental payments recorded in 2015, tracing from the Treasurer's profit and loss form to the District bank account to ensure they were deposited. We judgmentally selected three paid rentals from the 2016 calendar and traced them to hall rental agreements, the Treasurer's profit and loss statement and the bank account to ensure they were recorded and deposited. We also compared 2015 hall rental activity to 2016 activity for reasonableness.
- We reviewed bank statements and bank reconciliations and compared them to the accounting records for accuracy. We judgmentally reviewed the month of December 2015 to verify the year-end cash balance and June 2016 for the last completed month's activity.
- We reviewed the monthly reports provided to the Board to analyze the sufficiency of the information provided for its review of the monthly Treasurer's report and bank reconciliation.

We conducted this performance audit in accordance with GAGAS. 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.

APPENDIX C

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