



**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 2017

Charles O'Connor, Chair  
Members of the Board of Fire Commissioners  
Mastic Beach Fire District  
PO Box 497  
265 Neighborhood Road  
Mastic Beach, NY 11951

Report Number: 2017M-038

Dear Chair O'Connor 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 Mastic Beach Fire District (District), which addressed the following question:

- Did the Board of Fire Commissioners ensure that disbursements were properly processed?

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 report and indicated they plan to initiate corrective action.

### **Background and Methodology**

The District is a district corporation of the State, distinct and separate from the Town of Brookhaven in Suffolk County. The District covers six square miles, maintains one firehouse and provides fire protection and emergency services to approximately 12,000 residents. Approximately 61 active volunteer members responded to 479 alarms in 2015. The District's 2017 general fund budgeted appropriations totaled approximately \$1.4 million and were funded primarily by real property taxes.

The Board of Fire Commissioners (Board) is composed of five elected members and is responsible for the District's overall financial management and safeguarding its resources, including the audit and approval of all claims against the District. The Board appoints a Treasurer, who is the District's

chief fiscal officer, and is responsible for disbursing District funds, maintaining financial records, and preparing monthly and annual reports.

We examined the District's cash disbursements for the period January 1, 2015 through September 30, 2016. We interviewed District officials to gain an understanding of cash disbursement procedures 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**

With limited exceptions,<sup>1</sup> Town Law requires the Board to audit and approve all claims against the District and, by resolution, order the Treasurer to pay the allowed amounts. It is important that the Board's authorization to pay claims is documented. Generally, this documentation is provided by preparing an abstract, which lists each individual claim to be audited and approved. The Board should be presented with the abstract to assist in reviewing and approving each claim for payment. The Board should then adopt a resolution approving the abstract.

After the Board audits and approves each claim listed on an abstract, this document becomes the warrant or order authorizing the Treasurer to pay the claims. At a minimum, a warrant should include the claimant's name, the approved payment amount, and the fund and appropriation account to be charged. A warrant should also specify the total number of claims and the total dollar amount the Treasurer is authorized to pay. Board members should also adopt a resolution approving the audited claims listed on the warrant.

The Treasurer, as chief fiscal officer, must ensure that disbursements are supported by appropriate documentation, District resources are used only for valid purposes and that cash is disbursed only after Board authorization.

The Board adopted a resolution authorizing the Treasurer to pay "customary and normal utilities bills" prior to audit. The Treasurer manually prepares disbursement vouchers for each vendor invoice received and provides them to the Board for its review and approval at each monthly Board meeting. The Treasurer does not provide the Board with a warrant, abstract or a list of checks. Three Board members review and approve each claim voucher at the meeting, which is evidenced by their signature on the voucher. The Board does not adopt a resolution approving the claims, and there is no record in the meeting minutes which, if any, claims the members reviewed and signed.

After the Board meeting, usually the next day, the Treasurer enters the voucher details into the computerized financial system and prints the vendor checks on pre-printed check stock that is electronically affixed with his signature. The Treasurer gives the printed checks and the claim vouchers to a Board member, usually the Chair, for a second manual signature. The Chair

---

<sup>1</sup> The Board may, by adopting a resolution, authorize payment in advance of audit for claims for public utility services (light and telephone), postage, freight and express charges. However, the claims for such prepayments must be presented at the next regular Board meeting for audit.

compares the prepared checks with the vouchers to ensure the payments are for valid District purposes before signing the checks. He does not compare them to a list of approved claims, confirm the sequence integrity of the check numbers or perform any other control procedure. The Treasurer places the dual signed disbursement checks into envelopes and mails them.

The Treasurer provides the Board with a list of the mailed disbursement checks at the following Board meeting. The Board then adopts a resolution approving the total dollar amount of the disbursements, after the checks have been endorsed and mailed to vendors. There is no other identifying information in the resolution, such as number of checks or check number sequence. Because the endorsed checks have been mailed prior to the resolution, the Treasurer is paying them in advance of Board approval. In addition, Board members are not provided with a warrant, abstract or a list of checks to compare to the vouchers they are reviewing. Further, no record is maintained of the claims reviewed and approved to compare to the list the Board receives at the subsequent Board meeting. Without a list of claims, the Board cannot be assured that it is reviewing and approving all District claims prior to payment.

We performed tests to determine whether the disbursements we reviewed were Board-approved and valid District expenditures. We obtained an electronic disbursement report for the audit period from the Treasurer.<sup>2</sup> The District issued 981 checks totaling \$2,211,268. We sorted the disbursement data by check number to detect any gaps in check number sequences or duplicate payments and found no discrepancies. We reviewed the check stock inventory to determine whether all checks were accounted for and found no discrepancies.

We also reviewed the last 100 disbursements made during the audit period, totaling \$412,911, to determine whether any inconsistencies existed between the disbursement reports, vouchers and canceled checks. All 100<sup>3</sup> disbursements were generally supported by appropriate documentation<sup>4</sup> and appeared to be for proper District purposes. However, the Treasurer inappropriately disbursed 84 checks totaling \$394,037 prior to the Board resolution authorizing payment. Further, four check disbursements totaling \$140,791 were never included in a resolution and, therefore, were never approved by the Board. Although payments appeared to be for District purposes, when checks are routinely disbursed prior to or without Board approval, there is a significant risk that payments could be made in error or for unauthorized purposes.

---

<sup>2</sup> Using computerized software, we excluded all bank account transfers and payroll payments.

<sup>3</sup> One of the 100 checks was voided.

<sup>4</sup> We found minor discrepancies which we discussed with District officials.

## Recommendations

The Board should:

1. Compare all vouchers with a list of checks to be approved for audit and approval before payment and include a detailed resolution of such audit and approval in the Board minutes.

The Treasurer should:

2. Prepare an abstract or list of checks to present to the Board, along with vouchers, for audit and approval.
3. Compare an approved warrant to disbursement checks prior to mailing.

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 should 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 Mastic Beach 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.

# *Mastic Beach Fire District*

---

— *Board of Fire Commissioners* —

CHARLES L. O'CONNOR, Chairman • JOHN MILAZZO • JOSEPH GUARINO • MICHAEL J. LEONARDI • BILL BIONDI  
ROBERT SIRIANI, Treasurer • MICHAEL J. LEONARDI, Secretary

March 12, 2017

Ira McCracken, Chief Examiner  
NYS Office Building, Rm 3A10  
250 Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Re: Mastic Beach Fire District Audit

Dear Mr. McCracken

Please be advised that Treasurer Siriani and the Board of Fire Commissioners are in agreement with the draft Audit report. All recommendation in the report will be implemented.

Very truly yours,

Charles L. O'Connor  
Chairman