

Brasher-Winthrop Consolidated Fire District

Board Oversight

JUNE 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Brasher-Winthrop Consolidated Fire District

Audit Objective

Determine whether the Brasher-Winthrop Consolidated Fire District (District) Board of Fire Commissioners (Board) provided adequate oversight of District financial activities.

Key Findings

The Board did not provide adequate oversight of District financial activities. The Board did not:

- Establish compensating controls over the work of the Treasurer, who was responsible for receiving and disbursing cash, signing District checks and maintaining the accounting records.
- Audit District claims prior to payment and conduct an annual audit of the Treasurer's records.
- Ensure the Treasurer filed required annual financial reports for 2017 through 2019.
- Complete mandatory fiscal oversight training.

We reviewed all \$44,227 disbursements made during our audit period and found that they were for proper District purposes.

Key Recommendations

- Routinely review the Treasurer's work and audit all claims before payment.
- File the required annual financial report within 60 days of the close of the fiscal year.

District officials generally agreed with our recommendations and indicated they would take corrective action.

Background

The District is located in the Towns of Brasher and Stockholm in St. Lawrence County. The District provides fire protection services to approximately 170 residents.

An elected five-member Board governs the District and is responsible for its overall financial management.

The Board appoints a Secretary-Treasurer (Treasurer) who acts as the District's chief fiscal officer. The Treasurer is responsible for receiving, maintaining custody of, disbursing and accounting for District funds, as well as preparing periodic financial reports and keeping the minutes of Board meetings.

Quick Facts

2021 Budget	\$54,121
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Volunteers	58
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Transactions in Audit Period

Receipts	\$105,137
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Disbursements	\$44,227
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Audit Period

January 1, 2019 - October 31, 2020. We extended our audit period back to review the timeliness of required annual report submissions for 2017 and 2018.

Board Oversight

How Can a Board Effectively Oversee District Financial Activities?

A board is responsible for managing and overseeing a district's fiscal activities and safeguarding its resources. An important aspect of this responsibility is to routinely monitor and review the work performed by those who handle money as part of their duties. Oversight becomes particularly important in operations that do not have adequate segregation of duties (e.g., one person receives and disburses cash and maintains the accounting records).

When segregating duties is not practical, a board should implement compensating controls. For example, a board should review or appoint someone to review monthly bank reconciliations, bank statements and canceled check images and verify deposits are made. A board should also review periodic financial reports showing cash activity and balances and budget to actual comparisons for revenues and expenditures in order to effectively oversee a district's financial operations.

Additionally, a board should annually audit the records of its treasurer.¹ A treasurer is required to produce all books, records, receipts, vouchers and canceled checks or check images to a board annually. An annual audit helps ensure that cash is properly accounted for and transactions are properly recorded.

Each district is required to submit an annual report of its financial position and results of operations, known as the annual update document (AUD), to the Office of the State Comptroller (OSC) within 60 days after the close of that district's fiscal year. The AUD is an important fiscal tool to help a board monitor district operations and provides interested parties or stakeholders with a complete summary of a district's financial activities.

The Board Needs to Improve Oversight of the Treasurer's Duties

The Board did not segregate the Treasurer's duties or establish compensating controls. It also did not annually audit the Treasurer's records and ensure the Treasurer filed AUDs as required.

Treasurer's Duties – The Treasurer performed all financial duties including receiving and disbursing cash, signing District checks and maintaining the accounting records with limited oversight. The Treasurer provided the Board with individual vouchers for each expenditure, revenue and transfer between bank accounts of the previous month and verbal reports of the cash balances

When segregating duties is not practical, a board should implement compensating controls.

¹ OSC has a publication available on our website entitled *Fiscal Oversight Responsibilities of the Governing Board* (https://www.osc.state.ny.us/files/local-government/publications/pdf/fiscal_oversight.pdf) which contains checklists to assist governing boards in performing an annual audit.

in the District's bank accounts. However, the Treasurer did not provide any written revenue and expenditure budget-to-actual reports to assist the Board with monitoring District finances.

In addition, the Board did not review or appoint someone to review the Treasurer's bank reconciliations, bank statements and canceled check images and to verify receipts were deposited. Further, we found that the Treasurer did not prepare bank reconciliations during our audit period. We reconciled the District's bank accounts as of December 31, 2019 and October 31, 2020 and found no issues.

Because the Board did not establish adequate controls to oversee the work of the Treasurer, there is an increased risk that disbursements could be made that are not for proper purposes or money could be collected and not deposited.

Annual Audits – The Board did not conduct an annual audit of the Treasurer's records. Board members indicated that they have not felt an annual audit would be necessary because the District is a small operation with little variation in expenses. However, annual audits are particularly important in small operations, when one individual is able to perform all aspects of a district's financial transactions.

AUD Filing – The Board did not ensure that the Treasurer prepared and filed the District's AUD for three consecutive years (2017, 2018 and 2019). When AUDs are not filed in a timely manner, the Board, taxpayers, OSC, and other interested parties are denied the ability to assess the District's financial standing and the transparency of operations is diminished.

What Is an Effective Claims Audit Process?

A board must audit claims against a district prior to payment and order the treasurer to pay the audited claims. However, a board may, by resolution, authorize payment in advance of audit for certain public utility services, postage, freight and express charges. Such claims must be presented for audit at the next board meeting.

An effective claims auditing process ensures that every claim against a district is subjected to a thorough and deliberate review to verify that each claim contains adequate supporting documentation and the amounts claimed represent actual and necessary district expenditures.

The Board Did Not Audit Claims Prior to Payment

The Board allows the Treasurer to pay District claims when they are received and then the Board audits the claims at its next meeting. Board members sign each claim to document their approval. In 2019, the Treasurer paid claims an average of 19 days prior to Board audit and approval.

An effective claims auditing process ensures that every claim against a district is subjected to a thorough and deliberate review...

We reviewed all 70 disbursements and the related claims paid from January 2019 through October 2020, totaling \$44,227 (see Figure 1).

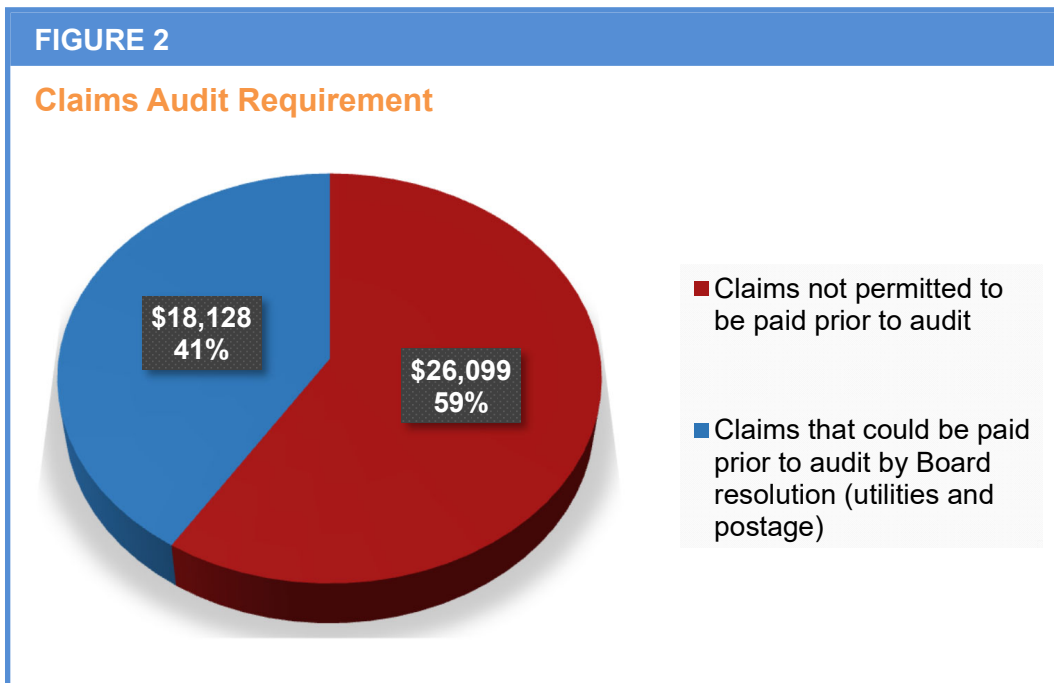
Figure 1: Claims Paid During Audit Period

Claim Type	Amount
Insurance	\$17,488
Heating/Gas	10,529
Electricity	6,989
Truck Maintenance	5,201
Diesel Fuel	2,490
All Other	1,530
Total:	\$44,227

[T]wo claims for postage and truck insurance totaling \$8,388 had not been audited by the Board.

We determined that claims were generally supported by adequate invoices and documentation and that all the claims were for proper District purposes. However, two claims for postage and truck insurance totaling \$8,388 had not been audited by the Board.

While the Board could pass a resolution authorizing the payment of certain claims (e.g., utilities, postage, freight and express charges) prior to audit, the Board has not done this. By passing such a resolution, the Treasurer would have been authorized to pay \$18,128 (41 percent) of the claims before Board audit (see Figure 2).



When the Board improperly allows payments in advance of claims audit and does not ensure that all claims are audited, there is an increased risk that claims could be paid that are not adequately supported or are not for valid District purposes.

Why Must Fire Commissioners Attend Mandatory Training?

One way that board members can become aware of statutory requirements and sound management practices is to participate in mandatory training. Fire district commissioners elected or appointed are required to complete an OSC approved fiscal oversight training course within 270 days of their first day of office.

The training covers the commissioners' legal, fiduciary, financial, procurement and ethical responsibilities. Specifically, this training includes a discussion of internal controls, segregation of duties, how to perform bank reconciliations and the necessity of doing them. It also reviews annual report filing requirements and explains how a board should audit claims.

The training course is offered on multiple dates and in various locations across the State as well as online to facilitate attendance. Commissioners are required to complete the training each time they are elected, re-elected, appointed or reappointed to office.

Fire Commissioners Did Not Attend Training

None of the five Board members have received mandatory training. District officials told us that it has not been a practice to have Board members attend training because the training sessions are held too far away from the District. We informed officials that training is offered online and provided documentation of how to obtain the training.

Had Board members attended the mandatory training, they would have better positioned themselves to oversee the District's financial activities and ensure the necessary internal controls and reporting requirements were in place.

What Do We Recommend?

The Board should:

1. Routinely review and verify the Treasurer's work including bank statements, bank reconciliations and canceled check images and that receipts are deposited.
2. Conduct an audit of the Treasurer's records and reports on an annual basis.

Fire district commissioners... are required to complete an OSC approved fiscal oversight training course within 270 days of their first day of office.

None of the five Board members have received mandatory training.

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3. Ensure the Treasurer prepares and files the District's AUD with OSC within 60 days of the close of the fiscal year.
 4. Audit and approve claims before they are paid by the Treasurer.
 5. Consider adopting a resolution allowing eligible claims to be paid in advance of audit and ensure only those claims are paid prior to audit and subsequently approved by the Board.
 6. Ensure that all elected or appointed commissioners complete mandatory fiscal oversight training within 270 days of assuming their roles.

The Treasurer should:

7. Perform and document monthly bank reconciliations.
8. Provide the Board with periodic revenue and expenditure budget-to-actual reports.

Appendix A: Response From District Officials

Brasher-Winthrop Consolidated Fire District

P.O. box 253

Winthrop, NY 13697

May 3,2021

The Brasher-Winthrop Consolidated Fire District accept the examination of report 2021M-47 findings.

The following actions will be taken by Brasher-Winthrop Consolidated Fire District:

1. Routinely review and verify the Treasurers work including bank statement, bank reconciliations and canceled check images.
2. Conduct an audit of the Treasurers records and reports on an annual basis.
3. Ensure the treasurer prepares and files the Districts AUD with the OSC within 62 days of the close of the fiscal year.
4. Consider adopting a resolution allowing eligible claims to be paid in advance of audit and ensure only those claims are paid prior to audit and subsequently approved by the board.
5. Ensure that all elected or appointed commissioners complete mandatory fiscal oversight training within 270 days of assuming their roles.
6. The treasurer will perform and document monthly bank reconciliations.
7. Provide the Board with periodic revenue and expenditure budget-to-actual reports.

The following are the dates that the actions will be implemented:

1. This has been implemented on May 3,2021
2. This will be implemented during the 2022 organizational meeting.
3. This will be implemented.
4. This has been implemented in the 2021 organizational report.
5. All commissioners will be provided material on upcoming training and followed up by the president.
6. As of May 3, 2021 monthly document reconciliations will be conducted.
7. Starting June 2021, the board will be provided periodic revenue and expenditure budget-to-actual reports.

Tony Vavra,

Treasurer/secretary

Brasher-Winthrop Consolidated Fire District

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials to gain an understanding of their internal controls, to determine what financial reports the Board receives, and to determine if Board members receive mandatory training after assuming their roles as Board members.
- We inquired about the District's claims auditing and annual audit procedures.
- We performed bank reconciliations for the months of December 2019 and October 2020 to determine whether adjusted bank balances agreed with the District's records.
- We verified real property tax revenues were deposited in the District's bank account.
- We tested all 70 cash disbursements, totaling \$44,227, from January 2019 through October 2020 to determine whether they were properly recorded, audited by the Board, and for appropriate District purposes.
- We reviewed 82 transactions totaling \$252,807 (including disbursements, deposits and transfers between bank accounts) by comparing information from bank statements to District vouchers and accounting records.
- We reviewed AUD submissions to determine whether the District has submitted AUDs to our office within 60 days of the close of its fiscal year.

We conducted this performance audit in accordance with GAGAS (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.

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.

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. We encourage the Board to make the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

<https://www.osc.state.ny.us/local-government/publications>

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

<https://www.osc.state.ny.us/local-government/publications>

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

<https://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf>

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

<https://www.osc.state.ny.us/local-government/publications>

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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