

Davenport Fire District

Financial Activities

FEBRUARY 2021



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

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Report Highlights

Davenport Fire District

Audit Objective

Determine whether Davenport Fire District (District) officials established adequate controls to ensure that financial activities are properly recorded and reported, and cash was safeguarded.

Key Findings

District officials have not established adequate controls to ensure that financial activities are properly recorded and reported, and cash is safeguarded.

- There were no records to support the collection of hall rental receipts. As a result, the Board of Fire Commissioners (Board), the District's Treasurer (Treasurer) or we are unable to verify whether all hall rental receipts were collected and deposited in a District bank account.
- Complete accounting records were not maintained.
- The Commissioners did not require the Treasurer to prepare and submit reports of the District's financial activities for them to periodically review.
- The Board is required to audit the Treasurer's records but does not.

Key Recommendations

- Establish controls over hall rental activity.
- Prepare and provide monthly financial reports to the Board.
- Annually audit the Treasurer's records.

District officials agreed with our recommendations and indicated they initiated corrective action.

Background

The District is a district corporation of the State, distinct and separate from the Town of Davenport in Delaware County.

The District is governed by the Board, which is composed of five elected members.

The Treasurer is appointed by the Board and is the chief fiscal officer and is responsible for the receipt, custody, deposit, disbursement and accounting of District funds and for preparing financial reports.

Quick Facts

2020 Budgeted Appropriations	\$72,000
2019 Disbursements	\$51,573
Members	30

Audit Period

January 1, 2019 – June 30, 2020

Financial Activities

What Financial Controls Should Officials Establish?

A board is responsible for overseeing a fire district's financial activities and safeguarding its assets. To fulfill this duty, it is essential that the board establish controls to ensure that cash receipts are properly collected, recorded and deposited; transactions are authorized and properly recorded, and financial reports are accurate, reliable and filed in a timely manner.

The board should establish controls over hall rental, including rental agreement forms or press-numbered receipts to ensure they are collected and deposited. The board should also perform a thorough audit of claims before they are paid to ensure they are supported and district funds are used for legitimate expenditures. Lastly, the board should review financial activities including performing an annual audit of the treasurer's records.

The treasurer must maintain complete, accurate and timely records to properly account for all district financial activities. The treasurer should prepare and submit monthly reports of the district's financial activity to the board. Also, the treasurer is required to annually prepare and submit a financial report, commonly referred to as the annual update document (AUD), of the district's financial condition to the Office of the State Comptroller (OSC).

Officials Need to Improve Controls Over Financial Activities

District records indicate \$2,863 in hall rental fees was deposited during the audit scope period. However, a Commissioner received and deposited all hall rental fees into a savings account without using a rental agreement form or issuing press-numbered receipts. The Treasurer was not involved in the process and there was no recordkeeping for the rental activity. As a result, the Board has no way to verify rental fee activity so it cannot be assured all cash collected was properly deposited or accounted for. Due to the lack of adequate recordkeeping, we were unable to verify whether all hall rental receipts were collected and deposited.

Furthermore, the Treasurer only recorded general checking bank account disbursements and deposit amounts in a ledger without any detail of the sources of the deposit, such as whether they were bank transfers or other sources. There were no ledgers for the six additional District savings bank accounts. Therefore, the Treasurer could not prepare complete and accurate monthly reports of the District's financial activities to submit to the Board. We verified that the real property tax levies for 2019 and 2020 were deposited into a District bank account and the AUD cash balance of \$327,869 was supported by the bank statements for fiscal year 2019. Although the Board reviewed and approved claims for payment each month, the Commissioners did not require the Treasurer to prepare and submit reports of the District's financial activities for them to periodically review.

... [T]he Board had no way to verify rental fee activity.

Finally, while the Board contracted with a bookkeeping service to assist in filing the required AUD with OSC, the Board did not annually audit the Treasurer's records, which is of even greater importance because there was no monthly review of finances.

We reviewed all 135 claims during our audit period totaling over \$65,000 to determine whether they were Board-approved and included adequate supporting documentation. Apart from minor discrepancies that we communicated to officials, we found they were adequately supported and were for proper District purposes. In addition, we selected a sample of 30 check images and compared the vendor name and amount to the Treasurer's ledger to ensure the records were accurate with no exceptions.

Without adequate financial controls and proper oversight, there is an increased risk that receipts and disbursements may not be properly accounted for and financial information could be inaccurately reported.

What Do We Recommend?

The Board should:

1. Establish controls over hall rentals, including using a rental agreement form or press-numbered receipts for all hall rental fees collected and recording activity in the accounting records.
2. Periodically review financial reports.
3. Annually audit the Treasurer's records.

The Treasurer should:

4. Maintain complete accounting records, including information for all hall rental fees and bank accounts.
5. Prepare and provide monthly financial reports to the Board, including all District financial activities.

Appendix A: Response From District Officials

DAVENPORT FIRE COMMISSIONERS DAVENPORT, NY 13750

The Davenport Fire District audit has been completed. We all agree with the findings and have implemented our plan of corrections.

Audit Recommendation:

**Establish controls over hall rentals, including using
A rental agreement form or press-numbered receipts for all hall rental fees
collected and recording activity in the accounting records.**

Periodically review financial reports

Annually audit the Treasurers records

**Maintain complete accounting records, including information for all hall
rentals fees and bank accounts**

**Prepare and provide monthly financial reports to the Board, including all
District financial activities.**

Implementation Plan of Action

**A rental agreement has already been in place but we have now started a
Receipt book to keep track of all payments that come in for the Rental of
the hall.**

**We now audit the previous month's treasurer's records and the treasurer
provides a monthly financial report.**

The Board has implemented all the finding as of our January Meeting.

**Signed:
Joseph Ballard
Chairman**

January 15, 2021

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, our audit procedures included the following:

- We interviewed District officials to gain an understanding of the District's controls and financial condition, including all revenues and reserve funds and reviewed all policies and procedures to determine whether they were adequate.
- We assessed the accuracy of the accounting system and records and the Treasurer's financial reports.
- We reviewed all bank account activity for the audit period for unusually large dollar transactions or withdrawals and account openings or closings.
- We assessed financial condition and compared bank account activity to the Treasurer's records, including ensuring that property tax levies for 2019 and 2020 were deposited into District bank accounts and that total cash reported for fiscal year 2019 was supported by the bank statements.
- We reviewed all 135 claims totaling over \$65,000 to determine whether they were Board-approved and included adequate supporting documentation. We randomly selected a sample of 25 check images and compared the vendor names and amounts to the Treasurer's ledger to determine whether the records were accurate. We used our professional judgment to select five additional check images based on vendor name or dollar amount and performed the same review.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

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

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

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

Contact

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