

East Meredith Rural Fire District

Financial Activities

MAY 2021



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

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Report Highlights

East Meredith Rural Fire District

Audit Objective

Determine whether the East Meredith Rural Fire District's (District) Board of Fire Commissioners (Board) established adequate controls over cash receipts and disbursements.

Key Findings

The Board did not establish adequate controls over cash receipts and disbursements. The Board did not:

- Segregate duties or provide additional oversight over receipts and disbursements to ensure the Treasurer accurately recorded all transactions in a timely manner.
- Audit and approve 25 claims totaling \$15,817 before payment.
- Maintain adequate supporting documentation for three disbursements totaling \$11,478.
- Audit the Treasurer's records.

While we found that financial transactions were appropriate and properly accounted for, without proper controls, there is a risk that disbursements will not be made for proper purposes and money collected will not be deposited.

Key Recommendations

- Implement controls to better monitor the Treasurer's duties.
- Ensure all claims are audited and approved before payment and contain adequate supporting documentation before payment.

District officials agreed with our recommendations and indicated that they have initiated or planned to Initiate corrective action.

Background

The District, located in the Town of Meredith in Delaware County, is governed by a five-member Board.

The Board is responsible for overall financial management and safeguarding its resources.

A Board-appointed Treasurer acts as the chief fiscal officer and is responsible for receiving, disbursing and accounting for District funds and preparing financial reports.

The Board also appointed a Secretary who is responsible for maintaining Board minutes.

2019 Quick Facts

Receipts	\$144,599
Disbursements	\$114,392

Audit Period

January 1, 2019 – September 30, 2020

Financial Activities

How Should a Board Provide Adequate Oversight of Cash Receipts and Disbursements?

A fire district board is responsible for managing and overseeing financial activities and safeguarding its resources. The board, in conjunction with the treasurer, should establish and implement procedures to help ensure money is properly safeguarded, transactions are authorized and properly accounted for and that the district complies with applicable laws, rules and regulations.

Fire district boards are responsible for and should audit all claims before payment to ensure they are adequately supported and for legitimate purposes. Additionally, the board should document its approval in the board minutes by specifying the number and dollar amount of claims the treasurer is authorized to pay.

District officials should ensure that compensating controls are established to provide additional oversight when one individual performs all aspects of cash receipts and disbursement functions and it is not feasible to segregate duties. Oversight activities can include reviewing bank statements and canceled check images and verifying that the treasurer deposits money within 10 days of receipt.

Additionally, the board should annually audit the treasurer's records. The treasurer must produce all books, records, receipts, vouchers and canceled checks or check images to the board annually. An annual audit helps ensure that cash is properly accounted for and transactions are properly recorded. Annual audits are particularly important when one individual is able to perform all aspects of a financial transaction.

The Board Did Not Adequately Oversee the Treasurer's Financial Activities

The Treasurer performed all financial duties, including receiving and disbursing cash, signing checks, reconciling bank accounts and maintaining accounting records, with limited oversight. For example, the Board received monthly bank statements and budget versus actual reports but allowed the Treasurer to pay bills before being audited by the Board. Additionally, the Board did not ensure that money collected by the Treasurer was actually deposited. Further, the Board did not audit the Treasurer's records.

Because of the lack of Board oversight, we reviewed 12 receipts totaling \$284,622 and 74 disbursements totaling \$23,993.¹ All the receipts reviewed were properly accounted for and deposited within the required timeframe. However, we found discrepancies with 25 of the 74 disbursements totaling \$15,817. Some of these disbursements had more than one discrepancy:

¹ Refer to Appendix B for information on our sampling methodology.

The
Treasurer
performed
all financial
duties...
with limited
oversight.

-
- None of these 25 claims contained sufficient evidence of Board audit and approval. Although the Secretary typically documented the claims audited in the Board minutes, these claims were not documented. For one claim totaling \$55 from the U.S. Postal Service, we were unable to determine whether it was appropriate because it lacked supporting documentation. The remaining disbursements were appropriate and properly supported.
 - Three disbursements totaling \$11,478 did not have sufficient documentation, such as adequate receipts or invoices. However, based on vendor descriptions and discussions with District officials, we determined these disbursements were for appropriate purposes. These disbursements included insurance, fuel oil and radio supplies.

Also, we reviewed the one bank account transfer made during our audit period, totaling \$4,075, and found that it was properly deposited into another District bank account.

These control weaknesses existed because the Board did not implement compensating controls, such as supervisory or other oversight procedures to reduce the risk of errors or irregularities occurring and not being detected.

While we found that financial transactions were appropriate and properly accounted for, without proper controls, there is a risk that disbursements will not be made for proper purposes and money collected will not be deposited.

What Do We Recommend?

The Board should:

1. Implement compensating controls over the Treasurer's duties. Oversight activities can include verifying deposit tickets match bank deposits and reviewing canceled check images.
2. Perform an annual audit of the Treasurer's records. Refer to our publication *The Internal Audit Process for Fire Districts*.
3. Audit and approve claims before disbursements are made.
4. Ensure that claims contain adequate supporting documentation before authorizing payment.

The Treasurer should:

5. Pay claims only after they have been audited and approved by the Board.

...[T]he Board did not implement compensating controls...to reduce the risk of errors or irregularities occurring and not being detected.

Appendix A: Response From District Officials

**BOARD OF COMMISSIONERS EAST MEREDITH RURAL FIRE DISTRICT
P.O. BOX 65 EAST MEREDITH NY 13757
EIN 16-1099677**

April 21, 2021

Office of the New York State Comptroller
Ann Singer, Chief Examiner
State Office Building Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Ms. Singer,

This letter is in response to the East Meredith Rural Fire District Financial Activities Report of Examination. After meeting with all the commissioners and treasurer and discussing your findings we have the following responses to your recommendations:

1. The Board will monthly verify receipts and disbursements against the checkbook and bank statement from the previous month.
2. The Board will perform an audit annually with the treasurer.
3. The Board will monthly audit and approve all disbursements with the understanding that utility bills will be paid promptly by the Treasurer to avoid late fees.
4. The Board will ensure that all disbursements and claims contain adequate supporting documentation before payment is authorized.
5. The Treasurer will pay claims only after they have been audited and approved by the Board, with the exception of utility bills which will be paid promptly to avoid late fees.

The Board of Commissioners and the Treasurer understand our shortcomings and will implement the above responses as our Corrective Action Plan. These findings were accepted and approved by the governing board of the East Meredith Rural Fire District governing board on April 20, 2021.

Sincerely,

Steven MacClintock
Chief Commissioner

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 and reviewed Board minutes and policies to gain an understanding of Board oversight of financial operations including the audit of claims and controls over the Treasurer and procedures used to record and monitor financial transactions.
- We traced all 12 cash receipts totaling \$284,622 documented in the Board minutes during our audit period to the bank statements to determine whether receipts were deposited within 10 days of receipt.
- We reviewed all 14 deposits totaling \$296,808 listed on the bank statements during our audit period and traced to District records to verify the source of the deposits, such as the Town of Meredith budgets and copies of checks.
- We used our professional judgment to select 31 disbursements totaling \$4,429. We included in our sample all disbursements paid to the Treasurer and any that could potentially be of a personal nature, such as utilities. We reviewed these disbursements to determine whether they were for appropriate purposes and Board approved.
- We reviewed all the bank statements for the audit period to determine whether bank transfers and withdrawals were for proper purposes.
- We compared all disbursements listed in the Board minutes for our audit period totaling \$158,622 to corresponding bank statements. We reviewed the 25 disbursements totaling \$16,201 disbursed by the bank but not listed in the minutes to determine whether they were for appropriate purposes and supported.
- We used our professional judgment to select December 2019 and June 2020 for our testing of canceled check images. We reviewed all 18 check images for those months to determine whether these disbursements were adequately supported, for proper purposes and Board approved.

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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE –Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

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