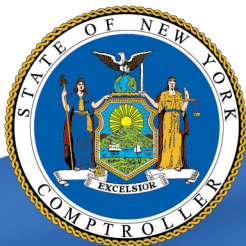


Sea Breeze Fire District

Board Oversight

FEBRUARY 2021



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

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Report Highlights

Sea Breeze Fire District

Audit Objective

Determine whether the Sea Breeze Fire District (District) Board provided adequate oversight of the District's financial operations.

Key Findings

The Board did not provide adequate oversight of the District's financial operations. The Board did not:

- Comply with mandatory training requirements.
- Actively manage District assets.
- Ensure the Treasurer maintained basic accounting records including adequate bank and debt obligation records.
- Comply with legal mandates to perform an annual audit, file financial reports or audit and approve claims.
- Prohibit or address unsupported or questionable disbursements.

As a result, the Board could not effectively monitor the District's operations and financial condition.

Key Recommendations

- Adopt or revise financial related policies and provide oversight of operations.
- Prepare adequate accounting records and monthly reports, and complete and file all required calculations, records and reports.
- Audit all claims before authorizing payment.

District officials agreed with our recommendations and indicated they have begun and will continue to take corrective action.

Background

The District is a district corporation of the State, distinct and separate from the Town of Irondequoit (Town) and Monroe County, in which it is located.

The five-member elected Board of Fire Commissioners (Board) is responsible for the District's overall financial management and safeguarding its resources. One board position was vacant in 2017 but it was filled in 2018.

The Board appoints a Treasurer to act as the District's chief fiscal officer. The Treasurer is responsible for the receipt and custody of District funds, disbursing and accounting for those funds and preparing monthly and annual financial reports. The current Treasurer started in March 2017.

The District provides equipment and resources for use by the Sea Breeze Volunteer Fire Association Inc. (Association) to provide fire protection services within the District, under the direction of the Fire Chief (Chief).

Appropriation Quick Facts

2016	\$120,793
2017	\$128,889
2018	\$130,178

Audit Period

January 1, 2016 – February 22, 2018

Board Oversight

What Is Effective Board Oversight?

A board is responsible for overseeing a fire district's fiscal activities and safeguarding its resources. An important aspect of this responsibility is to provide a process to routinely monitor and review the work performed by those who handle money as part of their district duties. Oversight becomes particularly important in operations that do not have adequate segregation of duties. If one person, such as the treasurer, performs nearly all financial duties (e.g., receives and disburses cash, maintains the accounting records and performs reconciliations), it may weaken control over the district's financial operations. It is essential that the board establish policies and procedures that ensure duties are sufficiently segregated; transactions are authorized and properly recorded; financial reports are accurate, reliable and filed in a timely manner; and the district complies with applicable laws, rules and regulations. In addition, the board should adopt policies over information technology (IT) to safeguard data.

New York State (NYS) General Municipal Law (GML) requires a board to adopt a code of ethics¹ and investment² and procurement policies³.

A board's oversight responsibility also includes legal requirements to audit all claims before approving them for payment⁴ and to perform or contract for an annual audit of the treasurer's books and records. As part of this audit, the treasurer is required to produce all books, records, receipts, orders, vouchers and canceled checks or check images.⁵ The board should ensure that the completion and results of the audit are included in its meeting minutes and documentation is filed detailing how the audit was performed and the records reviewed.

One way board members can become aware of their responsibilities related to statutory provisions and sound management practices is to participate in the mandatory training as prescribed by the Office of the State Comptroller (OSC). New York State Town Law (Town Law) and related OSC regulations⁶ require all fire district commissioners to complete an OSC-approved training course, within 270 days of taking office, which covers legal, fiduciary, financial, procurement and ethical responsibilities, and to retain documentation of successful completion for the duration of their term(s). OSC provides additional training and publications to help boards provide effective oversight.

1 General Municipal Law (GML) Section 806

2 GML Section 39

3 GML Section 104-b

4 Town Law Section 176

5 Town Law Section 177

6 Town Law Section 176-e and NYS Regulations at <https://www.osc.state.ny.us/files/local-government/publications/pdf/trregs.pdf>

Vehicles and equipment represent a significant investment of district resources. The board should actively manage district assets through established policies or procedures to ensure that these assets are protected from loss through accidents or theft. Inventory records that are accurate, complete and monitored regularly are an important control to ensure adequate insurance coverage and guard against theft. When assets are not closely monitored and included in up-to-date inventory records, they are more susceptible to loss or theft. To protect the district's financial investment in these assets, it is essential that the district maintain adequate insurance coverage.

The Board Did Not Adopt Adequate Policy Guidance

The Board adopted a code of ethics and procurement policy but the procurement policy inappropriately exempts District officials from soliciting competition for professional services. The Board adopted a credit and debit card policy⁷ that requires the Board to pre-approve transactions for more than \$500, but does not specify how approval needs to be documented. As a result, we found five debit card transactions for more than \$500, totaling \$4,850, with no documentation of pre-approval.

Additionally, the Board has not adopted an investment policy or other financial policies to establish duties and requirements over key areas such as disbursements, claims processing, required financial records and reports and budgeting. As a result, District personnel lacked guidance to adequately perform their financial duties. The Board has also not adopted any policies over IT, including breach notification,⁸ acceptable use and IT security awareness training. Without formal policies and training that explicitly convey appropriate use and practices to safeguard data, officials cannot ensure that users are aware of their responsibilities or hold users accountable for inappropriate activity.

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

The Board did not segregate the Treasurer's duties or establish mitigating controls. The Treasurer performed all financial duties with little or no oversight, including:

- Receiving and disbursing District funds,
- Signing District checks,
- Maintaining financial records and
- Reconciling bank accounts.

⁷ Refer to claims processing section for further details on risks of debit card use.

⁸ NYS Technology Law requires local governments to establish an information breach notification policy. While fire districts may not be subject to this law, it is still in the District's best interest to adopt and implement such a policy.

The Board did not appoint someone to review the Treasurer's bank reconciliations, bank statements and canceled check images, which would have enabled the Board to provide oversight of the Treasurer's work and also monitor the District's finances.

The lack of oversight included the process for auditing the Treasurer's records. The Board Chairman (Chairman) told us that there is no formal process in place for annually auditing the Treasurer's records, but that he reviews certain documentation himself. However, his review, and the scope of it, is not documented and the Board minutes do not contain any discussion regarding an audit or results. Without conducting or contracting for an annual audit, the Board's ability to properly monitor financial operations is diminished and errors, irregularities or misappropriation may go unnoticed.⁹

The Board Did Not Comply With Statutory Training Requirements

Although District officials told us that the Commissioners completed the mandatory training, they could not provide any documentation to support that the required training was completed. Therefore, it is likely that the Board members did not complete their mandated training, which could explain why certain key legal requirements and other responsibilities were not met. The training would have informed the Board of vital legal requirements that they did not comply with, such as the statutory spending limit and filing of annual reports and tax cap calculations.

Without proper training, the Board cannot assure residents it possesses the basic knowledge to provide effective management of District financial and non-financial activities.

The Board Did Not Adequately Safeguard Vehicles and Equipment

During our audit period, District officials' control of vehicles and equipment was limited. An asset list or inventory of its vehicles, apparatus or other equipment was not maintained. At the end of our audit fieldwork, in February 2018, the Chairman prepared and provided an asset list of the District's vehicles and major equipment.

While District officials believed they had active insurance for loss and liability, they were unable to provide any insurance declarations or other documentation to support insurance coverage, including any premium bills or proof of payment. Without proof of insurance, the District could sustain substantial loss due to vehicle damage or injury to others.

⁹ OSC has a publication available on our website entitled *Fiscal Oversight Responsibilities of the Governing Board* www.osc.state.ny.us/files/local-government/publications/pdf/fiscal_oversight.pdf which contains checklists to assist the Board in providing and documenting an effective audit of the Treasurer's records.

As further illustration of the lack of District control and awareness of these assets, Board members were unaware of details regarding an accident involving, and subsequent repairs to, the Chief's vehicle.

During our concurrent audit of the Association, we found a \$6,431 insurance claim check issued to the District on November 1, 2016, that was deposited into the Chief's Association bank account. The Chief told us that the insurance check was for repairs of accident damage to his chief's vehicle, and that he was instructed to deposit the check into his account by the Chairman and another Board member. The Chairman told us that he did not recall an accident, or insurance claim, and was not aware that this check was issued to the District or deposited into the Chief's account. He further stated that if he or another Board member were aware of the check, they would have directed that it be deposited into a District bank account.

On November 16, 2016, a \$6,000 cashier's check was issued against the Chief's Association account to an individual who owns an auto repair shop. The Chief told us that the cashier's check was issued to pay the cost of repairs to the chief's vehicle, but he provided no supporting invoice or documentation to support the amount, the extent of the repairs or the vehicle the repairs were made to. Furthermore, he provided no explanation or documentation for the final disposition of the remaining \$431.

The Board's failure to actively manage District assets exposes the District to the risk of financial loss. It also enabled the Chief to damage and repair a vehicle, and request and spend a District insurance recovery, all without the Board's knowledge. This raises significant concerns that other incidents or activities may have occurred, unbeknownst to the Board.

What Are Adequate Records and Reports?

Fire district officials must maintain all policies, records and supporting documentation for all financial decisions and transactions in an organized manner to readily provide information as needed by board members, taxpayers and other agencies or interested parties, and to comply with State record retention requirements.

The treasurer must maintain complete and accurate records to properly account for all district financial activities in a timely manner and to provide the board with monthly financial reports that include the essential information it needs to effectively manage and safeguard district resources. Reconciling bank account balances with the accounting records monthly is an essential control activity that allows fire district officials to determine whether all cash receipt and disbursement transactions were captured and correctly recorded in a timely manner.

Adequate monthly reports should include revenue and expenditure budget-to-actual analyses to help the board monitor financial performance against budgetary estimates and address potential shortfalls as early as possible.

The treasurer is required¹⁰ to prepare and submit an annual financial report, known as the Annual Update Document (AUD), to OSC within 60 days of the end of the fiscal year.¹¹ The district's spending limit, established by Town Law,¹² is the maximum amount the district may expend without having to obtain voter approval, and must be calculated and adhered to during the budget process. Additionally, before adopting a budget for the coming year, district officials must submit the tax levy limit calculation to OSC.¹³

A board may retain a reasonable amount of fund balance necessary to ensure the orderly operation of the fire district, address unforeseen circumstances and provide cash flow to compensate for timing differences between when revenues are received and expenditures are made.¹⁴ Retaining more fund balance than reasonably necessary can result in unnecessarily high real property tax levies.

District Officials Did Not Maintain Adequate Records

District officials did not maintain basic records in an organized manner and required repeated requests to provide records, such as policies and Board minutes. The District's accounting records consisted of a check register that provided a running cash balance. Other records such as balance sheets, revenue and appropriation subsidiary records needed to provide timely monitoring and reporting of finances were not maintained.

Beyond accounting records, other financial records were not available. For example, the Treasurer was unable to provide us with canceled check images because the District does not receive images on the bank statements or print them from the online banking system to meet record retention requirements.¹⁵ District officials were also unable to provide us with an agreement with the bank that set forth the services to be provided, including how canceled check images would be made available. The lack of canceled check images for Board review severely limits its ability to provide effective oversight.

10 By GML Section 30 and Town Law Section 181 (6)

11 The AUD provides a complete summary of district financial activities and its year-end financial condition.

12 Town Law Section 176 (18)

13 GML Section 3-c restricts the amount of real property taxes that can be raised.

14 Town Law Section 181 (2-b)

15 The NYS legal minimum retention period for canceled checks and bank statements is six years.

In addition, the Treasurer was not familiar with and was unable to provide documentation or information for the District's outstanding debt. The Chief, at the request of the Chairman, acquired loan documentation from the lending institution because District officials could not provide it to us.

The current Treasurer did not prepare bank reconciliations. She prepared and provided to the Board a monthly spreadsheet that listed the disbursements for the month, with their associated account code, and bank account balances, without dates. We reviewed bank statements¹⁶ and noted that she did not record month-end bank balances on her monthly report, but only the balance she retrieved from the online banking system as of the date of the Board meeting at which she presented the report. Listing book and bank balances as of different dates did not allow for reconciliation or identify any discrepancies or differences due to outstanding checks, deposits, unrecorded transactions or errors. In addition, while District officials told us that bank statements were presented to the Board monthly, neither the Board minutes nor the available bank statements included any indication that the Board received or reviewed bank statements or reconciliations.

The Board's failure to require the Treasurer to prepare adequate detailed accounting records, bank reconciliations and monthly reports, and retain check images and documentation on loans and bank agreements, severely limited its ability to monitor the District's operations and financial condition.

Adequate Reports Were Not Prepared or Filed

The lack of records complicates the filing of necessary reports. The record inadequacies discussed previously contributed to the Treasurer not:

- Preparing or filing an AUD for 2013 through 2017. District officials told us they were unaware of the annual reporting requirement.¹⁷ However, OSC sent filing instructions, followed by multiple delinquent AUD letters to the Treasurer every year at the District's mailing address. Without filing annual financial reports, District officials are violating GML and Town Law provisions and the Board and District residents have no information with which to assess or monitor the District's financial status.
- Calculating or providing the District's statutory spending limit for 2016, 2017 or 2018 during the budgetary process. The Board adopted budgets exceeding the statutory spending limit in 2016 (by \$8,280), 2017 (by \$15,462) and 2018 (by \$16,326). Further, actual expenditures exceeded the

16 For the seven months that she had been Treasurer – March through September 2017

17 Prior to 2013, the District was governed by the Town Board and the Town reported the District's financial activity on its AUD. The District separated from the Town following a March 14, 2012 Town Board resolution to create a new Sea Breeze Fire District.

statutory spending limits by \$17,280 (14 percent more than the limit) in 2016 and \$13,884 (13 percent) in 2017 without voter approval to exceed the limit. Without calculating and filing the District's statutory spending limit, District officials have not provided residents a transparent view of District finances or assurance that the District has complied with legal requirements.

- Calculating or filing the District's tax levy limit calculation for 2017 or 2018 as required.
- Preparing monthly reports comparing budgeted revenues and expenditures with actual results.

As a result, the Board did not have information necessary to make financial decisions including ensuring budgets were within statutory limits. The lack of reports deprived taxpayers of the transparency necessary to evaluate the Board's decisions, the assurance that budgets conformed to statute and the right to vote on the additional expenditures.

The Board and District Officials Did Not Monitor Financial Condition

Due to the lack of adequate and complete accounting records and monthly and annual financial reports, the Board had no readily available information with which to assess and appropriately monitor financial results against its adopted budgets and the District's overall financial condition. District officials did not know how much fund balance the District had because the Treasurer did not sufficiently record financial activity to accurately calculate and report fund balance. Therefore, we reviewed the District's bank balances to estimate fund balance as a way to evaluate the District's financial condition. We found that the District's total bank balance was approximately \$72,016 at the end of 2016, 62 percent of 2016 expenditures. The total bank balance increased to \$100,497 at the end of 2017, or 92 percent of 2017 expenditures.

Without documented Board analysis and justification for retaining such high balances, the District's fund balance seems excessive and should be used to reduce real property tax levies in coming years or set up reserves to meet the long term needs of the District.

What Is an Effective Claims Audit Process?

Town Law¹⁸ requires the board to audit all claims against the district prior to payment and, by resolution, order the Treasurer to pay the audited claims. An effective claims auditing process ensures that every claim against the district is subjected to a thorough and deliberate review to verify that each claim contains

18 Town Law Section 176 (4-a)

adequate supporting documentation to determine whether it complies with statutory requirements and district policies, and the amounts claimed represent actual and necessary district expenditures.

Debit cards pose significant risks because they allow payment to be directly withdrawn from the bank account at the time of purchase without prior approval, and unauthorized use may not be readily detected. Board policy requires receipts for all debit card purchases, detailing the name of the individual who incurred the payment, the reason for and amount of the payment, attached to a voucher and submitted to the Board for approval.

The Board Did Not Perform an Adequate Claims Audit

The Board did not adopt a claims audit policy and did not perform an adequate claims audit. Board members told us that one Board member reviews each claim before signing the 'checked by' voucher line and then passes it on to the other Board members who also sign the voucher. Additionally, the claims audit process is circumvented by the use of a debit card which results in direct payments prior to Board approval. Further, the Board minutes state that bills have been approved for the month, but do not include any description or details regarding the total number or amount of vouchers approved for payment.

We reviewed all 317 disbursements totaling \$203,561 made from January 1, 2016 through September 30, 2017. We found errors that indicated flaws in the process. These included:

- 33 disbursements totaling \$47,816 (23 percent) that did not have adequate supporting documentation.
- 98 disbursements (31 percent) totaling \$66,785 that were not eligible for pre-payment and were paid prior to Board approval based on the signature dates on the vouchers. This includes 25 purchases totaling \$11,543 made with a debit card.
- 56 disbursements totaling \$23,753 that did not have documentation of verbal quotes and 10 disbursements totaling \$26,014 that did not have documentation of written quotes required to be obtained by the District's procurement policy. The Chairman initially told us that they obtain quotes, but do not retain documentation. However, he subsequently informed us that the Treasurer retains the quotes and should have them with the claims. Lacking documented quotes, the Board cannot assure taxpayers that the District obtained goods and services at the best available prices or quality.

Within these disbursements, we specifically noted two payments (January 2016 and February 2017) totaling \$3,000 to the Chief¹⁹ for the annual installation dinners, one \$550 payment (February 2016) to the Chief with the description of training reimbursement, one \$2,000 payment (May 2016) to the Association for drill team expenses and one \$2,719 payment (May 2017) to a Commissioner with the description “remainder drill team budget.” We also noted two payments (February 2016 and March 2017) totaling \$31,000 to the Association for rent. However, these payments were made without having a formal lease. The lack of supporting invoices, receipts, leases or other documentation increases the risk that the District’s funds were not used for legitimate District purposes.

On our follow-up inquiries regarding the lack of documentation for these disbursements, the Chairman requested documentation from the Chief and Commissioner to support these payments because the Board did not have the documentation when payment was made and did not require the individuals to later submit documentation of how the funds were used. We met with District officials at the end of our audit field work, on February 22, 2018, and received certain additional documents:

- The Chief provided us with two invoices totaling \$2,995 for catering for the 2016 and 2017 installation dinners. He told us that he had just obtained these invoices from the vendor, to support the two \$1,500 payments he received. We had concerns about the authenticity of these invoices, which appeared to have been created from a template as various sections used stock language and were not adjusted for an actual invoice. For example, they did not prominently include the vendor’s name or logo, and included an incomplete email address, a sample customer ID of “ABC12345” and “[Your company slogan]” at the bottom. Furthermore, in previous discussions, the Chief had told us that the funds he received from the District were used to cover all of the various installation dinner costs including the bar tab and ancillary costs, in addition to the caterer. He also stated, on one occasion, that the installation dinner catering cost should have been around \$900, and that this vendor catered the 2017 dinner because they had problems with the previous vendor, implying that this vendor did not provide any catering services for the 2016 installation dinner. Additionally, there were no lists of attendees to support the number of meals paid for as indicated on the invoices provided. Finally, we made numerous attempts to verify the invoices, however, the vendor is no longer in business and the owner said she did not have original invoices to provide.

¹⁹ Both checks were written to the same individual, who was Chief for 2016 and technically held the Assistant Chief title for 2017, but functioned in primarily the same (financial) capacities both years.

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- The Chief provided an expense reimbursement form – which he told us he had just created - to support the \$550 ‘training reimbursement’ with no supporting documentation from the training institution. Although the Board minutes approved two unnamed Commissioners to attend training for \$550, no documentation was provided to indicate who, if anyone, registered for, attended or paid for the training. After our audit fieldwork, we obtained a roster of attendees directly from the training institution. We did not find any Commissioners’ names but found that the Chief attended. During a subsequent discussion, the Chief told us that the Assistant Chief attended with him. However, that individual’s name was not on the roster. We received no documentation to support the amount paid, the Assistant Chief’s attendance, or why the attendees were not Commissioners as approved in the Board minutes.
 - The Chief provided various invoices recently obtained from vendors that he said were paid from the \$2,000 check to the Association for the drill team in 2016. However, most of the support provided did not correspond to disbursements made from the Association Chief’s account to which that check was deposited.²⁰
 - The Chairman provided bank statements, invoices and receipts to support the \$2,719 payment to the Commissioner for drill team expenses on May 4, 2017. The bank statements were for a personal account in the name of the Commissioner to whom the check was written, with a “DRILL TEAM” designation, and were sent to the Commissioner’s home address. However, we noted that the \$2,719 District check was not deposited into this bank account. Deposits to the “DRILL TEAM” account totaled \$2,276 and included two transfers from a different personal bank account (\$2,000 on May 10, 2017 and \$111 on June 16, 2017) and a \$165 ATM cash deposit on May 17, 2017. The Commissioner also provided a list of items that he noted as being paid from the District-provided funds, which totaled \$2,678, \$41 less than the District check amount. Further, not all of the listed disbursements were supported with invoices or other supporting documentation. The invoices provided totaled \$2,530, \$189 less than the check amount. While there were additional disbursements on the bank statements that were not supported, it is unclear if they were drill team-related. Further, some of the documentation provided was for items that could be general/personal in nature.

Additionally, we found the District spent nearly \$620 in February 2016 for a dinner meeting that included alcohol purchases totaling \$90. The purchase of alcohol is not appropriate at District meetings. By serving alcohol at its events, the District also may be putting itself at risk for liability arising from injuries or accidents of

²⁰ This information was available through our concurrent audit of the Association. See *Sea Breeze Volunteer Fire Association Inc. 2018M-273*

those attending. The amount spent for this “dinner meeting” is also questionable as there was no documented purpose or list of attendees. Also questionable was a similar dinner meeting expense totaling \$411 in January 2017. In this instance the claim did not have an itemized receipt or a list of attendees. Both purchases were made using the debit card, despite policy provisions prohibiting the use of the card for the purchase of alcoholic beverages.

Without thorough auditing, adequate documentation and approval of claims before payment, the Board does not have adequate assurance that disbursements are for appropriate District expenditures.

What Do We Recommend?

The Board should:

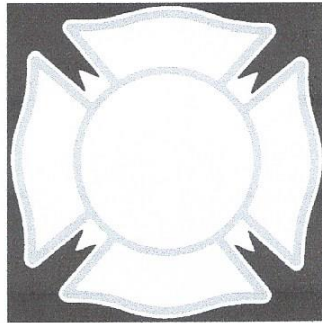
1. Adopt, implement and enforce financial policies and procedures that help segregate financial duties or provide for additional oversight measures, including: investment, fund balance, claims processing, disbursement, financial records and reports and budgeting.
2. Update and enforce the District’s procurement policy, including not exempting officials from soliciting competitive proposals for professional services, and make approval terms clearer in its credit/debit card policy.
3. Adopt, implement and enforce IT related policies, including breach notification and acceptable use, and provide IT security awareness training.
4. Conduct or contract for an annual audit of the Treasurer’s records and maintain documentation detailing the records reviewed and the outcome of the audit.
5. Complete the mandatory commissioner training as required within 270 days of taking office and maintain documentation of completion.
6. Actively manage District assets, establish policies or procedures that require detailed asset inventory records and require regular Chief updates on the condition, maintenance and repair needs of, and any incidents involving, District assets.
7. Take steps to obtain and maintain sufficient documentation that the District has ample insurance coverage to protect against loss of District vehicles and assets, including procedures providing that the Board will be made aware of all insurance claims filed with the agent.
8. Ensure that the District’s books, records and other documents are kept in an organized manner in a secure location and transferred to new staff.

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9. Ensure that the Treasurer maintains accurate, complete and up-to-date accounting records that document all financial transactions and provides monthly and annual reports to the Board, including budget-to-actual reports for use in monitoring District operations throughout the year.
 10. Ensure that the District has a sufficient written service agreement with the bank that provides for, among other things, the required and convenient access to District check images.
 11. Ensure that the Treasurer prepares monthly bank reconciliations for all accounts and provides them to the Board for review. Any differences should be reviewed and resolved.
 12. Ensure that the Treasurer files the required annual report with OSC within 60 days of each fiscal year end.
 13. Prepare and file, with its annual budget, appropriate calculations to ensure the District stays within its statutory spending limit or seeks voter approval to exceed the limit.
 14. Ensure the Treasurer prepares and files the required annual tax levy limit calculation with OSC.
 15. Closely monitor the District's fund balance and financial condition by requiring and reviewing complete and timely financial records and reports, establishing reasonable fund balance goals, and using any excess fund balance to reduce tax levies in the best interest of the taxpayers.
 16. Audit all claims before payments are made, ensuring that all claims have sufficient supporting documentation and are appropriate District expenditures, and ensure the minutes include the number and dollar amount of claims authorized for payment.
 17. Ensure that there is a valid written agreement for the portion of the building leased from the Association to support the substantial annual payments to the Association.
 18. Consider ending its practice of allowing the use of debit cards.
 19. Ensure that policy-required quotes are obtained to ensure competitive pricing and retain quote documentation with the audited claims.

The Treasurer should:

20. Prepare and maintain accurate, complete and up-to-date accounting records.
21. Perform bank reconciliations and provide the reconciliations and bank statements to the Board for review.
22. Provide adequate monthly financial reports to the Board.
23. Prepare and submit accurate annual financial reports and tax levy limit calculations to OSC in a timely manner.

Appendix A: Response From District Officials



SEA BREEZE FIRE DISTRICT
BOARD OF FIRE COMMISSIONERS
4657 CULVER ROAD, ROCHESTER NY 14622

Ray Walker – Chairman
Mark Berndt – Vice- Chairman
Gary Frank – Commissioner
Matt Schmanke – Commissioner
Mitchell Petrotta – Commissioner

Christina Ortiz Schmanke - Treasurer
Laurie Perry - Secretary

RESPONSE LETTER TO THE DRAFT AUDIT REPORT FOR THE SEA BREEZE FIRE DISTRICT #2018-269

January 21, 2021

This letter serves as a response to the OSC Audit examination #2018M-269 in accordance with the requirements of law. A full CAP, corrective action plan will follow although several key changes in business have already been implemented as an immediate response during this audit. Response in this letter will only address key items as all findings will be addressed in the CAP to follow,

Response to Key Findings:

- Commissioner training had been completed by all Commissioners however, documentation was lacking, misplaced or not properly recorded by the secretary. More oversight of secretarial duties have been implemented. Electronic files and backup will be maintained.
- District assets have been and continued to be documented as equipment assets are either added, replaced, or end of service warrants
- The Treasurer has worked with OSC recommendations to efficiently operated within guidelines and law. We have retained for audit purposes a CPA to review records and perform yearly audits in accordance with law
- New policies and formal procedures have been implemented. Existing procurement policy has been reviewed and updated to reflect OSC recommendations. All will be addressed in the CAP.

Response to Board Oversight:

Prior to the formation of the current Independent Fire District, the District finances resided with the Town of Irondequoit Town Board and Town Finance Director. The Chief would interface with the Town Board and Finance director. Which by admittance knew the rules and regulations of NYS much better than we as the SBFD Commissioners. While we believed we were doing a good job of oversight, the OSC audit enlightened us to shortfalls in our policies, procedures and conduct of business.

We are implementing new procedures such as investment policies, IT policies records retention and duties of Commissioners, Treasurer and Secretary. Current policies such as code of ethics, credit card policy, procurement policy reflects changes in pre-authorization for purchases. Quarterly audits of the finances and checks have been implemented and an outside CPA has been retained to perform an annual audit of the treasurer and the LOSAP account.

Commissioner duties have been reviewed with each commissioner assigned duties to oversee different aspects of business, absorbing duties that the Chief had historically interfaced with the Town Board and Finance director. We the Board of Fire Commissioners have focused on having complete oversight of all aspects of the Fire District.

As to safeguarding vehicles equipment, the [REDACTED] has been our Broker on Record for decades. There have been many verbal and written requests for invoices. The district has set aside money we believe is owed to the Insurance broker. We can verify through both [REDACTED] Insurance as well as another broker that all vehicles and equipment are fully insured for replacement value. We are as frustrated with the lack of invoicing with the [REDACTED] and will be changing to a different broker of record when our policy renews in June of 2021.

The Chief will no longer handle any money, check, cash transactions. All monies must go through the Treasurer to properly record all transactions. The Chief did not adequately account for / document spending of maintain receipts as required. We acknowledge this as a shortfall on the Boards fault to oversee. Restricting the Chief from transactions and policy changes should effectively control this.

One comment as to page 11, reference \$550 training reimbursement in this document. This was for a Chiefs training seminar in Buffalo, New York, designed for Chiefs. We had two attendees, the Chief and Assistant Chief. The Chief pre-registered and that was the list that the OSC obtained. The Assistant Chief registered the day of the seminar, therefore his name did not appear on the pre-registered list. We also believe the approval of two Commissioners to attend a Chiefs seminar was in error of the Secretary to record "Commissioners" instead of "Chiefs". Commissioners have no operational authority on the fireground so it

would be not be useful or educational for a commissioner to attend such training. Again, lack of proper documentation to support the expenditure.

In general, we the board of Fire Commissions do agree to the findings in this audit. We acknowledge that we did not properly document some expenditures and provide enough oversight, We have made changes to policies and procedures, we have contracted a CPA for auditing purposes and restricted the flow of money to only the District Treasurer. While we acknowledge our inadequacies, we also do not believe anything was done in an intentional malicious manner meant to defraud our taxpayers, rather not knowing all the rules and having proper procedures in order. This has been an educational experience and will be addressing all aspects in the follow up CAP.

We want to thank the OSC Audit team for the understanding and guidance they have provided during this audit. It has been an opportunity for the SBF D Board of Fire Commissioners, Treasurer and Secretary to be enlightened educated to our responsibilities to the residents of our Fire District.

Sincerely,

Ray Walker
Sea Breeze Fire District
Commission Chair

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 NYS 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 available Board minutes and District policies to gain an understanding of District operations.
- We reviewed the budgets and available District financial records and reports.
- We calculated the District's statutory spending limit for 2016 and 2017 and compared the limit to the District's budgeted and actual expenditures.
- We reviewed bank reconciliations prepared by the former Treasurer for January 2016 to December 2016. We prepared bank reconciliations for March 2017 through August 2017.
- We compared budget estimates to actual expenditures for 2016 and 2017 and analyzed cash balances and potential liabilities to estimate fund balance. We estimated unrestricted fund balance as a percent of actual disbursements.
- We reviewed all 317 disbursements totaling \$203,561 from January 2016 through September 30, 2017. We compared the voucher packets (vendor invoices and other supporting documentation), duplicate check copies, bank statements, check registers and the Treasurer's monthly spreadsheets. We reviewed disbursements for appropriateness, adequacy, accuracy, approvals and compliance with the District's purchasing policy. We obtained canceled check images directly from the bank and compared them with District records.

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.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of NYS 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.

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

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

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

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