

Coeymans Hollow Fire District

Board Oversight

JUNE 2022



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

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Report Highlights

Coeymans Hollow Fire District

Audit Objective

Determine whether Coeymans Hollow Fire District (District) Board of Fire Commissioners (Board) ensured it had an adequate service contract in place, annual financial reports were filed in a timely manner and disbursements were supported and approved.

Key Findings

The Board ensured disbursements were supported and approved. However, the Board did not ensure:

- The service contract with the Coeymans Hollow Volunteer Fire Corporation (Company) was adequate in addressing what periodic financial reports the Company had to provide the District.
- Annual Update Documents (AUD) were filed in a timely manner. The 2018 through 2020 AUDs were filed between 133 and 736 days late.

Key Recommendations

The District should:

- Include language in the Company's agreement requiring the Company to provide appropriate periodic financial reports to the District.
- Ensure the Treasurer files AUDs in a timely manner.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Background

The District, located in the Town of Coeymans in Albany County, is governed by an elected five-member Board.

The Board is responsible for overall financial management and safeguarding the District's resources.

The Board appoints a Treasurer who acts as the chief fiscal officer and is responsible for receiving, having custody of, disbursing and accounting for the District's funds and preparing periodic financial reports.

The District contracts with the Company for all equipment and accessories needed for fire suppression, emergency medical services and rescue.

Quick Facts

2020 Collections	\$398,074
2020 Disbursements	\$364,152
2021 Budget	\$400,750
2021 Tax Levy	\$396,872

Audit Period

January 1, 2019 - July 31, 2021

Board Oversight

How Should a Board Provide Adequate Oversight of Service Contracts, Annual Financial Reporting and Disbursements?

A board is responsible for managing and overseeing a district's overall fiscal affairs and safeguarding its resources. The board, in conjunction with the treasurer, should establish and implement procedures to help ensure:

- The district's funds are properly safeguarded,
- Disbursements are supported, authorized and properly accounted for, and
- The district complies with applicable laws, rules and regulations.

Annual written agreements define the contractual relationship and responsibilities between a fire district and the fire company, including:

- What equipment and services will be provided by the fire company,
- When they will be provided,
- How they will be provided, and
- At what cost.

Prior to negotiating an annual agreement with a fire district, Town Law Section 176 requires a fire company to provide the district a statement itemizing the estimated costs that are needed to provide services (i.e., annual budget) under the prospective agreement. Costs include, but are not limited to, supplies, materials, operation, maintenance, insurance, training and repair of equipment and apparatus.

As a best practice, these written agreements should also require the fire company to provide periodic financial information. This includes financial statements (e.g., balance sheet and income statement), and budget-to-actual comparisons for the fire district to ensure the contracted funds are used according to the agreement. In addition, the district should include mechanisms in its agreements to hold the fire company accountable for providing the district with financial information in a timely manner.

An AUD is a report of a district's financial position and results of operations. New York State General Municipal Law (GML) Section 30 requires the district treasurer file an AUD with the Office of the State Comptroller (OSC) within 60 days of the end of the district's fiscal year (December 31), or request an extension, which if granted, extends the deadline an additional 60 days. Filing the AUD accurately and in a timely manner provides the board, OSC and district taxpayers with a transparency tool to monitor and evaluate financial operations.

A board is required to perform a thorough and deliberate audit of claims before they are paid. An audit ensures that each claim contains enough supporting documentation to determine whether claims comply with statutory requirements and district policies and represent actual and necessary district expenditures. The

Annual written agreements define the contractual relationship and responsibilities between a fire district and the fire company. ...

audit and approval of claims is an important board responsibility to oversee district expenditures and safeguard district assets.

Segregation of incompatible duties is a commonly used and widely accepted internal control practice. Implemented effectively, this control reduces the risk that any officials will be able to carry out and conceal errors or fraud in the normal course of their duties without being detected. When it is neither practical nor cost-effective to segregate the basic responsibilities, compensating controls should be considered. Therefore, oversight is especially important when one person performs all aspects of the collections, record keeping, cash disbursement process and depositing of funds.

The Board Needs to Improve Its Contract With the Company

Among other costs incurred by the District for maintaining the fire station (e.g., debt service, insurance and building maintenance), the District includes the cost provided in the contract with the Company to develop the District's annual budget and determine the annual tax levy amount for residents living within the boundaries of the District. The contract called for the District to pay \$133,550 annually to the Company in both 2020 and in 2021.

The Company provides an annual budget to the District itemizing the Company's estimated costs of providing services, including those for apparatus, equipment and other support services. The annual contracts also require the Company to provide documentation of the Company's long-term financial stability and ability to provide equipment to the District. This documentation is to include a 25-year plan for procurement, provision of fire apparatus, and other equipment.

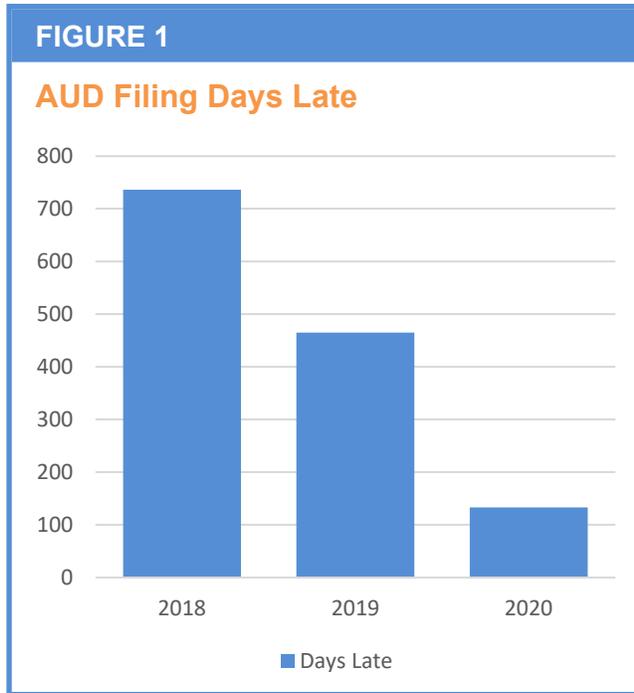
The contract does not define what other financial information should be provided such as: periodic balance sheets, income statements and budget-to-actual reports. As a result, the Company did not provide the District any financial information other than the Company's annual budget. The Board made frequent requests for financial statements, as documented in the Board minutes during our audit period; however, the Company still did not provide any. The Board Chairman and two Board members told us that the Company has been resistant to providing financial information as they are a private corporation. The Company also has not provided the District a 25-year procurement plan required by the contract. The absence of specific language negotiated into the contract on what and when financial information is to be provided, along with the Company's unwillingness to provide financial information to the District, impairs the Board's ability to:

- Assess the Company's financial health,
- Assess the Company's ability to replace equipment, and
- Determine whether the funds provided were used for fire suppression, emergency medical and/or rescue services as budgeted.

The Treasurer Did Not File Required AUDs in a Timely Manner

The Treasurer did not prepare and file the required AUDs for the last three fiscal years (2018, 2019 and 2020) to OSC in a timely manner. The Treasurer filed the AUDs for the last three fiscal years between 133 and 736 days late (Figure 1).

The current Board Chairman stated the primary reason for not filing the AUDs in a timely manner was that the Treasurer did not understand the process of how to file the AUD, and because the previous Board Chairman had handled filing AUDs for the District prior to 2018.



Not filing AUDs on time impairs the Board's and District residents' ability to monitor the District's operations and financial condition. It also impairs the Board's ability to make informed decisions.

The Board Audited Disbursements

Monthly, the Treasurer prepared the disbursement checks, attached them to the claim packets and presented them to the Board for audit. After completing their audit, the Board members signed the claim vouchers approving the payments. Once approved, the Treasurer mailed the checks to the vendors. However, because the Treasurer performed all aspects of the cash disbursement process including preparing claims and checks, signing checks, recording in the accounting records and reconciling bank accounts, mitigating controls should have been put in place to provide Board overview of these functions, such as reviewing the canceled checks and comparing them to the approved disbursements.

In February 2021, the newly elected Board members requested the Treasurer start performing monthly bank reconciliations, which were not previously completed. There is documentation in the Board minutes that the former Board

members reviewed the check book and bank statements and their initials were also on the bank statements. However, it is unclear whether cancelled check images were reviewed and compared to approved disbursements prior to February 2021. A review of canceled check images helps minimize the risk of unauthorized transactions or other errors or irregularities occurring and remaining undetected. According to the Board Chairman, the Board has received and reviewed the monthly bank statements, reconciliations and canceled check images since the Treasurer began performing bank reconciliations.

We examined 60 disbursements and the related claims, totaling \$86,486, to determine whether they were adequately supported, for a proper District purpose, recorded in the accounting records and audited by the Board. We found all payments were adequately supported, for a proper District purpose, accurately recorded in the accounting records and properly audited by the Board prior to payment.

Although our reviews did not disclose any discrepancies, without sufficient oversight of the Treasurer's disbursement duties, the District had an increased risk that errors and/or irregularities would occur and remain uncorrected.

What Do We Recommend?

The Board should:

1. Include language in the Company's agreement requiring the Company to provide appropriate periodic financial reports to the District.
2. Ensure the Treasurer files AUDs in a timely manner.
3. Continue to receive and review the monthly bank statements, bank reconciliations and check images.

The Treasurer should:

4. Ensure that the AUD is filed with OSC within 60 days after the close of the fiscal year, as required by law.

A review of canceled check images helps minimize the risk of unauthorized transactions or other errors or irregularities occurring and remaining undetected.

Appendix A: Response From District Officials

Coeymans Hollow Fire District #3
PO Box 12
Coeymans Hollow, NY 12046

Gary Gifford, Chief Examiner
Office of the State Comptroller
One Broad St. Plaza
Glens Falls, NY 12801

May 31, 2022

Dear Chief Examiner Gifford,

Please see our Response and Corrective Action Plan for Coeymans Hollow Fire District #3, Report of Examination 2021M-211.

Response

The board of commissioners of Coeymans Hollow Fire District #3 are in agreement with the findings and recommendations put forth in the draft audit report. The process was informative and a positive experience. We are appreciative of the guidance to ensure that the board of commissioners is operating correctly and efficiently.

Corrective Action Plan

For the recommendation #1, "Include language in the Company's agreement requiring the Company to provide appropriate periodic financial reports to the District" the following action is being taken:

- The district counsel and company counsel are working to update the agreement between the District and the Company. Language such as, " financial reports are required to be supplied by the Company on a quarterly basis" is being inserted into the agreement.

For the recommendation #2, "Ensure the Treasurer files AUDs in a timely manner," the following actions are being taken:

- The 2021 AUD was filed on time.
- The board of commissioners will remind the treasurer about the deadline to file the AUD and require the treasurer to provide an estimated time that it will be completed at the January meeting each year.

For the recommendation #3, "Continue to receive and review the monthly bank statements, bank reconciliations and check images."

- The board of commissioners will reconcile bank statements each month by comparing canceled checks on the statement to the treasurer's report. This practice began in February 2021.

For the recommendation #4, "Ensure that the AUD is filed with OSC within 60 days after the close of the fiscal year, as required by law."

- The district treasurer will file the AUD within the 60 days after the close of the fiscal year.

Respectfully submitted by,

Judith Burton
Commissioner Chairperson

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 District operations including internal controls and oversight of the Treasurer's duties.
- We reviewed the District's annual contracts with the Company to determine whether the District received all required financial information from the Company.
- We reviewed the Treasurer's accounting records to determine whether they were complete, adequate, and accurate.
- We reviewed AUD filings to determine whether AUDs were filed with our office within 60 days after the close of the fiscal year.
- We used our professional judgement to select 60 disbursements (20 from each year in our scope) totaling \$86,486 from claim vouchers generated during our audit period to assess whether the claims were accurately recorded, authorized, adequately supported and for proper District purposes. We used our professional judgement to select a sample base that included higher risk disbursements for unusual items or excessive purchases; payments to the Treasurer; Board members and their spouses and/or known related parties; and payments made for cable and phone bills and other items that could be converted to personal use.

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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

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

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

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

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

Contact

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