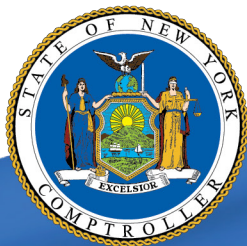


Kortright Rural Fire District

Financial Activities

JUNE 2022



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

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Report Highlights

Kortright Rural Fire District

Audit Objective

Determine whether the Kortright Rural Fire District (District) Board of Fire Commissioners (Board) established adequate controls over financial activities to safeguard assets.

Key Findings

The Board did not establish adequate controls over financial activities to safeguard assets. The Board did not:

- Adequately segregate the Treasurer's duties or implement mitigating controls.
- Properly monitor the Treasurer's financial activities.
- Annually audit the Treasurer's records.
- Seek competition for heating oil; had officials worked with the New York State Office of General Services (OGS) to use a State contract the District could have saved \$2,805, 21 percent of the District's heating oil cost.

Key Recommendations

- Periodically review bank statements, canceled checks and bank reconciliations.
- Annually audit the Treasurer's records.
- Compare prices to help ensure purchases are cost effective and in the best interest of taxpayers.

District officials agreed with our recommendations and indicated they planned to take corrective action.

Background

The District provides fire protection and emergency medical services to the Towns of Kortright and Stamford in Delaware County.

An elected five-member Board governs the District and is responsible for its overall financial management. The Board-appointed Treasurer is the chief fiscal officer and is responsible for receiving, maintaining custody of, disbursing and recording all District funds and preparing periodic financial reports.

The current Treasurer took office in October 2020.

Quick Facts

2022 Budgeted Appropriations	\$123,053
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2021 Expenditures	\$94,225
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Total Claims in Audit Period

Number	250
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Amount	\$184,524
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Number Tested	37
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Amount	\$25,014
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Audit Period

January 1, 2020 – December 31, 2021

Financial Activities

How Should a Board Adequately Oversee Financial Activities?

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 adequate internal controls over financial activities to ensure no one individual performs all aspects of a transaction (e.g., receives and disburses funds, signs checks, maintains financial records and reconciles bank accounts). If segregating key duties is not possible, sufficient mitigating controls should be implemented, such as having someone independent of the process review bank statements, canceled check images and bank reconciliations.

A board should perform a thorough audit of claims before they are paid to ensure that they are supported with itemized invoices and fire district funds are used for legitimate expenditures. The board should also perform an annual audit of the treasurer's records to help ensure public funds have been handled properly. The board should also provide oversight by reviewing monthly reports such as budget-to-actual and cash balance reports. In addition, a board should ensure the prudent and economical use of public money in the best interest of its taxpayers by seeking competition on purchases.

...[A] board should ensure the prudent and economical use of public money in the best interest of its taxpayers. ...

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

The Board did not adequately segregate the Treasurer's duties or implement mitigating controls. The Treasurer performed all financial duties, including receiving and disbursing cash, signing checks, reconciling bank accounts and maintaining accounting records, with limited oversight. Although the Board received monthly financial reports, it did not receive and review bank statements, canceled check images or bank reconciliations to ensure financial activities were proper. Additionally, the Board did not perform an annual audit of the Treasurer's records to help ensure the accuracy of the accounting records and monthly financial reports. Board members told us they were unaware they should be reviewing the reports periodically and conducting an annual audit of the Treasurer's records. Lastly, the Board did not have a written purchasing policy in place until November 9, 2021 which now requires District officials to seek competitive quotes on purchases for items such as heating oil.

Because of the lack of Board oversight, we examined the Treasurer's 2021 cash receipts and disbursements records and monthly cash balance reports provided to the Board as well as the December 31, 2020 and December 31, 2021 bank reconciliations, and found they were accurate. We also reviewed a sample of 37 disbursements totaling \$25,014 during our audit period to determine whether these disbursements were supported, for appropriate purposes and were approved by the Board prior to payment. While we found minor discrepancies in 2020 which we discussed with District officials, we found all claims were properly

approved in 2021. In addition, all claims tested were properly supported and for appropriate purposes.

In addition, because of the lack of a written purchasing policy for most of our audit period, we examined all 17 disbursements, totaling \$13,552, for heating oil purchases. We compared the prices the District paid for these purchases from a local vendor with the prices available from State contract vendors. District officials could have saved \$2,805, or almost 21 percent, on heating oil had they looked into using the State contract pricing options. To obtain the rates offered through State contracts, the District would need to file necessary requirements with OGS prior to the awarding of such contracts or receive agreement from a State contract vendor to be added to its delivery schedule after the awarding of such contracts.

Without sufficient oversight and an audit of the Treasurer's records, there is an increased risk that errors and irregularities could occur and remain undetected and uncorrected.

What Do We Recommend?

The Board should:

1. Segregate the Treasurer's financial duties or provide increased oversight to mitigate the risk by reviewing bank statements, canceled checks and bank reconciliations periodically.
2. Perform an annual audit of the Treasurer's records and reports.

The Board and District officials should:

3. Compare prices to help ensure purchases are cost effective and in the best interest of taxpayers.

Appendix A: Response From District Officials

Kortright Rural Fire District
243 Scotch Hill Road
Bloomville, NY 13739

May 25, 2022

The Kortright Rural Fire District Board of Commissioners has received, reviewed, and agree with the findings of draft report 2022M-51. Below please find the corrective action plan (CAP) for each of the three findings.

- Periodically review bank statements, cancelled checks, and bank reconciliations.
 - In response to this finding the board will implement the practice of reviewing quarterly the above recommended items.
- Annually audit the Treasurers records.
 - In response to this finding the board will review the Treasurers records annually.
- Compare prices to help ensure purchases are cost effective and in the best interest of taxpayers.
 - In response to this finding the board has implemented a procurement policy. Specifically this policy will ensure cost effective purchasing of fuel oil.

Respectfully submitted,

Paul Dibble

Chairman, Kortright Rural 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, our audit procedures included the following:

- We interviewed District officials and reviewed Board meeting minutes, resolutions and policies to gain an understanding of District operations.
- We reviewed the Treasurer's monthly reports and corresponding bank reconciliations for December 2020 and December 2021 to determine whether they were complete and accurate.
- We reviewed all bank account activity for unusual transactions or withdrawals.
- We reviewed bank statements, canceled check images, detailed check registers and abstracts of audited claims and supporting documentation from January and July 2020 and April and October 2021. We judgmentally selected these months to cover a month in each season and determined whether all 37 check disbursements for these months totaling \$25,014 were audited, Board-approved and for proper District purposes.
- We reviewed all 17 check disbursements for heating oil purchases made during the audit period totaling \$13,552 and compared the prices paid to State contract prices to determine whether District officials may have achieved cost savings.

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/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

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