

Norfolk Fire District

Board Oversight

SEPTEMBER 2022



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

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Report Highlights

Norfolk Fire District

Audit Objective

Determine whether the Norfolk Fire District (District) Board of Fire Commissioners (Board) conducted proper audits and ensured that annual financial reports were filed timely.

Key Findings

The Board did not audit and approve all claims prior to payment, annually audit the Treasurer's records and ensure the Treasurer filed annual financial reports timely.

- We reviewed 73 claims totaling \$97,727 and determined they were generally for appropriate District purposes. However, 17 claims totaling approximately \$54,000 were improperly paid prior to the Board's audit and approval. Also, six claims totaling \$3,445 were not adequately supported and/or the District had no authority to make the payments.
- The Treasurer has not filed the District's 2018 through 2021 annual financial reports with the Office of the State Comptroller as required. As of the end of our audit period, these reports were between 72 and 1,168 days late.

Key Recommendations

- Audit and approve claims before they are paid and annually audit the Treasurer's records.
- Ensure the Treasurer files annual financial reports timely.

District officials generally agreed with our recommendations and have indicated they plan to initiate corrective action.

Background

The District is located in the Town of Norfolk in St. Lawrence County. The District provides fire protection services to approximately 4,600 residents.

An elected five-member Board governs the District and is responsible for its overall financial management.

The Board appoints a Secretary-Treasurer (Treasurer) who acts as the District's chief fiscal officer. The Treasurer is responsible for receiving and disbursing funds, maintaining the accounting records, preparing annual financial reports and keeping the minutes of Board meetings as the District's Secretary.

Quick Facts - 2021

Receipts	\$249,000
Disbursements	\$228,000
2022 Budgeted Appropriations	\$220,700
Volunteers	62

Audit Period

January 1, 2021 – May 13, 2022

We extended our audit period back to 2018 to review the timeliness of required annual financial report submissions for 2017 through 2020.

Board Oversight

How Should a Board Provide Financial Oversight?

A board is responsible for overseeing the fire district's financial activities and safeguarding its assets. New York State Town Law Section 176 (4-a) requires the board to audit all claims against the fire district prior to payment and, by resolution, order the treasurer to pay the approved claims. An effective claims auditing process ensures that every claim against the fire district is subjected to a thorough and deliberate review to verify that each claim contains adequate supporting documentation to determine whether it is for valid and legal purposes, complies with fire district policies and the amounts claimed represent actual and necessary fire district expenditures. This section of law also states that the board may, by resolution, authorize payment in advance of the audit for certain public utility services, postage, freight and express charges. However, such claims must be presented for audit at the next regular board meeting. Further, the approval of claims should be documented in the board meeting minutes by specifying the number and dollar amounts of the claims the treasurer is authorized to pay.

Additionally, a board should annually audit the records of the treasurer.¹ A treasurer should 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.

A board should ensure that the treasurer submits an annual financial report, also known as the Annual Update Document (AUD), to the Office of the State Comptroller (OSC) within 60 days after the close of the fire district's fiscal year, as required by New York State General Municipal Law (GML) Section 30. The AUD is an important fiscal tool to help a board monitor fire district operations and provides interested parties and stakeholders with a summary of a fire district's financial activities.

The Board Should Improve Its Claims Audit Process

Several Board members told us that they receive and review claims at their regular monthly meetings and approve them for payment. However, it is unclear which claims were audited and approved for payment by the Board. While monthly Board meeting minutes indicate the Board passes a motion to pay the District's claims, the minutes do not include any additional information such as the total number, listing of claims or amount of claims approved for payment. The Board also has not passed a resolution allowing the Treasurer to pay certain claims (e.g., public utilities and postage) in advance of audit.

A board should ensure that the treasurer submits an annual financial report, also known as the Annual Update Document (AUD). ...

¹ OSC has a publication available on our website entitled *The Internal Audit Process for Fire Districts* (<https://www.osc.state.ny.us/files/local-government/resources/pdf/internalauditprocess.pdf>) which contains guidance and a checklist to assist governing boards in performing an annual audit.

We reviewed 73 claims paid during the audit period totaling \$97,727. We determined that the claims reviewed were generally for legitimate District purposes and we had no exceptions with goods and services received. However, claims totaling \$54,326 were paid prior to the Board's audit. Also, claims totaling \$3,445 lacked adequate supporting documentation and/or the District had no authority to make the payments.

- Based on our comparison of the invoice and payment dates, the dates checks cleared the bank and the known dates of Board meetings, we identified 17 claims totaling \$54,326 that were paid in advance of the Board's audit and approval. Examples of claims include three payments made to the District's insurance provider totaling \$27,480, an equipment purchase totaling \$20,388 and a payment for cement work totaling \$4,000.
- Four claims, totaling \$2,000, for reimbursements to four Fire Chiefs (Chiefs) were not adequately supported. The Board Chairman told us that each Chief was paid \$500 each year for using their personal vehicles to respond to emergency calls. While the claims were signed by the Board Chairman, the reimbursements did not include a record of mileage. The Board Chairman indicated that the amount of \$500 was set by a Board resolution but was unable to provide us with a copy of that resolution. Additionally, while the District may reimburse Chiefs a reasonable mileage allowance for the use of their personal vehicle for each mile actually and necessarily traveled by them in executing the duties of their positions, there is no authority for the District to provide the Chiefs with a lump sum stipend for the use of their personal vehicles.
- Two credit card payments totaling \$1,445 contained no support other than the credit card statement. After our inquiry, the Board member who made the purchases was able to provide receipts showing both purchases. One purchase was for a flammable liquid storage cabinet totaling \$1,349 which we determined is located in the main District building. The other purchase was for radio batteries totaling \$96.

Board members that we interviewed indicated that they usually discuss District purchases, such as for equipment and repairs, before making the purchases. They also told us there is little variation in many of the District's claims from month to month, so they know which vendors need to be paid. They said they allow the Treasurer to pay certain claims such as utilities, store cards and credit cards prior to Board audit to avoid late charges.

However, our testing found that the Treasurer also paid claims for equipment, insurance and services prior to the Board's audit and approval. While Town Law permits the Board to adopt a resolution that authorizes the Treasurer to pay claims for utilities prior to audit, it does not allow payments for these types of purchases, credit cards or store accounts prior to audit.

The Board's audit and approval of claims is an important internal control in the cash disbursements process that should not be circumvented. When the Board improperly allows payments in advance of claims audit or it approves claims without adequate supporting documentation, there is an increased risk that claims could be paid that are not for valid District purposes.

The Board Did Not Annually Audit the Treasurer's Records

Board members told us that they did not conduct an annual audit of the Treasurer's records because they perform a monthly review of claims and bank reconciliations, including bank statements with canceled check images.

While these monthly reviews provide important oversight of the Treasurer's duties, an annual audit should include reviewing the accounting records and would help the Board assess whether transactions are properly recorded and reported. It would also serve as a second look at cash receipts and disbursements and may detect errors or improper payments that were missed during the Board's monthly reviews.

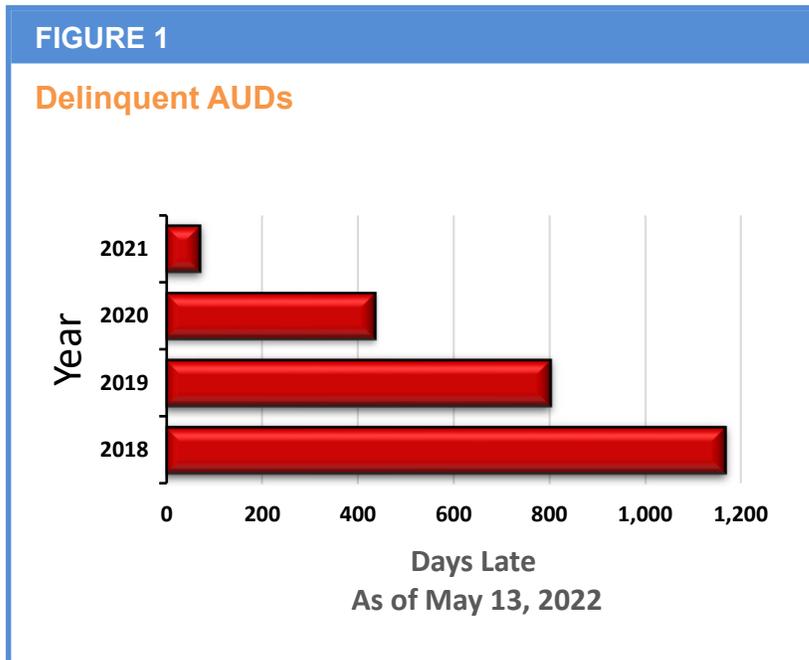
The Treasurer Did Not File Annual Financial Reports

The AUD is the annual report of the District's financial position and results of operations. While it is the Treasurer's responsibility to file the AUD with OSC, the Board should monitor the performance of this duty to help ensure it is done in a timely manner.

As of the end of our audit period, the District's most recently filed AUD was for fiscal year 2017. The Treasurer filed this report in August 2021 (1,265 days after the 60-day deadline).

The Treasurer told us that when she took over the Treasurer's position in January 2018, she was not made aware of this annual requirement. She filed the 2017 AUD after she learned of the requirement but said she has not had time to file the reports for subsequent years. While all the Board members received required financial training, which included annual financial reporting requirements, they did

not provide adequate guidance and oversight of the Treasurer to help ensure the AUDs were filed. As of the end of our audit period on May 13, 2022, the Treasurer has not completed and filed the District's 2018 through 2021 AUDs, which were between 72 and 1,168 days late (Figure 1).



When AUDs are not filed in a timely manner, the Board, taxpayers and other interested parties are denied the ability to assess the District's financial standing and the transparency of operations is diminished.

What Do We Recommend?

The Board should:

1. Audit and approve claims before they are paid by the Treasurer.
2. Ensure the Board meeting minutes include the number and dollar amount of claims authorized for payment.
3. Consider adopting a resolution allowing eligible claims to be paid in advance of audit and ensure only those claims are paid prior to audit and then subsequently approved by the Board.

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4. Ensure that all claims include proper supporting documentation prior to approving them for payment.
 5. Require the Chiefs to submit itemized claims for mileage reimbursement instead of providing a lump sum payment.
 6. Conduct an annual audit of the Treasurer's records.
 7. Ensure the Treasurer prepares and files the District's AUD with OSC within 60 days after the close of the fiscal year, as required by law, and that she files delinquent AUDs.

The Treasurer should:

8. Pay claims only after they have been audited and approved by the Board, unless otherwise provided by law.

Appendix A: Response From District Officials

District officials refer to attachments with their response. We did not include these attachments in the final report, as their response included sufficient details to indicate their intentions.

Norfolk Fire District
Board of Fire Commissioners
P.O. Box 523 Norfolk, NY 13667

Chairman Robert E. Kerr Laurie Dufresne Secretary/Treasurer
Commissioner Adrian Bush Commissioner Robert Emlaw
Commissioner Richard Coller Commissioner Vern Wolfe

Norfolk Fire District Report of Examination OSC 2022M-109
Audit Response/with Corrective Actions Plan

Norfolk Fire District Board of Fire Commissioners has reviewed the key findings and recommendations of the Office of the NYS Comptroller Audit. The board agrees with what was reported and intends to take immediate steps to improve our claims audit process. We recognize the need to improve our process for conducting the Internal Annual Audit as well as our Annual Update Document (AUD) to the Office of the State Comptroller within 60 days after closing of the fire district fiscal year. We have already taken steps to correct this issue.

This audit response also includes Corrective Actions for each recommendation stated in the report. Together these actions will make up our overall Corrective Action Plan (CAP)

Audit Recommendation #1: Audit and approve claims before they are paid by the Treasurer.

Plan of Action: Adopt a new Fire District Claims Auditing Procedure.

(Attachment 1) Upon adoption of this resolution/procedure at the September Board of Fire Commissioners meeting and during each following meeting this procedure will be followed. The Treasurer will present a listing of all claims along with supporting documents. Said listing will include each commissioner's sign block. Once reviewed each board member will sign indicating review and approval of said claims for the month. New auditing Resolution/Procedure will be added to the district policy and procedure manual and be reviewed during the annual organizational meeting policy/procedure review.

Implementation Date: September 7, 2022

Person Responsible: Treasurer, Board Members

Audit Recommendation # 2: Ensure the Board meeting minutes include the number and dollar amount of claims authorized for payment.

Plan of Action: Upon adoption of the new Claims Auditing Procedure, (Attachment 1) effective the September monthly meeting of the Board of Fire Commissioners and each monthly meeting to follow meeting minutes will now include the number and dollar amount of claims authorized for payment. The number of claims and dollar amounts will come from the treasures listing of claims.

Implementation Date: September 7, 2022

Person Responsible: Secretary, Board Members

Audit Recommendation # 3: Consider adopting a resolution allowing eligible claims to be paid in advance of audit and ensure only those claims are paid and then subsequently approved for payment.

Plan of Action: The board has developed a resolution (Attachment 2) allowing the Treasurer to pay certain claims (e.g., public utilities and postage) in advance of audit. Said resolution will be presented at the September monthly meeting of the Board of Fire Commissioners; upon adoption will go into effect immediately and be added to the policy and procedures manual.

Implementation Date: September 7, 2022

Person Responsible: Chairman, Treasurer, Board Members

Audit Recommendation # 4: Ensure that all claims include proper supporting documentation prior to approving them for payment.

Plan of Action: Following claims auditing procedures outlined in the adoption of the new Claims Auditing Procedure/Policy (Attachment 1) will ensure claims are reviewed, and supported with proper documentation before payment. Said procedure will be reviewed annually during organizational meeting policy/procedures review.

Implementation Date: September 7, 2022

Person Responsible: Treasurer, Board Members

Norfolk Fire District
Board of Fire Commissioners
P.O. Box 523 Norfolk, NY 13667

Chairman Robert E. Kerr Laurie Dufresne Secretary/Treasurer
Commissioner Adrian Bush Commissioner Robert Emlaw
Commissioner Richard Coller Commissioner Vern Wolfe

Audit Recommendation # 5: Require the Chiefs to submit itemized claims for mileage reimbursement instead of providing a lump sum payment.

Plan of Action: With the adoption of the new Claims Auditing Procedure (Attachment 1) Chiefs, Treasurer, Board Members are made aware of the need for all travel expense reimbursements must provide supporting documentation in the form of receipt of purchase, mileage log and be authorized in advance by the board at a meeting as stated in the minutes thereof.

Implementation Date: September 7, 2022

Person Responsible: Chairman, Chiefs, Treasurer, Board Members

Audit Recommendation # 6: Conduct an annual audit of the Treasurers records.

Plan of Action: Upon adoption of attached resolution, (Attachment 3) the Treasurer is required to submit to the Board of Fire Commissioners an annual report of all moneys received, and disbursed during the preceding year. Said report to be presented at the annual organizational meeting and serve as a reminder for the Treasurer and all Board Members.

Implementation Date: October 2022

Person Responsible: Chairman, Treasurer, Full board

Audit Recommendation # 7: Ensure the Treasurer prepares and files the Districts AUD with OSC within 60 days after the close of the fiscal year, as required by law, and that she files delinquent AUD's

Plan of Action: Upon adoption of resolution (Attachment 3) the Treasurer is required to complete the Annual Update Document (AUD) to the office of state comptroller (OSC). Review of this requirement will be added to the list of items contained in the organizational meeting each year and serve as a reminder to the Treasurer and all Board Members.

Implementation Date: October 2022

Person Responsible: Treasurer, Board Members

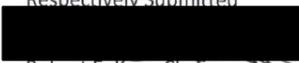
Audit Recommendation # 8: Treasurer should pay claims only after they have been audited and approved by the Board, unless otherwise provided by law.

Plan of Action: Following claims auditing procedures outlined in the adoption of the new Claims Auditing Procedure/Policy (Attachment 1) Treasurer will ensure claims are reviewed, and supported with proper documentation before payment. Said procedure will be reviewed annually during organizational meeting policy/procedures review. Year-end annual audit of Treasures records by the Board will also serve to ensure proper claims documentation and payment.

Implementation Date: October 2022

Person Responsible: Treasurer, Board Members

Respectively Submitted


Robert E. Kerr, Chairman
Norfolk Board of Fire Commissioners

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, we performed the following audit procedures:

- We interviewed District officials to gain an understanding of their claims auditing process and whether the Board conducted an annual audit of the Treasurer's records and to determine whether Board members received mandatory financial training after assuming their roles as Board members.
- District disbursements from January 1, 2021 through March 31, 2022 totaled approximately \$256,500. Using our professional judgment, we selected 73 claim disbursements totaling \$97,727 to assess whether the claims were recorded, authorized, adequately supported and for proper District purposes. Our sample included the three highest disbursement months (May 2021, November 2021 and February 2022) and payments considered higher risk, including payments made to individuals, unrecognized vendors, store accounts and credit card vendors.
- We reviewed AUD submissions to determine whether the District had submitted AUDs for 2017 through 2021 to our office within 60 days of the close of the fiscal year.

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

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