

Truxton Fire District

Board Oversight

NOVEMBER 2022



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

Contents

- Report Highlights 1**

- Board Oversight 2**
 - How Does a Board Adequately Oversee District Financial Activities? . 2
 - The Board Did Not Adequately Oversee the Treasurer’s Duties. . . . 2
 - Why Must Fire Commissioners Attend Mandatory Training? 3
 - Fire Commissioners Did Not Attend Mandatory Training 4
 - What Do We Recommend? 4

- Appendix A – Audit Methodology and Standards 6**

- Appendix B – Resources and Services 8**

Report Highlights

Truxton Fire District

Audit Objective

Determine whether the Truxton Fire District (District) Board of Fire Commissioners (Board) provided adequate oversight of District financial activities.

Key Findings

The Board did not provide adequate oversight of District financial activities and did not complete mandatory fiscal oversight training. The Board did not:

- Establish adequate controls over the work of the Secretary-Treasurer (Treasurer), which include receiving and disbursing cash, signing District checks and maintaining the accounting records.
- Audit all District claims prior to payment and conduct an annual audit of the Treasurer's records.
- Ensure the Treasurer provided financial reports to the Board or filed the District's required annual update documents (AUDs) for fiscal years 2015 through 2021.

Had Board members attended the mandatory training, they would have better positioned themselves to oversee the District's financial activities, and ensured the necessary internal controls and reporting requirements were in place.

Key Recommendations

- Complete mandatory fiscal oversight training, file the required AUD in a timely manner, routinely review the Treasurer's work and audit all claims before payment.

District officials did not provide a response to our audit findings.

Background

The District is located in the Town of Truxton (Town) in Cortland County. The District provides fire protection services to the entire Town.

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

The Board appointed the Treasurer who acts as the District's chief fiscal officer. The Treasurer is responsible for receiving, maintaining custody of, disbursing and accounting for District funds, as well as preparing periodic financial reports and keeping the minutes of Board meetings.

Quick Facts

2021 Budget \$82,471

Disbursements During Audit Period

Total \$102,654

Audit Tested \$72,601

Unfiled AUDs as of June 30, 2022

Fiscal year	Days Late
2016	1,947
2017	1,582
2018	1,217
2019	852
2020	486
2021	121

Audit Period

January 1, 2021 – June 30, 2022

Board Oversight

How Does a Board Adequately Oversee District Financial Activities?

A board is responsible for managing and overseeing a fire district's financial activities and safeguarding its resources. An important aspect of this responsibility is to routinely monitor and review the work performed by those who handle money as part of their duties. Oversight becomes particularly important for operations that do not have adequate segregation of duties (e.g., one person receives and disburses cash and maintains the accounting records).

When segregating duties is not practical, a board should implement compensating controls. For example, a board should review or appoint someone to review monthly bank reconciliations, bank statements and canceled check images. A board should also periodically review financial reports showing cash activity and balances and budget-to-actual comparisons for revenues and expenditures to effectively oversee a fire district's financial operations.

Furthermore, a board must perform a thorough and deliberate review of claims prior to payment to ensure that each claim contains adequate supporting documentation and the amounts claimed represent actual and necessary fire district expenditures. A board may, by resolution, authorize payment in advance for certain public utility services, postage, freight and express charges. These claims must be presented for audit at the next board meeting. Additionally, a board should annually audit the records of its treasurer.¹ A treasurer is required to produce all books, records, receipts, vouchers and canceled checks or check images to a board annually. An annual audit helps ensure that cash is properly accounted for and transactions are properly recorded.

Each fire district is required to submit an annual report of its financial position and results of operations, known as the AUD, to the Office of the State Comptroller (OSC) within 60 days after the close of that fire district's fiscal year. The AUD is an important fiscal tool to help a board monitor fire district operations and provides interested parties and stakeholders with a complete summary of a fire district's financial activities.

The Board Did Not Adequately Oversee the Treasurer's Duties

The Treasurer performed all the District's financial duties, including receiving and disbursing cash, signing District checks and maintaining the accounting records, with limited Board oversight or compensating controls in place.

The Treasurer did not provide any financial reports to the Board, such as budget-to-actual reports, consistently report cash balances or annually present her

The Treasurer performed all the District's financial duties...with limited Board oversight or compensating controls in place.

¹ OSC has a publication available on our website entitled *Fiscal Oversight Responsibilities of the Governing Board* (<https://www.osc.state.ny.us/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>) which contains checklists to assist governing boards in performing an annual audit.

financial records to the Board. In addition, the Board did not periodically review the Treasurer's bank reconciliations, bank statements and canceled check images or conduct an annual audit of the Treasurer's records.

Furthermore, the Board did not ensure that the Treasurer prepared and filed the District's AUD for fiscal years 2015 through 2021. The Treasurer told us the required AUDs had not been filed because she had experienced difficulties while attempting to input the data. When AUDs are not filed, transparency is diminished and the Board, taxpayers, OSC and other interested parties are denied the ability to assess the District's financial standing.

The Board audited claims at its monthly meetings and documented its approval by each board member signing a voucher attached to the vendor's invoice. However, we found various invoices without vouchers attached. We reviewed 20 disbursements totaling \$72,601 (71 percent) of the 84 disbursements totaling \$102,654 during our audit period. Seven claims (35 percent) were not approved by the Board prior to payment. Three of these claims were for the purchase of radios, rescue equipment and a partial payment for a used rescue truck. The remaining four claims were for utility charges that could have been paid prior to audit if the Board adopted a resolution to do so. However, the Board did not adopt such a resolution. All 20 disbursements reviewed were for appropriate District purposes.

The Board Chairperson and a Commissioner told us they did not know they should segregate and monitor the Treasurer's duties, review financial data at monthly meetings and conduct an annual audit of the Treasurer's records. They also did not know the Treasurer was not filing the District's AUDs.

Because the Board did not establish adequate controls to oversee the work of the Treasurer, there is an increased risk that disbursements could be for improper purposes or irregularities could go undetected and uncorrected. Furthermore, annual audits are particularly important in small operations when one individual is responsible for performing all aspects of a fire district's financial transactions.

Why Must Fire Commissioners Attend Mandatory Training?

Elected and appointed fire district commissioners are required to complete an OSC approved fiscal oversight training course within 270 days of their first day in office. One way that board members can become aware of statutory requirements and sound management practices is to participate in mandatory training. The fiscal oversight training covers the commissioners' legal, fiduciary, financial, procurement and ethical responsibilities. Specifically, this training includes a discussion of internal controls, segregation of duties, the necessity of doing bank reconciliations and how to perform them. It also reviews AUD filing requirements and explains how a board should audit claims.

The training course is offered on multiple dates and in various locations across the State and online to facilitate attendance. Commissioners are required to complete the training each time they are elected, reelected, appointed or reappointed to office.

Fire Commissioners Did Not Attend Mandatory Training

We reviewed the District fire commissioners' training records to determine whether they had completed the mandatory training course within 270 days of their last election. Only one of the District's five commissioners had completed the training. The Chairperson told us he was unaware of the requirement to complete the training for each election cycle.

Had Board members attended the mandatory training, they would have better positioned themselves to oversee the District's financial activities and ensure the necessary internal controls and reporting requirements were in place.

What Do We Recommend?

The Board should:

1. Routinely review and verify the Treasurer's records and reports, including bank statements, bank reconciliations and canceled check images.
2. Audit and approve claims before they are paid by the Treasurer.
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 subsequently approved by the Board.
4. Conduct an audit of the Treasurer's records and reports on an annual basis.
5. Ensure the Treasurer prepares and files the delinquent AUDs.
6. Ensure the Treasurer prepares and files the AUD with OSC within 60 days of the close of the fiscal year.
7. Ensure that all elected or appointed commissioners complete mandatory fiscal oversight training.

The Treasurer should:

8. Provide the Board with monthly reports, including revenue and expenditure budget-to-actual results and bank account cash balances.
9. Present the Board with records and reports annually for review.

10. Prepare and file the delinquent AUDs with OSC.

11. Prepare and file the AUD with OSC within 60 days of the close of the fiscal year.

Appendix A: 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 to gain an understanding of their internal controls, the claims auditing and annual audit procedures, and to determine what financial reports the Board receives.
- We reviewed training records and determined whether Board members received mandatory training after assuming their roles as Board members.
- We summarized all transactions in the District's bank accounts for the audit period and reviewed all check images returned during the audit period for irregularities.
- We reviewed all transactions between the general fund and reserve fund bank accounts to determine whether they were appropriately recorded.
- We judgmentally selected 20 disbursements totaling \$72,601 (71 percent) of the 84 disbursements totaling \$102,654 during the audit period for testing. Our audit sample was selected on the following basis:
 - All items less than \$100 were excluded from selection as insignificant.
 - Ten disbursements ranging from \$100 to \$1,000 were selected.
 - Five disbursements ranging from \$1,000 to \$3,000 were selected.
 - All five disbursements over \$3,000 were selected.
- We reviewed the supporting documentation for our audit sample to determine whether:
 - The Board authorized payment prior to disbursement;
 - The disbursement check was signed;
 - Checks signed by the Treasurer and automatic disbursements were authorized by the Board prior to disbursement; and
 - Disbursements were supported by vendor invoices and for appropriate District purposes.
- We reviewed AUD filings to determine whether the District had submitted AUDs to our office within 60 days of the close of its fiscal year.

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 B: 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

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