



Schuyler Lake Fire District

Financial Activities

2022M-191 | February 2023

Contents

- Report Highlights 1**

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

- Appendix A – Response From District Officials 6**

- Appendix B – Audit Methodology and Standards 7**

- Appendix C – Resources and Services 9**

Report Highlights

Schuyler Lake Fire District

Audit Objective

Determine whether the Schuyler Lake Fire District (District) Board of Fire Commissioners (Board) established 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:

- Establish adequate controls over the work of the Treasurer, which include receiving and disbursing cash, signing District checks and maintaining the accounting records.
- Annually audit the Treasurer's records.
- Ensure the Treasurer filed the District's required annual update documents (AUDs) for fiscal years 2015 through 2021. As a result, as of July 31, 2022, the AUDs were between 152 and 2,343 days late.
- Complete mandatory fiscal oversight training.

Key Recommendations

- Segregate the Treasurer's financial duties or provide increased oversight to mitigate the risk.
- Annually audit the Treasurer's records.
- File the required AUD with Office of the State Comptroller (OSC) within 60 days of the close of the fiscal year.
- Complete mandatory fiscal oversight training.

District officials agreed with our recommendations and indicated that they are implementing corrective action.

Background

The District provides fire protection and emergency medical services to the Towns of Exeter and Otsego in Otsego County.

The 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.

Quick Facts

2022 Budget	\$109,844
--------------------	-----------

Disbursements During Audit Period

Total	\$138,670
--------------	-----------

Audit Tested	\$132,069
---------------------	-----------

Unfiled AUDs as of July 31, 2022

Fiscal year	Days Late
2015	2,343
2016	1,978
2017	1,613
2018	1,248
2019	882
2020	517
2021	152

Audit Period

January 1, 2021 – July 31, 2022

Financial Activities

How Should a Board Oversee Financial Activities?

A fire district 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 fire district board should perform a thorough audit of claims prior to payment to ensure that the claims are supported with itemized invoices and that fire district funds are used for legitimate expenditures. Also, a board should annually audit the records of its treasurer.¹ In addition, a board should adopt a procurement policy to assure the prudent and economical use of public money in the best interest of its taxpayers.

A board should ensure a treasurer provides them with all books, records, receipts, vouchers and canceled checks or check images annually. To help ensure that cash is properly accounted for and transactions are properly recorded, a board should perform or cause an annual audit to be performed.

A board should ensure the fire district submits an annual report of its financial position and results of operations, known as the AUD, to 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.

...[A] board should perform or cause an annual audit to be performed.

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

The Board provided limited oversight of the Treasurer who performed all financial duties, including receiving and disbursing cash, signing checks, reconciling bank accounts and maintaining accounting records. Although the Board received bank statements and monthly financial reports of receipts and disbursements, it did not receive budget-to-actual reports or canceled check images to help ensure financial activities were proper. Additionally, the Board did not perform an annual audit of the Treasurer's records, nor did the Treasurer present his records to the Board, to help ensure the accuracy of the accounting records and monthly financial reports. Board members told us they were unaware they

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.pdf) which contains checklists to assist governing boards in performing an annual audit.

should be reviewing the reports periodically and conducting an annual audit of the Treasurer's records. Lastly, the Board did not adopt a written purchasing policy until September 14, 2022, which is after our audit period. The policy requires District officials to seek competitive quotes.

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 that from 2014 to 2018, he was not the Treasurer and not responsible for filing the AUD. However, he stated that he has no excuse as to why the reports were not filed. 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.

Because of the lack of Board oversight, we examined the Treasurer's 2021 and 2022 cash receipts and disbursements records and monthly Treasurer's reports provided to the Board as well as the December 31, 2021 bank reconciliation, and determined that they were accurate. We also determined that one cash withdrawal and all seven bank transfers totaling \$80,413 were properly deposited into another District account.

We also reviewed a sample of 27 disbursements totaling \$43,259 to determine whether these disbursements were supported, for appropriate purposes and were approved by the Board prior to payment. We found all claims were properly approved and all claims tested were properly supported and for appropriate purposes.

In addition, because of the lack of a written purchasing policy, we examined all 21 disbursements for heating oil purchases, totaling \$8,937. We compared the prices the District paid for these purchases with the prices available from New York State contract vendors. District officials could have saved \$593, or almost 7 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 the New York State Office of General Services prior to the awarding of such contracts or receive an 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.

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 aware of the requirement to complete the training for each election cycle; however, in the past, some commissioners resigned because of the training requirement.

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. Segregate the Treasurer's financial duties or provide increased oversight to mitigate the risk.
2. Conduct an audit of the Treasurer's records and reports on an annual basis.
3. Ensure the Treasurer prepares and files the delinquent AUDs.
4. Ensure the Treasurer prepares and files the AUD with OSC within 60 days of the close of the fiscal year.
5. Ensure that all elected or appointed commissioners complete mandatory fiscal oversight training.

The Board and Treasurer should:

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

The Treasurer should:

7. Provide the Board with revenue and expenditure budget-to-actual reports, as well as canceled check images.
8. Present the Board with records and reports annually for review.
9. Prepare and file the delinquent AUDs with OSC.
10. Prepare and file the AUD with OSC within 60 days of the close of the fiscal year.

Appendix A: Response From District Officials



SCHUYLER LAKE FIRE DISTRICT
1490 County Highway 22
Schuyler Lake NY 13457

January 13, 2023

Office of the New York State Comptroller
Division of Local Government and School Accountability
ATTN: [REDACTED]
Binghamton Regional Office
State Office Building Suite 1702
44 Hawley St
Binghamton NY 13901

To Whom It May Concern:

The Schuyler Lake Fire District has reviewed the results of the preliminary draft of the Schuyler Lake Fire District, Financial Activities, Report of Examination, 2022M-191.

The Schuyler Lake Fire Commissioners of the Schuyler Lake Fire District are in agreement with the Audit's findings. The Schuyler Lake Fire District will begin to design a corrective action plan to address the recommendations contained in the Report of Examination. When we have a finalized plan we will forward said plan to the Office of the New York State Comptroller Division of Local Government and School Accountability.

Brent Smith
Chairperson of the Schuyler Lake Fire District

TELEPHONE (315) 868-2258
EMAIL schuylerlakefiredist@GMAIL.COM

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 and to inquire about required Commissioner trainings.
- We reviewed the Treasurer's monthly reports and corresponding bank reconciliations for December 2021 to determine whether they were complete and accurate.
- We reviewed all bank account activity for transfers, wires and withdrawals.
- We reviewed bank statements, canceled check images, detailed check registers and abstracts of audited claims and supporting documentation from April 2021 and March 2022. We randomly selected these months to cover a month in each year and determine whether all 14 check disbursements for these months totaling \$24,768 were audited, Board-approved and for proper District purposes. We then randomly selected up to 10 disbursements, which were greater than \$200, that could be used for personal purposes, such as repair shops and local businesses, and determined whether all six check disbursements totaling \$15,641 were audited, Board-approved and for proper District purposes. Furthermore, we selected seven checks totaling \$2,850, which were written out to the Treasurer, to determine whether the payments were for proper District purposes.
- We reviewed all 21 check disbursements for heating oil purchases made during the audit period totaling \$8,937 and compared the prices paid to New York State contract prices to determine whether District officials may have achieved cost savings.
- 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 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

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

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief of Municipal Audits

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

Serving: Broome, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Tioga, Tompkins counties

osc.state.ny.us

