



Tioga Fire District

Board Oversight

2022M-170 | January 2023

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Report Highlights

Tioga Fire District

Audit Objective

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

Key Findings

The Board did not always provide adequate oversight of District financial activities and did not complete mandatory fiscal oversight training. Had Board members attended the mandatory fire district commissioners' training, they would have better positioned themselves to oversee the District's financial activities and helped ensure reporting requirements were in place.

The Board did not:

- Develop and adopt a written procurement policy, as required.
- Audit and approve all claims prior to payment.
- Ensure the Treasurer filed the District's required annual update documents (AUDs) for fiscal years 2015 through 2021.

Key Recommendations

- Develop and adopt a written procurement policy, as required.
- Audit and approve all claims before they are paid by the Treasurer.
- File the required delinquent AUDs with our office within 60 days of the close of the fiscal year.
- Complete mandatory fiscal oversight training.

District officials agreed with our recommendations and indicated they will initiate corrective action.

Background

The District is located in the Town of Tioga Center (Town) in Tioga County. The District provides fire protection and emergency medical services to the entire Town and services to the Town of Barton on a contract basis.

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

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

Quick Facts

2022 Budget	\$296,339
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Audit Period Disbursements

Total	\$374,960
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Audit Tested	\$290,223
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Unfiled AUDs as of August 31, 2022

Fiscal Year	Days Late
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2016	2,009
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2017	1,644
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2018	1,279
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2019	914
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2020	548
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2021	183
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Audit Period

January 1, 2021 – August 31, 2022

Board Oversight

How Does a Fire District Board Adequately Oversee Fire District Financial Activities?

A fire district board is responsible for managing and overseeing a fire district's financial activities and safeguarding its resources through its policies and procedures. To fulfill this duty, it is essential that the fire district 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 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 fire district 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. Additionally, a fire district board should annually audit the records of its treasurer.¹ An annual audit helps ensure that cash is properly accounted for and transactions are properly recorded.

A fire district board should also ensure the AUD is completed and filed with the Office of the State Comptroller (OSC) within 60 days after the close of that fire district's fiscal year. The AUD reports a fire district's financial position and results of operations and is an important fiscal tool to help a fire district 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 Always Provide Adequate Oversight of Financial Activities

Although the Treasurer performed all the District's financial duties, the Board did implement mitigating controls, including auditing claims each month, reviewing the Treasurer's monthly bank reconciliations, bank statements and canceled check images and conducting semiannual audits of the Treasurer's records to generally provide adequate oversight. Furthermore, the Treasurer provided monthly financial reports to the Board including budget-to-actual reports and cash balances. However, our review of the District's policies and procedures found some areas of improvement as follows:

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.

Claims – We reviewed 45 disbursements totaling \$290,223 (77 percent) of the 327 disbursements totaling \$374,960 during our audit period. Although four claims totaling \$24,734 were not approved by the Board prior to payment, all 45 claims were supported by vendors’ invoices and were for appropriate District purposes. These disbursements were for repairs to a fire truck (\$19,855), renewal of an insurance maintenance contract (\$3,384), lettering on a fire truck (\$950) and fire truck batteries (\$545). Because the Board did not approve all claims prior to payment, there is an increased risk that disbursements could be for improper purposes or irregularities could go undetected and uncorrected.

AUD Filing – Although the records were prepared and closed each year, the Board did not ensure that the Treasurer prepared and filed the District’s AUD for fiscal years 2015 through 2021. The Chairman of the Board and Treasurer told us the required AUDs had not been filed because they were unaware of this requirement. 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.

Procurement Policy – The Board has not adopted a written procurement policy that governs the acquisition of goods and services not required by law to be competitively bid as required by New York State General Municipal Law Section 104-b. Therefore, District officials do not have guidance on purchasing and cannot be assured that they received the best price for purchases of goods and services not subject to competitive bidding requirements. We reviewed all four disbursements over \$20,000 for the audit period totaling \$174,355 and determined they were not subject to competitive bidding.

Why Must Fire District 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 fire district 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 fire district 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.

...[T]he Board did not ensure that the Treasurer prepared and filed the District’s AUD for fiscal years 2015 through 2021.

Fire Commissioners Did Not Attend Mandatory Training

The Chairman of the Board told us that some of the Board members completed the mandatory training. We requested the fire commissioners' training records and none were provided.

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

What Do We Recommend?

The Board should:

1. Audit and approve all claims before they are paid by the Treasurer.
2. Ensure the Treasurer prepares and files the delinquent AUDs.
3. Ensure the Treasurer prepares and files the AUD with OSC within 60 days of the close of the fiscal year.
4. Develop and adopt a written procurement policy for guidance on purchases not subject to competitive bidding requirements as required.
5. Ensure that all elected or appointed commissioners complete mandatory fiscal oversight training within 270 days of assuming their roles.

The Treasurer should:

6. Prepare and file delinquent AUDs with OSC.
7. Prepare and file the AUD with OSC within 60 days of the close of the fiscal year.

Appendix A: Response From District Officials

Tioga Fire District
PO Box 165
Tioga Center, NY 13845

01/06/2023

Response From Tioga Fire District

Audit Report Number 2022M-170

Audit Recommendations are agreed upon by the Board of Directors on 01/05/2023 meeting.

Our response also serves as our corrective action plan. Please see plan below:

Implementation Plan of Action

Audit and approve all claims before they are paid by the Treasurer.

- Board will ensure all expenses are noted appropriately in meeting minutes
- Board will utilize for all disbursement requests with a disbursement form with detail of invoices to be paid.

Ensure the Treasurer prepares and files the delinquent AUDs.

- Within reasonable period OLD AUD will be completed and uploaded to OSC

Ensure the Treasurer prepares and files the AUD with OSC within 60 days of the close of the fiscal year.

- By last day of February, AUD will be completed, and hard copy kept in Treasurer's backup

Develop and adopt a written procurement policy for guidance on purchases not subject to competitive bidding requirements as required.

- Board will update Procurement Policy in writing and maintain in policy binder

Ensure that all elected or appointed commissioners complete mandatory fiscal oversight training within 270 days of assuming their roles.

- Training modules will be taken by new board members

The Treasurer should:

Prepare and file delinquent AUDs with OSC.

- Agreed, TBD timing due to research for 2015 – 2019 data to incorporate

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

- Agreed AUD to be completed annually by last day of February for prior year

Sincerely,

Amy Dunham, Treasurer

Kris Morris, Chairman

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 to gain an understanding of the District's internal controls, the claims auditing and annual audit procedures, to determine what financial reports the Board receives, and what policies the Board had adopted.
- We requested training records to determine whether Board members received mandatory training after assuming their roles as Board members.
- We obtained a list of all cash disbursement transactions in the District's bank accounts for the audit period.
- We judgmentally selected 45 disbursements (i.e., claims) totaling \$290,223 (77 percent) of the 327 disbursements totaling \$374,960 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 considered immaterial.
 - 25 disbursements ranging from \$100 to \$1,000 were selected.
 - 10 disbursements ranging from \$1,000 to \$5,000 were selected.
 - All 10 disbursements over \$5,000 were selected.
- We reviewed the supporting documentation for our audit sample to determine whether the disbursements were supported by vendor invoices, were approved by the Board prior to payment and were 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 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

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

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