



Town of Tompkins Fire District

Board Oversight

2023M-33 | June 2023

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Report Highlights

Town of Tompkins Fire District

Audit Objective

Determine whether the Town of Tompkins Fire District (District) Board of Fire Commissioners (Board) provided oversight of the District's financial activities.

Key Findings

The Board did not provide adequate oversight of the District's financial activities. The Board did not:

- Establish 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 or audit all District claims before payment.
- Ensure the Treasurer filed the District's required annual update document (AUD) for fiscal years 2021 and 2022. As of May 10, 2023, the 2021 AUD was 435 days late and the 2022 AUD was nine days late.

In addition, two certificates of deposit (CDs) totaling \$75,789, were not recorded in the District's accounting records. The CDs date back to at least 2014 and were automatically renewed each year.

Key Recommendations

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

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

Background

The District provides fire protection and emergency services to the Town of Tompkins in Delaware 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, and disbursing all District funds; recording all financial activities and preparing periodic financial reports.

The current Treasurer took office in July 2022.

Quick Facts

2023 Budget	\$135,106
Disbursements During Audit Period	
Total	\$391,696
Audit Tested	\$250,666

Audit Period

January 1, 2021 – November 30, 2022. We extended our audit period forward to May 10, 2023 to review the AUD filing status.

Board Oversight

How Should a Board Oversee Financial Activities?

A fire district board (board) is responsible for overseeing a fire district's financial activities and safeguarding its assets. To fulfill this duty, it is essential that a board establish 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 financial duties is not possible, a board should ensure that sufficient mitigating controls are implemented, such as having someone independent of the process review bank statements, canceled check images and bank reconciliations.

A board should ensure the treasurer submits an annual report of the fire district's financial position and results of operations, known as an AUD, to OSC within 60 days after the close of the 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 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. 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. A board should ensure the treasurer provides the board with all books, records, receipts, vouchers and canceled checks or check images annually. To help ensure that cash is accounted for and transactions are recorded, a board should perform or cause an annual audit to be performed of the treasurer.¹

The Board Provided Limited Oversight of Financial Activities

The Board provided limited oversight of the Treasurer who performed all financial duties, including receiving and disbursing cash, signing checks and maintaining manual accounting records. Although the Board received an abstract of unaudited claims, the claims and a Treasurer's report, it did not receive budget-to-actual reports, bank statements, canceled check images or bank reconciliations to help 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. Even though all Board members have attended the required fiscal oversight training course that addresses fire commissioners' legal, fiduciary, financial, procurement and ethical responsibilities, Board members told us they were unaware that they should be conducting an annual audit of the Treasurer's records.

The AUD is an important fiscal tool to help a board monitor fire district operations. ...

[T]he Board did not perform an annual audit of the Treasurer's records. ...

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.

Furthermore, the Board did not ensure that the Treasurer prepared and filed the District's 2021 and 2022 AUDs. As of May 10, 2023, the 2021 AUD was 435 days late and the 2022 AUD was nine days late. Board members told us that they did not know that the former Treasurer had not filed the AUDs. The current Treasurer informed us that the District is transferring the manual cash receipts and disbursements transactions to a software program and will submit the delinquent AUDs when complete. When the AUD is 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 limited Board oversight, we examined all bank transfers during the audit period to determine whether they were transferred to proper District accounts. All 19 bank transfers totaling \$911,153 were deposited into another District account. We also examined the Treasurer's 2021 and 2022 cash receipts and disbursements records, and monthly Treasurer's reports provided to the Board and determined that they were accurate, with minor deficiencies which we communicated to District officials. However, the Treasurer did not prepare monthly bank reconciliations. Although the Treasurer included beginning and ending cash balances and checks paid on the monthly Treasurer's reports, the Treasurer did not include deposits and outstanding checks, or comparisons to the actual bank balances.

We reviewed a sample of 80 disbursements totaling \$250,666 to verify that these disbursements were supported, approved by the Board prior to payment and were for an appropriate District purpose. All 80 disbursements reviewed were for appropriate District purposes. However, we found the following discrepancies:

- 25 claims totaling \$7,892 were paid prior to Board audit. These claims included purchases for diesel fuel, flares, truck and equipment repairs and utility charges. Utility charges 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. Because the Board did not always document the date that it approved the claims for payment, nor did the Board minutes detail the number of claims and total dollar amount audited, the number of claims paid prior to Board approval could be higher.
- 10 claims totaling \$1,787 did not have detailed invoices attached. The claims were for the purchase of flares, office supplies, eye protection and reimbursements for mileage and hotel charges. Based on discussions with officials and documentation provided by the vendors, these disbursements were for appropriate District purposes. The remaining 70 claims had detailed supporting documentation attached.

Board members told us that some claims, such as credit cards, were paid prior to Board approval to avoid late charges due to the timing of the monthly Board meetings. The Treasurer and Chairperson told us that they contacted the credit

card company to attempt to change the due date. However, the company did not change the billing due date. When checks are mailed before the claims are audited, there is an increased risk that improper or deficient claims could be paid.

Furthermore, based on our inquiries regarding certain CD balances, the District's bank alerted officials to two additional CDs totaling \$75,789, which were not recorded in the District's accounting records. Based on discussions with the Treasurer, the unrecorded CDs date back to at least 2014, under a different administration and were set up to automatically renew. The current Treasurer and Chairperson did not know why these CDs were unrecorded.

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.

...CDs
totaling
\$75,789
were not
recorded in
the District's
accounting
records.

What Do We Recommend?

The Board should:

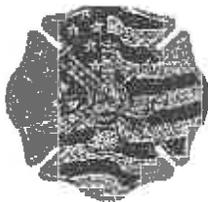
1. Segregate the Treasurer's financial duties or provide increased oversight to mitigate the risk by reviewing bank statements, canceled checks and bank reconciliations.
2. Audit and approve claims before they are paid by the Treasurer.
3. Ensure that each individual claim is sufficiently supported. Approval should be noted in the Board minutes, indicating the total dollar amount of claims to be paid and the claim numbers.
4. 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.
5. Conduct an audit of the Treasurer's records and reports on an annual basis.
6. Ensure the Treasurer prepares and files the delinquent AUDs.
7. Ensure the Treasurer prepares and files the AUD with OSC within 60 days of the close of the fiscal year.

The Treasurer should:

8. Prepare monthly bank reconciliations.
9. Provide the Board with revenue and expenditure budget-to-actual reports, as well as bank statements, canceled check images and bank reconciliations.

-
10. Present the Board with Treasurer's records and reports annually for audit.
 11. Prepare and file the delinquent AUDs with OSC.
 12. Prepare and file the AUD with OSC within 60 days of the close of the fiscal year.

Appendix A: Response From District Officials



Town of Tompkins Fire District

PO Box 44, Trout Creek, NY 13847

Town of Tompkins Fire District Board Oversight

2033m-33

This letter is to inform you that we will be including our response to the OSC audit and CAP in this one document.

District response: Upon review of the audit findings, the Town of Tompkins Fire District Board of Fire Commissioners accept the results of the OSC and have already made some inquiries as to the required actions for the future of the fire district policies and procedures.

CAP

1. **Audit recommendation:** Segregate the Treasurer's financial duties or provide increased oversight to mitigate the risk by reviewing bank statements, canceled checks and bank reconciliations.

Board response: In order to provide increased oversight into the actions of the treasury of the fire district, the chairperson will appoint a committee to review records from the bank and [REDACTED] on a more periodic basis.

2. **Audit recommendation:** Audit and approve claims before they are paid by the Treasurer.

Board Response: All claims have been audited since the review by the OSC and will continue to do so. No bills are paid without prior approval by the commissioners and chair.

3. **Audit recommendation:** Ensure that each individual claim is sufficiently supported. Approval should be noted in the Board minutes, indicating the total dollar amount of claims to be paid and the claim numbers.

Board response: Starting with the June meeting the secretary will note the abstract number, claim numbers for the included vouchers and the total amount agreed to be paid.

4. **Audit recommendation:** 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.

Board response: The board will adopt a resolution at the June 6th meeting to allow the treasurer to pay prior to board audit of the monthly bills, certain bills such as utility and post office bills.

-
5. **Audit recommendation:** Conduct an audit of the Treasurer's records and reports on an annual basis.

Board response: In December of each year, even if a special meeting needs to be called, there will be a review by the commissioners, of the yearly bank statements and [REDACTED] report for review.

6. **Audit recommendations:** Ensure the Treasurer prepares and files the delinquent AUDs.

Board response: the treasurer is currently working on the 2021 data entry to assure the AUD is filed by the 2nd week of June 2023. He will then proceed to allow time for OSC to review and complete the 2022 report and be ready to file when directed by OSC to do so.

7. **Audit recommendation:** Ensure the Treasurer prepares and files the AUD with OSC within 60 days of the close of the fiscal year.

Board Response: for all future AUD reports, the treasurer will file the AUD report by the end of February of each year following the close of the district books.

The Treasurer should:

8. **Audit recommendation:** Prepare monthly bank reconciliations.

Board response: the treasurer will start reconciling with [REDACTED] when all is caught up. For now, he will use monthly statements to provide reconciliations.

9. **Audit recommendation:** provide the Board with revenue and expenditure budget-to-actual reports, as well as bank statements, canceled check images and bank reconciliations.

Board response: in approximately 3 months, the [REDACTED] will be caught up to July or August and the treasurer will provide Income and Expense and Budget YTD figures to the commissioners monthly.

10. **Audit recommendation:** Present the Board with Treasurer's records and reports annually for audit.

Board response: The treasurer will do the best to provide all accounting for the current year as long as the district can provide anticipated bills for encumbrances so the books can be closed promptly by mid-January of the following year.

11. **Audit recommendation:** Prepare and file the delinquent AUDs with OSC.

Board response: as indicated above, the treasurer is going back to enter all the data from the previously provided records for 2021 to provide correct data on the delinquent AUDs. The past treasurer used some sort of single entry data in a notebook that is almost impossible to follow.

12. **Audit recommendation:** Prepare and file the AUD with OSC within 60 days of the close of the fiscal year.

Board response: as indicated in number 7 above, the future AUD reports will be filed by the treasurer in a timely manner as the books will all be current and up to date.

Signed:

Date:

Chair-Town of Tempkin's
Fire District

5/8/23

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 to gain an understanding of the District's internal controls, the claims auditing procedures and to determine what financial reports the Board receives.
- We selected all 19 bank transfers totaling \$911,153 from District accounts for our audit period and determined whether they were transferred to proper District accounts.
- We examined the Treasurer's 2021 and 2022 cash receipt and disbursement records and Treasurer's reports to determine whether they were complete and accurate.
- We judgmentally selected bank statements and check images for June 2021, December 2021 and November 2022. We judgmentally selected these months to cover a month for each Treasurer during our audit period and determine whether all 35 check disbursements for these months totaling \$230,610 were audited prior to payment, had detailed invoices attached and were for proper District purposes. We then judgmentally selected disbursements that could be used for personal purposes, such as repair shops and local businesses, and all credit card transactions and determined whether all 14 check disbursements totaling \$14,057 were audited prior to payment, had detailed invoices attached and were for proper District purposes.
- We selected all 31 checks totaling \$5,999 during our audit period, which were written out to the Treasurer, Board members and fire department personnel to determine whether the payments were audited prior to payment, had detailed invoices attached and were for proper 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

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

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