



# Upper Jay Fire District

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Board Oversight

2023M-24 | May 2023

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# Report Highlights

## Upper Jay Fire District

### Audit Objective

Determine whether the Upper Jay 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, which hindered its ability to monitor financial operations and increased the risk that improper claims could be paid.

- The Treasurer did not provide the Board with monthly budget status reports.
- The Board, as a whole, did not audit and approve claims for 57 check disbursements totaling \$37,561 before payment and did not audit the Treasurer's 2021 records.
- While the Treasurer is required to sign all checks, she signed six (2 percent) of the 247 checks issued by the District during our audit period, and the remaining checks were signed by the Chairman of the Board (Chairman) and/or a Commissioner.

### Key Recommendations

- Provide the Board with a monthly budget status report.
- Audit and approve claims before they are paid and annually audit the Treasurer's records.
- Ensure all checks are signed by the Treasurer.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

### Background

The District is located in the Town of Jay in Essex County. An elected five-member Board governs the District and is responsible for its overall financial management.

An elected Treasurer, as chief fiscal officer, is responsible for receiving, disbursing and maintaining custody of District funds, maintaining accounting records and preparing periodic financial reports.

The Treasurer also served as the District's Secretary during our audit period. The Secretary is responsible for recording the proceedings of Board meetings and retaining custody of District records.

#### Quick Facts

Appropriations	
2021	\$94,629
2022	\$96,504
Audit Period Check Disbursements	
Number	247
Amount	\$150,739

### Audit Period

January 1, 2021 – December 31, 2022

# Board Oversight

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## How Should a Board Oversee Financial Activities?

A board is responsible for overseeing a fire district's (district) financial activities and safeguarding its assets. To fulfill this duty, a board should require its treasurer to provide it with monthly financial reports. The reports should include a cash report containing reconciled cash balances for all bank accounts that is accompanied by bank reconciliations and bank statements, and a budget status report that compares actual revenues and expenditures to amounts estimated in the annual budget.

With limited exceptions, a board must audit all claims against a district before payment and, by resolution, order the treasurer to pay the approved claims. A board may, by resolution, authorize payment in advance of the audit for certain public utility services (light and telephone), postage, freight and express charges. However, the prepaid claims must be presented and audited by a board at its next regular meeting.

A board should establish effective claims auditing procedures to ensure every claim against a district is subjected to a thorough and deliberate review and contains adequate supporting documentation to determine whether it is for valid and legal purposes, complies with district policies, and the amounts claimed represent actual and necessary district expenditures. In addition, the approval of claims should be documented in the board meeting minutes by specifying the number and dollar amounts of the claims a treasurer is authorized to pay. Further, checks should be printed only after the claims are audited and approved.

A board should also ensure that disbursements of funds are made by checks signed by its treasurer, or in their absence, by its deputy treasurer, if applicable. In addition, a board should annually audit the records of its treasurer. A treasurer is required to submit an annual accounting to a board of all funds received and disbursed during the preceding year and produce all books, records, receipts, vouchers and canceled checks for examination by the board. The annual accounting helps a board fulfill its overall fiscal oversight responsibilities by providing it with an opportunity to assess the reliability of the books, records and supporting documents. It also serves to identify conditions that need improvement and provides useful information to help a board oversee a district's financial activities.

## The Board Was Not Provided with Adequate Monthly Reports

The Treasurer provided the Board with a monthly cash report containing reconciled cash balances for both of the District's bank accounts during our audit period. The cash reports were also accompanied by bank reconciliations, bank statements including canceled check images and reports showing the cash activity for each bank account.

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However, the Treasurer did not provide the Board with monthly budget status reports comparing actual revenues and expenditures to amounts estimated in the annual budget during our audit period. As a result, the Board's ability to monitor financial operations against the adopted budget was hindered.

### **The Board Did Not Properly Audit Claims**

The Board allowed the Treasurer to pay any claim prior to the Board's audit and approval at its monthly meetings. District officials told us this occurred because they were unaware that only certain claims were allowed to be paid in advance of audit.

For claims that were paid in advance of the monthly meetings, the Treasurer provided the claims to the Chairman and a Commissioner for their audit and approval and the corresponding checks for their signatures. The checks for these claims were then disbursed by the Treasurer before the other Commissioners' audit and approval of the claims at the next monthly meeting. For claims that were not paid in advance, the Treasurer provided the claims to the Board for its audit and approval at its monthly meeting. The Treasurer also printed the checks for these claims before the meeting so that they could be provided to the Chairman and a Commissioner for their signatures at the meeting.

In addition, although the Commissioners signed the claims indicating their audit and approval, they did not date them. Further, although the Board minutes indicated the Treasurer provided claims and they were approved to be paid, the Board did not adopt a resolution each month documenting the specific claims that were audited and approved, authorizing the Treasurer to pay the claims. As a result, District officials did not maintain any documentation indicating when the Board audited and approved claims.

We reviewed 100 check disbursements<sup>1</sup> totaling \$70,976 for claims paid during our audit period to determine whether the corresponding claims were supported by adequate documentation, for appropriate District purposes and audited and approved before payment. Except for minor discrepancies which we discussed with District officials, all the claims reviewed were supported by adequate documentation and for appropriate District purposes. However, because there was no documentation indicating when the Board audited and approved any of the claims, we could not determine whether any of the claims were audited and approved by the Board before payment.

We then compared the dates the checks cleared the bank with the dates of the Board meetings that the corresponding claims would have been presented to

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The Board allowed the Treasurer to pay any claim prior to the Board's audit and approval at its monthly meetings.

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<sup>1</sup> Refer to Appendix B for information on our sampling methodology.

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the Board, as a whole, for audit and approval. The Board, as a whole, did not audit and approve claims for 57 of the 100 check disbursements totaling \$37,561 before payment, as required. These disbursements were for various purposes, such as payments for utilities, diesel fuel, insurance and fire equipment and supplies.

Had the Board adopted a resolution authorizing the payment in advance of audit for eligible claims, the corresponding claims for seven disbursements totaling \$1,816 for the payment of utilities (i.e., light and telephone) would have been authorized to be paid before the Board's audit and approval. However, the Board had not adopted such a resolution. The claims for the other 50 checks disbursements totaling \$35,745 were not eligible to be paid before the Board's audit and approval.

When checks are printed and claims are paid before the Board's audit and approval, there is an increased risk that improper claims could be paid.

### **The Treasurer Did Not Sign All Checks**

While the Treasurer was required to sign all of the District's checks, she signed six (2 percent) of the 247 checks issued by the District during our audit period, which were also dual signed by either the Chairman or a Commissioner. Of the remaining 241 checks issued, 233 were dual signed by the Chairman and a Commissioner and the other eight were only signed by a Commissioner. District officials told us this occurred because they were unaware that the Treasurer was required to sign checks. Because the Treasurer did not sign all District checks, a critical control over disbursements was circumvented.

### **The Board Did Not Audit the Treasurer's Records**

The Treasurer did not provide an annual accounting and the Board did not audit the Treasurer's 2021 records. District officials told us this occurred because they were unaware of the annual audit requirement. The Board's lack of an annual audit diminishes its ability to adequately oversee the District's financial activities and ensure financial transactions are properly recorded and reported.

### **What Do We Recommend?**

The Board should:

1. Ensure the Treasurer prepares and provides it with a monthly budget status report comparing actual revenues and expenditures to amounts estimated in the annual budget.

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2. Audit and approve claims, as a whole, before they are paid by the Treasurer.
  3. Ensure the Board minutes include resolutions specifying the number and dollar amounts of the claims authorized for payment.
  4. Consider adopting a resolution allowing eligible claims to be paid in advance of audit and ensure only those claims are paid before audit and then subsequently audited and approved.
  5. Ensure the Treasurer prints checks only after it has audited and approved claims.
  6. Ensure all checks are signed by the Treasurer and, if it elects, countersigned by a designated official.
  7. Annually audit the Treasurer's records.

# Appendix A: Response From District Officials

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Upper Jay Fire District  
P.O. Box 56  
Upper Jay, NY 12987  
(518)946-7022

May 10, 2023

Upper Jay Fire District  
Board Oversight - Report of Examination  
Report Number: 2023M-24

Please consider this correspondence our response to the audit as well as our corrective action plan.

In regards to the above referenced audit, we, the board of commissioners of the Upper Jay Fire District, agree with the recommendations put forth and have addressed or will address all recommendations as detailed below.

Recommendation:

1. The Board should ensure the Treasurer prepares and provides it with a monthly budget status report comparing actual revenues and expenditures to amounts estimated in the annual Budget.

Response:

Annual budget input into the accounting system and budget status report comparing actual revenues and expenditures to the budget is included in monthly financial reports beginning with the March 8, 2023 commissioners meeting. Implemented by the Treasurer.

Recommendation:

2. The Board should audit and approve claims, as a whole, before they are paid by the Treasurer.

Response

All claims are being approved by the commissioners before being paid by the Treasurer. This was implemented between the February 8 and March 8, 2023 commissioners meetings. Implemented by the Treasurer and board.

Recommendation

3. The Board should ensure the Board minutes include resolutions specifying the number and dollar amounts of the claims authorized for payment.

Response

Effective with the February 8, 2023 meeting, the number and dollar amounts of claims were included in the minutes. Effective with the May 10, 2023 meeting, a resolution by the board to approve payment of the claims will be included in the minutes. Implemented by the Treasurer and board.



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Recommendation

4. The Board should consider adopting a resolution allowing eligible claims to be paid in advance of audit and ensure only those claims are paid before audit and then subsequently audited and approved.

Response

Have elected to hold off on this resolution for the time being and only pay claims after they have been submitted and approved. Do not intend to do any eligible claims in advance at this time.

Recommendation

5. Ensure the Treasurer prints checks only after it has audited and approved claims.

Response

Checks are only being printed after claims are audited and approved. This was effective with the February 8, 2023 board meeting. Implemented by the Treasurer and board.

Recommendation

6. The Board should ensure all checks are signed by the Treasurer and, if it elects, countersigned by a designated official.

All checks are being signed by the Treasurer effective with the February 8, 2023 board meeting. Implemented by the Treasurer and board.

Recommendation

7. The Board should annually audit the Treasurer's records.

Response

Although the current procedure allows for a monthly review of Treasurers records as part of the monthly minutes, an annual audit will be performed by the board beginning with the January 2024 board meeting. All of the above approved by resolution by the board of the Upper Jay Fire District on May 10, 2023.

Sincerely,

Bryan D. Walton  
Chairman of the Board of Commissioners  
Upper Jay Fire District

## Appendix B: Audit Methodology and Standards

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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 various financial records and reports and Board minutes to gain an understanding of the District's procedures for claims auditing and check signing. We documented any associated effects of deficiencies in those procedures.
- We assessed the adequacy of the monthly financial reports the Treasurer provided to the Board during our audit period.
- We randomly selected 100 check disbursements from the 219 checks disbursed for claims paid during our audit period that were required to be audited and approved by the Board and reviewed the corresponding claims to determine whether they were supported by adequate documentation, for appropriate District purposes and audited and approved before payment. Because there was no documentation indicating when the Board audited and approved any of the claims, we compared the dates the checks cleared the bank with the dates of the Board meetings that the corresponding claims would have been presented to the Board, as a whole, for audit and approval. If a check cleared the bank before the meeting date, we concluded that the claim was paid before the Board's audit and approval.
- We reviewed all checks issued by the District during our audit period to determine whether they were signed by the Treasurer.
- We interviewed District officials and reviewed Board minutes to determine whether the Board had audited the Treasurer's records for the 2021 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

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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

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/local-government/academy)

## Contact

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[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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