



Hammond Fire District

Board Oversight

2024M-151 | February 2025

Contents

- Report Highlights 1**

- Board Oversight 2**
 - How Does a Board Adequately Monitor Financial Activities? 2
 - The Board Did Not Adequately Monitor Financial Activities 2
 - What Policies and Training Courses Are Required? 4
 - The Board Did Not Adopt Required Policies or Complete Required Training 5
 - What Do We Recommend? 6

- Appendix A – Response From District Officials 7**

- Appendix B – Audit Methodology and Standards 8**

- Appendix C – Resources and Services 10**

Report Highlights

Hammond Fire District

Audit Objective

Determine whether the Hammond Fire District (District) Board of Fire Commissioners (Board) adequately monitored the District’s financial activities, adopted required policies and completed required training.

Key Findings

The Board did not adequately monitor financial activities. Specifically, the Board did not:

- Ensure that it received sufficient monthly financial reports to effectively monitor financial operations throughout the year.
- Ensure the Annual Financial Reports (AFRs) were filed timely.
- Conduct an annual audit of the Secretary-Treasurer’s financial records.

As a result, the Board cannot assure taxpayers and other interested parties that the District’s financial operations are adequately accounted for and reported.

Furthermore, although the Board adopted a code of ethics, it did not adopt the required procurement or investment policies, and only one of the five Board members complied with New York State Town Law (Town Law) Section 176-e which requires each Board member to complete fiscal training in a timely manner. One Board member has not yet completed the required training and three Board members completed the training between 185 and 1,138 days late.

Recommendations

The audit report includes 10 recommendations that, if implemented, will help the Board improve its oversight of financial activities.

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

Audit Period

January 1, 2023 – October 15, 2024

We extended our audit period to review the timeliness of required AFR submissions for the 2021 through 2023 fiscal years, and forward to January 22, 2025, the date of our exit conference, to review officials’ training certifications.

Background

The District is located in and provides fire protection and emergency medical response services to the Town and Village of Hammond in St. Lawrence County.

The elected five-member Board governs the District and is responsible for the District’s overall financial management, including establishing financial policies and monitoring financial activities.

The Board-appointed Secretary-Treasurer is the chief fiscal officer and is responsible for performing and recording all District financial activities. In addition, the Secretary-Treasurer is responsible for preparing accurate monthly and annual financial reports and filing the District’s AFRs.

Quick Facts

Budgeted Appropriations	
2023	\$232,715
2024	\$237,369
Delinquent AFR as of October 15, 2024	
Fiscal Year	Days Late
2021	951
2022	593
2023	228

Board Oversight

How Does a Board Adequately Monitor Financial Activities?

A fire district board (board) is responsible for managing and overseeing a fire district's financial activities. To fulfill this duty, it is essential that the board periodically receive and review financial reports from the fire district's treasurer detailing collections and disbursements activity and account balances, and budget-to-actual comparisons of revenues and expenditures. The treasurer should also provide, and the board should review, monthly bank reconciliations, bank statements and canceled check images.

The board should ensure that the treasurer submits an AFR of the fire district's financial position and results of operations to OSC within 60 days after the close of the fire district's fiscal year as required by GML Section 30. The AFR is an important fiscal tool that can provide a board with necessary information to monitor fire district operations and provides interested parties and stakeholders with a complete summary of a fire district's financial activities.

Furthermore, the board should also require that the treasurer provide the board with all books, records, receipts, claim vouchers and canceled check images annually, as required by Town Law Section 177 so that the board can perform an annual audit of the treasurer's records to determine whether funds are properly accounted for and transactions are properly recorded.

The Board Did Not Adequately Monitor Financial Activities

Although the Board reviewed bank reconciliations and claims packets on a monthly basis, the Board did not routinely review budget-to-actual or other financial reports. Furthermore, the Board did not ensure the Secretary-Treasurer filed AFRs in a timely manner and the Board did not perform annual audits of the Secretary-Treasurer's records.

Monthly Financial Reports – The Board did not review periodic financial statements throughout the year. At monthly Board meetings, the Secretary-Treasurer provided the Board with claims to be audited and approved for payment and a monthly Treasurer's report. The Treasurer's report was a bank reconciliation that showed cash receipts and disbursements for the month, along with cash balances, the bank statement and canceled check images.

We determined that all 21 completed bank reconciliations in our audit period were adequate. Bank balances agreed with book balances and outstanding items cleared on the next month's bank statements. We also traced receipts and disbursements to the records and determined transactions were properly accounted for in the accounting records.¹

The Treasurer provided an income statement once a year, which the Board used to help prepare the coming year's budget. However, budget-to-actual reports or other periodic financial reports were not prepared because they were not requested by the Board. When the Board does not request and routinely review budget-to-actual reports, there is an increased risk that significant cost overruns will go undetected.

¹ See Appendix B for details about our methodology and sample selection.

We reviewed the December 31, 2023 income statement for accuracy and compared the operating results to the budget. The income statement overstated expenditures by \$47,434 because several adjustments made in the accounting records were not captured in the report, which the Secretary-Treasurer prepared using a spreadsheet, outside of the accounting system. Additionally, while the 2023 total expenditures were within budget, contractual expenditures were \$18,032 higher than budgeted. The Board did not modify the budget during the year to provide additional appropriations for these expenditures.

We also reviewed the August 2024 balance sheet and noted that it does not clearly identify restricted cash and fund balance. The Board established three capital reserve funds, including an equipment and apparatus purchase and replacement reserve. Officials invested \$204,000 in a certificate of deposit, which the Board Chair and Secretary-Treasurer told us was for the equipment and apparatus purchase and replacement reserve.² The Board included amounts planned to be placed in “capital reserves” in its annual budgets and it adopted a resolution to move \$131,229 to the equipment and apparatus purchase and replacement reserve. However, we determined that there was no formal Board authorization to transfer the remaining \$72,771 to this reserve fund and the accounting records do not classify the \$204,000 as restricted cash or restricted fund balance. As the Board accumulates funds in the three reserves to save for future capital expenditures, it will be important for the Board to clearly authorize the amounts the Secretary-Treasurer should transfer to each reserve and for the Secretary-Treasurer to properly report the restricted cash and fund balance for each reserve.

Without accurate and timely financial reports, the Board’s ability to monitor financial affairs is limited. Had the Board required budget-to-actual reports and balance sheets for review at monthly Board meetings, it may have identified and made needed budget transfers, and noticed and corrected, the lack of any restricted cash and fund balance in the financial reports.

Annual Financial Reports – The Secretary-Treasurer did not request a filing extension or submit the District’s AFRs to OSC within 60 days after the close of the fiscal year as required. As of October 15, 2024, the AFRs were between 228 and 951 days late.

The AFR can be a useful tool for the Board to review financial operations and provide oversight. When AFRs are not filed in a timely manner, it results in diminished transparency, and the Board, taxpayers, OSC and other interested parties are denied the ability to assess timely information about the District’s financial standing.

After we discussed this with officials, the Secretary-Treasurer began taking corrective action and filed the 2021 AFR before the end of our audit fieldwork (October 15, 2024). Subsequently, the Secretary-Treasurer brought the AFRs up to date. She filed the 2022 AFR on October 24, 2024 and filed the 2023 AFR on December 12, 2024.

² At the time of our audit, the Board had only provided funding for the equipment and apparatus purchase and replacement reserve.

Annual Audits – The Board did not request the books, records, vouchers and canceled checks or images to conduct an annual audit of the Secretary-Treasurer’s financial records. When an annual audit is not performed, there is no independent verification that District funds were properly accounted for, and transactions were properly recorded. During our fieldwork, we provided officials with annual audit guidance available in our publication entitled *The Internal Audit Process For Fire Districts* (Figure 1).

The Board Chair told us he did not think an annual audit was necessary because the Board reviews bank reconciliations and claims monthly. However, an annual audit of the Secretary-Treasurer’s records would help the Board to further assess whether the District’s financial transactions are appropriate, approved and accurate.

What Policies and Training Courses Are Required?

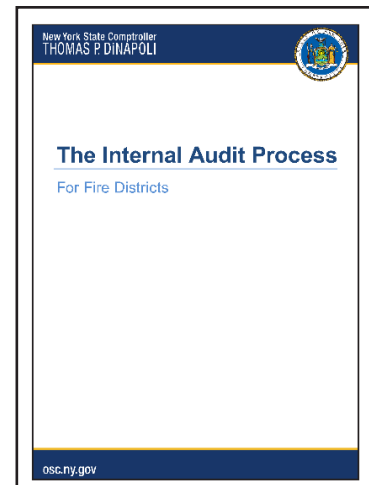
A fire district board is responsible for providing fire district officers and employees with direction for fire district business. When properly implemented, policies provide control procedures and other requirements for financial operations. A board is required by New York State General Municipal Law (GML) to adopt a code of ethics (Section 806) and to develop, adopt and periodically review a procurement policy (Section 104-b) and investment policy (Section 39). Such policies help define how the fire district will conduct business and manage resources. For example:

- A code of ethics is a guide for fire district officers, employees and members that sets a standard for conduct expected in the discharge of official business. A code must provide standards of conduct with respect to disclosure of interests in legislation that is before the board, the holding of investments that conflict with official duties, private employment in conflict with official duties, and future employment.
- A procurement policy provides guidelines for procuring goods and services. Procurement policies and procedures generally ensure that competition is sought in a reasonable and cost-effective manner for procurements that fall below the bidding thresholds³ and for other contracts exempt from competitive bidding.
- An investment policy provides guidelines on how to manage fire district investments. It should establish a prudent set of basic procedures to meet investment objectives; to ensure that

FIGURE 1

Guidance Publication Provided to Officials

The Internal Audit Process For Fire Districts



Access this publication at:
<https://www.osc.ny.gov/files/local-government/resources/pdf/internalauditprocess.pdf>

³ General Municipal Law Section 103 generally requires fire districts to advertise for competitive bids for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000.

investment assets are adequately safeguarded; to establish and maintain internal controls and proper accounting records and to provide accurate reporting and evaluation of investment results.

Additionally, elected and appointed fire commissioners (commissioners) must complete an Office of the State Comptroller (OSC) approved fiscal oversight training course within 270 days of their first day in office. Town Law Section 176-e requires the training course to cover the commissioners' legal, fiduciary, financial, procurement and ethical responsibilities. Commissioners are required to complete the training each time they are elected, re-elected, appointed or reappointed to office.

The Board Did Not Adopt Required Policies or Complete Required Training

Although the Board adopted an adequate code of ethics, it did not adopt a procurement policy or an investment policy as required. Without a procurement policy, the District had no official guidelines for procuring goods and services. As a result, there is an increased risk that the District could spend more than necessary when obtaining goods and services. In addition, without an investment policy, there were no official guidelines on how to manage District funds to help ensure the District's investment program involving public money have the basic ingredients of legality, safety, liquidity and yield.

During our audit, officials requested guidance for establishing required policies. We provided officials with our Local Government Management Guide publications (Figure 2).

FIGURE 2

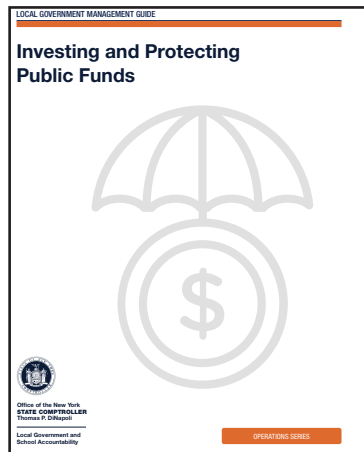
Guidance Publications Provided to Officials

Local Government Management Guide – Seeking Competition in Procurement



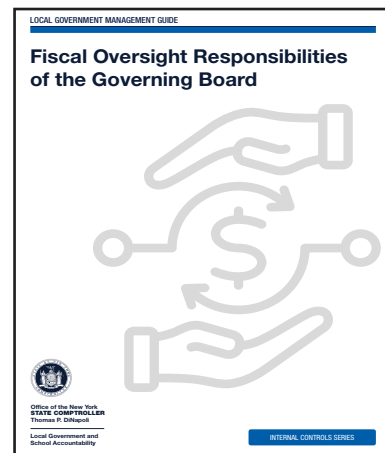
Access this publication at:
<https://www.osc.ny.gov/files/local-government/publications/pdf/seeking-competition-in-procurement.pdf>

Local Government Management Guide – Investing and Protecting Public Funds



Access this publication at:
<https://www.osc.ny.gov/files/local-government/publications/pdf/investing-and-protecting-public-funds.pdf>

Local Government Management Guide – Fiscal Oversight Responsibilities of the Governing Board



Access this publication at:
<https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

We also reviewed the District Commissioners' training records to determine whether they had completed the mandatory training course within 270 days since taking office. One of the District's five Board members has not completed the mandatory training course, and three Board members did not complete the course within the 270-day deadline established by Town Law (Figure 3).

Figure 3: District Commissioner Required Training

Board Member	Term Start	Date Training Completed	Days Late as of 1/22/2025
#1	1/1/2021	10/15/2024	1,112
#2	1/1/2021	11/10/2024	1,138
#3	1/1/2021	4/2/2022	185
#4	1/1/2021	9/14/2021	N/A
#5	1/1/2024	Not Completed	116

Had the members completed the mandatory training in a timely manner, they would have better positioned themselves to ensure the necessary policies were in place.

What Do We Recommend?

The Board should:

1. Request and review monthly financial reports (budget-to-actual, balance sheets) to effectively monitor financial operations throughout the year.
2. Ensure timely budget modifications are made when necessary and do not allow appropriations to be overspent.
3. Pass resolutions to provide clear authorization for the specific amounts the Secretary-Treasurer should transfer to individual reserve funds.
4. Require the Secretary-Treasurer to provide her financial records and conduct a thorough and deliberate annual audit of the Secretary-Treasurer's records.
5. Develop, adopt and periodically review a procurement policy and an investment policy as required.
6. Ensure all elected or appointed Commissioners complete mandatory fiscal oversight training within 270 days of assuming their roles.

The Secretary-Treasurer should:

7. Ensure the reports to the Board agree with the accounting records.
8. Properly report restricted cash and amounts attributable to each reserve on the balance sheet.
9. Prepare and file AFRs with OSC within 60 days of the close of the fiscal year.
10. Provide the Board with the books, records, vouchers and canceled checks or images annually or more frequently if required.

Appendix A: Response From District Officials



Office of the New York State Comptroller

110 State Street, 12th Floor
Albany, NY 12236

**Dear Comptrollers
Office,**

Please accept this letter as acknowledgement and receipt of the findings to our recent OSC Audit. We would like to thank the Comptrollers Office for the information and suggestions provided from the audit. The auditors conducting our audit were very courteous, professional, and helpful throughout the whole process.

At this time, we have received the Report of Examination for the Hammond Fire District and will be discussing the findings with all the Commissioners and working on ways to implement the suggestions and items requiring changes.

Donald Carosoli

Hammond Fire District Chairman

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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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed Board meeting minutes to gain an understanding of the Board's financial monitoring procedures and to determine whether the Board conducted an annual audit of the Secretary-Treasurer's records.
- We requested and reviewed bank reconciliations and available financial reports (annual income statement provided to the Board and accounting system generated reports) to determine whether they were adequate.
 - We compared adjusted bank balances as of December 31, 2023 to bank statements and reviewed a sample of outstanding checks totaling \$41,450 for appropriateness. We used our professional judgment to select one outstanding check per month; some months had no outstanding items.
 - We traced a sample of 10 checks totaling \$124,403 and all four deposits totaling \$517,480 from bank statements to the financial records for accuracy and completeness. We used our professional judgment to select one disbursement every other month until we reached 10 disbursements.
 - We compared 2023 revenue and expenditure amounts from accounting system journals to the Secretary-Treasurer's annual income statement for consistency.
- We compared 2023 and 2024 year-to-date operating results to the annual budgets to determine whether accounts were overspent.
- We reviewed the accounting system balance sheet, District budgets and Board meeting minutes to identify District reserves.
- We reviewed AFR submissions to determine whether the District submitted AFRs for 2021 through 2023 to OSC within 60 days after the close of the fiscal year.
- We requested and reviewed required policies to determine whether they were adopted by the Board and adequate.
- We reviewed fire commissioner training completion certificates to determine whether the Commissioners completed required fiscal oversight training in a timely manner.

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.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

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Division of Local Government and School Accountability
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