

Henderson Fire District

Financial Activities

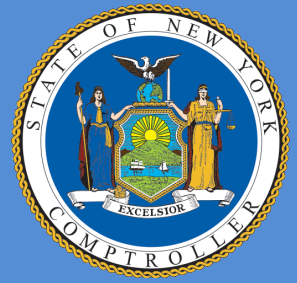
2025M-67 | October 2025

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Audit Results

Henderson Fire District



Audit Objective

Did the Henderson Fire District (District) Board of Commissioners (Board) adequately monitor financial activities and ensure the Treasurer maintained appropriate records and reports?

Audit Period

January 1, 2023 – February 27, 2025

We extended the audit period to review the District's 2019 through 2024 Annual Financial Report (AFR) filings as of August 20, 2025.

Understanding the Audit Area

To help ensure the District's financial resources are properly safeguarded, the Board should ensure accurate accounting records are maintained to capture all transactions and monitor financial activities by reviewing bank reconciliations and financial reports, auditing and approving claims prior to payment and conducting annual audits of the Treasurer's records and reports.

The District's five-member Board is responsible for the general management and control of the District's financial activities. The Treasurer serves as the District's chief fiscal officer and is responsible for receiving and disbursing District funds, maintaining accurate financial records and providing periodic financial reports to the Board.

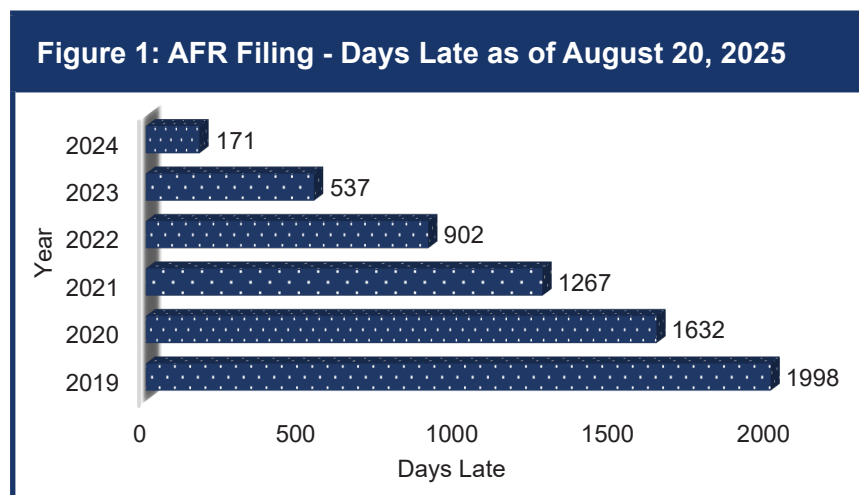
As of December 31, 2023, the District had four bank accounts with combined cash balances totaling \$826,257. The District's Board-adopted 2024 budget was \$358,332 and primarily funded by real property taxes.

Audit Summary

The Board did not adequately monitor financial activities or ensure the Treasurer maintained appropriate records and reports. The Board's lack of monitoring the Treasurer's financial activities and conducting an annual audit of the Treasurer's financial records impacted the Board's ability to identify inaccurate accounting records and reports and address deficiencies sooner to ensure it received reliable information to make informed decisions for the District. In addition, a lack of adequate oversight and monitoring increases the risk of incomplete and inaccurate records and that funds could be lost or misappropriated without detection.

We determined the following:

- The Treasurer did not prepare accurate and timely bank reconciliations for the general fund checking account (checking account). After learning of our audit, the Treasurer prepared bank reconciliations for the checking account from January 2023 through March 2024. The Treasurer identified transactions that were not recorded, including 11 journal entries totaling \$4,986 and four deposits totaling \$1,952, for electronic payroll withdrawals, payroll wages and payroll taxes. Additionally, the Treasurer did not reconcile the three interest-bearing savings and money market accounts (interest-bearing accounts). As of December 31, 2023, the District had \$170,684 (29 percent) more in these bank accounts than was reflected in the accounting records.
- The Treasurer's accounting records included various unrecorded transactions and recording errors. For example, 10 disbursements totaling \$21,925 were posted to incorrect accounts and five collections totaling \$6,115 were deposited in a District bank account between August 2024 and October 2024 but not recorded in the accounting records.
- The Treasurer did not provide the Board with a detailed listing of all funds received and disbursed during the month or balance sheet reports. Additionally, the Treasurer began providing budget-to-actual reports to the Board in March 2024. We determined that the reports provided to the Board included several inaccuracies. For example, the June 2024 budget-to-actual report included \$4,560 in project design expenditures, but the accounting records indicated that \$11,205 had been expended.
- The Treasurer did not file AFRs with the New York State Office of the State Comptroller (OSC) for 2019 through 2024. As of August 20, 2025, the outstanding AFRs were between 171 and 1,998 days late (Figure 1).



- The Board did not ensure that an annual audit of the Treasurer's records was performed. The last audit of the Treasurer's records was in 2019 when an external audit was last conducted.

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- The Board did not ensure all claims were properly approved prior to payment and adequately supported. For example, 40 claims totaling \$41,749 were improperly paid prior to Board approval, including claims for boat repairs, various credit card purchases (e.g., office supplies and a printer), entry and truck bay doors, and fire pumper equipment.
 - Community room rental cash collections and cash donations totaling \$1,062 were not remitted to the Treasurer for deposit or recorded in the Treasurer's accounting records.

The report includes 28 recommendations that, if implemented, will improve the District's financial operations. District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action and their response is included in Appendix B.

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. Our methodology and standards are included in Appendix C.

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.

Financial Activities: Findings and Recommendations

To ensure financial activities are properly managed, a fire district board (board) and treasurer should ensure the fire district's (district's) accounting records contain complete and accurate information and that adequate financial reports are periodically provided to the board to monitor district finances. It is important that the treasurer prepare monthly bank reconciliations in a timely manner to help ensure the records are complete and accurate. These bank reconciliations, along with bank statements and canceled check images, should be reviewed by the board to provide oversight of the treasurer's work.

In addition, the treasurer is required to file an AFR with OSC annually and the board should annually conduct an internal audit of the treasurer's records. Town Law Section 176 (4-a) generally requires the board to audit claims against the district prior to payment. The treasurer should maintain custody of all district funds and all collection and disbursement activities should be accounted for in the treasurer's records.

More details on the criteria used in this report, as well as resources we make available to local officials that can help officials improve financial operations (Figure 5), are included in Appendix A.

Finding 1 – The Treasurer did not prepare accurate and timely bank reconciliations, and the Board did not review bank reconciliations.

The District has a checking account and three interest-bearing accounts. After we notified the District of our planned audit in February 2024, the Treasurer prepared 15 months of bank reconciliations for the checking account (January 2023 through March 2024) in April 2024. As part of this process, the Treasurer identified transactions that had not been recorded, and updated the records accordingly.¹ For example, she made 11 journal entries totaling \$4,986 to record electronic payroll withdrawals, payroll wages and payroll taxes and recorded four deposits totaling \$1,952 that she had missed in prior months, dating back to January 2023. Had the Treasurer prepared monthly bank reconciliations in a timely manner, she would have noticed these unrecorded transactions sooner.

Additionally, the Treasurer did not reconcile the three interest-bearing accounts during the audit period. As of December 31, 2023, the District had \$170,684 (29 percent) more in these bank accounts than was reflected in the accounting records (Figure 2).

Figure 2: Differences Between Bank Balances and Recorded Cash Balances as of December 31, 2023

Interest-Bearing Bank Account	Bank Statement Balance	Cash Balance in Records	Difference
Repair and Maintenance Reserve Savings	\$214,718	\$42,906	\$171,812
Capital Reserve Savings	395,623	396,659	(1,036)
General Fund Money Market	146,093	146,185	(92)
Total	\$756,434	\$585,750	\$170,684

¹ The Treasurer used a bank reconciliation feature in the accounting software to reconcile the checking account and was able to backdate the entries to record transactions in the month and year the activity occurred.

We reviewed the Treasurer's bank reconciliation for the checking account as of December 31, 2023. While the adjusted bank balance of \$44,905 agreed to the accounting records, we identified questionable reconciling items that affected the accuracy of the reconciliation. Specifically, we determined:

- 11 outstanding checks totaling \$3,083 were either voided, reversed or electronically withdrawn payments that were not true outstanding checks. In addition, the outstanding check list included 42 other checks totaling \$9,207 that were over a year old, including some checks dated as far back as 2017. Old outstanding checks should be addressed by District officials and not be carried over on bank reconciliations indefinitely.
- Deposits in transit totaling \$1,616 were not actual deposits that cleared the bank in January 2024. Instead, they represented reversing or voiding entries that were not properly recorded.

When we adjusted the bank reconciliation for these inaccurate reconciling items, the adjusted bank balance as of December 31, 2023 was \$46,372, which exceeded the cash balance in the accounting records by \$1,467. Although several errors that caused the improper reconciling items occurred in 2018 when a previous Treasurer was in office, they remained uncorrected and continued to affect the current Treasurer's bank reconciliations and recorded cash balances. During our audit fieldwork, the Treasurer told us she continues to be behind in completing the bank reconciliations. As of February 27, 2025, the most recent bank reconciliation for the checking account was completed for October 2024 and no bank reconciliations have been completed for the three interest-bearing accounts.

At monthly Board meetings, the Treasurer presented the Board with a summary showing the current bank balance for each bank account and provided the first page of the most recent checking account bank statement, along with a printout of the current month's bank activity as of the meeting date. However, the Board did not review the bank reconciliations, complete bank statements for each bank account or canceled check images.

Because the Treasurer performed nearly all the District's financial duties, including receiving and depositing funds, disbursing funds,² maintaining the accounting records and preparing bank reconciliations, Board oversight is particularly important to help reduce the risk that funds could be misappropriated without detection. The Board can mitigate these risks by reviewing the bank reconciliations, bank statements and canceled check images monthly. This would also help the Board monitor the timeliness of the Treasurer's bank reconciliations.

During our audit fieldwork, the Treasurer found written policies and procedures in the District's files that provided guidance on various financial matters, including reconciling all bank accounts monthly. Although the documents stated that the policies and procedures would be reviewed annually at the District's organizational meeting, no review was performed because the Board and Treasurer were not aware of the policies and procedures.

Because timely bank reconciliations were not completed for all bank accounts, inaccuracies in the financial records were not detected and resolved in a timely manner (see Finding 2).

² Checks are co-signed by the Treasurer and a Commissioner.

Recommendations

The Treasurer should:

1. Perform complete and accurate monthly bank reconciliations in a timely manner for all District bank accounts and investigate and correct any discrepancies.
2. Follow up on the outstanding checks and adjust the records to correct the inaccurate deposits in transit and outstanding checks reflected in the bank reconciliations.

The Board should:

3. Ensure accurate bank reconciliations are prepared monthly for all bank accounts, and review the bank reconciliations, bank statements and canceled check images monthly to provide regular oversight of the Treasurer's work.
4. Review and update the District's financial policies and procedures and ensure they are distributed to the Treasurer and other officials. Going forward, review the policies and procedures annually at the organizational meeting and approve changes when needed.

Finding 2 – The Board did not ensure the Treasurer maintained accurate accounting records.

In addition to the discrepancies between recorded cash balances and adjusted bank balances, other accounts in the Treasurer's records were not up to date and accurate, making the records unreliable for financial decision-making.

Revenues and Expenditures: We reviewed 33 collections (excluding community room rental revenues) totaling \$422,319 and 83 check disbursements totaling \$69,900 and identified various unrecorded transactions and recording errors.³ Specifically, we determined:

- 10 disbursements totaling \$21,925 were posted to incorrect accounts. This included two disbursements totaling \$12,300 which were incorrectly recorded as negative revenues instead of expenditures. Additionally, a repair expenditure totaling \$5,492 was charged to a repair reserve expenditure account, even though the reserve fund was not used for the payment.
- During 2023, the Treasurer recorded \$10,934 in payroll taxes withheld from employees' pay as payroll tax expenditures when the employees' full gross pay should have been classified as salary and wage expenditures. This resulted in an understatement of the District's personal service costs and overstatement of employee benefit costs in the financial records.

³ See Appendix D for our sampling and testing methodologies

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- Five collections totaling \$6,115 were deposited into a District bank account between August 2024 and October 2024 but not recorded in the accounting records. These collections included two miscellaneous revenues totaling \$4,615 and three library lease⁴ payments totaling \$1,500. The Treasurer could not remember and did not have any supporting documentation to identify the miscellaneous revenues and did not know the source of the funds. In addition, four other collections totaling \$1,952 were deposited and recorded in the accounting records as miscellaneous income. The Treasurer recorded these collections late when she completed the 15 months of bank reconciliations, but she did not know what revenue to record.

These revenues lacked support because the Treasurer did not issue pre-numbered duplicate receipts when the funds were received to document the date, payee and purpose of the payments received. Using duplicate receipts helps maintain accountability over the funds collected and provides supporting documentation for recording revenues in the accounting records.

- The District earned \$153 in interest income from the three interest-bearing accounts over a 22-month period from January 2023 through October 2024. However, as of November 2024, the Treasurer had not recorded this interest income in the accounting records.

As part of our audit testing, we also reviewed a sample of journal entries, bank transfers and the Treasurer's salary payments and determined that the transactions and payments were appropriate, and any minor discrepancies were discussed with officials.⁵

Payroll Liabilities: Payroll liabilities were misstated in the accounting records. As of December 31, 2023, the records showed payroll withholding liability accounts totaling \$20,323 that were carried forward from prior years and were not actual District liabilities because the taxes were regularly paid each pay period. In addition, the records incorrectly showed other payroll liability accounts with negative balances totaling \$19,268 at the end of 2023. This included negative liabilities totaling \$14,167 that were carried forward from prior years and negative liabilities totaling \$5,101 that occurred in 2023 because the Treasurer improperly recorded the District's portion of Social Security and Medicare as a reduction in the payroll liability accounts each pay period when it should have been recorded as a District expenditure.

The Treasurer told us she used the same journal entries for years to record the District's payroll without realizing she was recording payroll taxes incorrectly.

Reserve Funds: The District has two reserve funds – a capital reserve for equipment and a repair and maintenance reserve. The Treasurer did not maintain adequate accounting records to track the financial activity for each reserve. As mentioned in Finding 1, the recorded cash balances for these reserves did not agree with the bank balances. In addition to these differences, the restricted fund balance for each reserve differed from both the recorded cash balance and bank account balance. When recorded properly, there should not be a variance between restricted cash and restricted fund balance for each reserve once the books are closed at year-end. Also, the accounting records showed restricted fund

⁴ The Henderson Free Library leases space in the fire hall and provides monthly lease payments to the District.

⁵ See *supra*, note 3.

balance totaling \$85,640 as of December 31, 2023 for two reserves that were dissolved in 2015. No fund balance should be reflected in the records at the end of 2023 for these discontinued reserves.

Because the Treasurer did not maintain complete, accurate and up-to-date accounting records, the Board did not have reliable information to monitor the District's financial activities and make informed decisions regarding District operations.

Recommendations

The Board should:

5. Ensure the Treasurer maintains complete, accurate and up-to-date accounting records.

The Treasurer should:

6. Maintain complete, accurate, and up-to-date records, which includes properly classifying and recording revenues and expenditures and payroll liabilities and keeping appropriate records to track individual reserve fund activity and fund balances.
7. Issue pre-numbered duplicate receipts to document collections.
8. Record all collections and interest income in a timely manner and ensure transactions are recorded properly.
9. Attend applicable training on governmental accounting to help better understand and perform the District's accounting duties. Training provided by OSC can be found at: <https://www.osc.ny.gov/local-government/academy>.

Finding 3 – The Board did not request and the Treasurer did not provide adequate monthly financial reports.

The Treasurer manually prepared and submitted a monthly report to the Board that included the ending bank balances for the District's three interest-bearing accounts, as well as the adjusted bank balance for the checking account. However, as discussed in Finding 1, the Treasurer did not reconcile the reported cash balances to the accounting records. In addition, the Treasurer did not provide the Board with a detailed listing of all funds received and disbursed during the month or balance sheet reports. Had the Board received these reports, Board members may have noticed that some collections were not recorded in a timely manner and/or questioned the inaccurate payroll liability accounts and reserve fund balances discussed previously.

The Treasurer did not provide budget-to-actual reports to the Board until March 2024. We reviewed the June 2024 budget-to-actual report and identified various inaccuracies. For example, the report included \$4,560 in project design expenditures although the accounting records indicated that \$11,205 was expended. The Treasurer also omitted other 2024 expenditures totaling \$8,628 from the report and incorrectly included various 2023 expenditures totaling \$2,241 which should not have been included with the 2024 activity. The June 2024 budget-to-actual report also omitted \$710 in miscellaneous revenue.

The Treasurer used a spreadsheet to generate the budget-to-actual reports because she did not enter the Board-adopted budget into the District's computerized accounting system. While our testing identified various recording errors in the computerized accounting records (see Finding 2), using the accounting system to generate the budget-to-actual reports may have prevented some of the reporting differences we identified.

When monthly financial reports are inadequate and/or inaccurate, the Board has insufficient information to assess the District's financial activities and make informed decisions.

Recommendations

The Board should:

10. Ensure the Treasurer prepares and provides the Board with reliable monthly reports to adequately monitor financial activities.

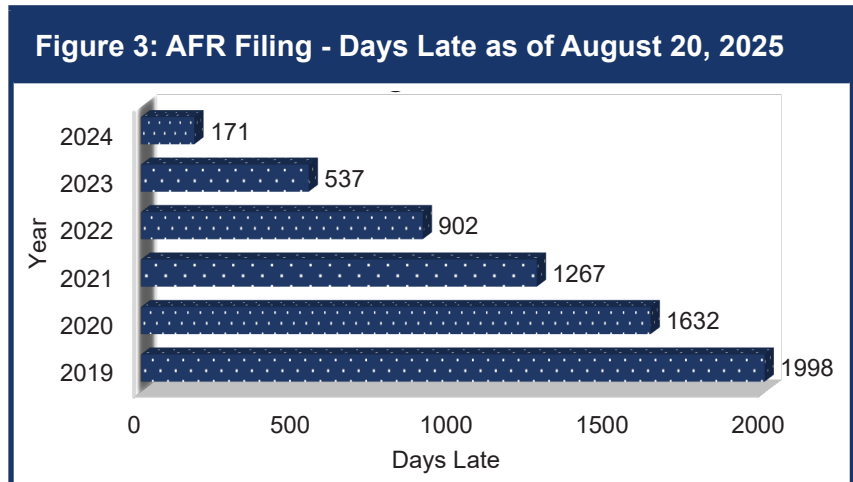
The Treasurer should:

11. Provide the Board with accurate monthly reports which include a listing of all money received and disbursed during the month, budget-to-actual comparisons and balance sheets. The monthly reports should be supported by complete and accurate accounting records.
12. Consider entering budgetary accounts into the accounting system to facilitate the preparation of budget-to-actual reports.

Finding 4 – The Treasurer did not file AFRs with OSC from 2019 through 2024.

The Treasurer did not file the required AFRs with OSC since taking office in January 2020. As of August 20, 2025, the outstanding AFRs were between 171 and 1,998 days late (Figure 3).

The Treasurer stated that she attempted to file the 2019 AFR but faced challenges due to problems with the records maintained by the previous Treasurer. She indicated the last AFR filed for 2018 did not reconcile with either the former Treasurer's records or the District's audited financial statements. In addition, given the recordkeeping deficiencies identified during this audit, the Treasurer would likely face challenges filing reliable AFRs for subsequent years.



The Chairman told us the Board was not aware of the overdue AFRs and the Board did not ensure the AFRs were submitted in a timely manner. When AFRs are not filed, the Board, taxpayers, OSC and other interested parties are denied the ability to assess the District's financial standing and the transparency of operations is diminished.

Recommendations

The Board should:

13. Work with the Treasurer to ensure AFRs are filed with OSC as required.
14. Consider engaging an outside consultant or certified public accountant firm to assist the Treasurer with making necessary corrections to the accounting records and preparing the AFRs.

Finding 5 – The Board did not annually audit the Treasurer’s records.

Although Town Law Section 177 requires treasurers to annually submit their books and records to the board for review, the Treasurer did not provide records to the Board and the Board did not request these records. As a result, the Board has not ensured that an annual audit of the Treasurer’s records was performed since 2019 when an external audit was last conducted. The Board did not realize that even when an external audit is not required, an internal audit should still be performed annually, especially because the Treasurer handles all aspects of the District’s finances. Without an annual audit, the Board’s ability to provide adequate oversight of financial operations is diminished. Had the Board conducted these audits, the deficiencies identified in this report could have been detected and addressed earlier.

Recommendations

15. The Treasurer should provide the Board with her records annually as required.
16. The Board should perform an annual audit of the Treasurer’s records.

Finding 6 – The Board did not ensure all claims were properly approved prior to payment and adequately supported.

We reviewed a sample of 83 disbursements and related claims totaling \$69,900⁶ to determine whether they were for valid District purposes, properly supported, and audited and approved by the Board prior to payment. Although Board meeting minutes indicated that the Board approved a monthly warrant (listing of claims), the minutes did not specify which claims were approved by showing the claim number sequences or total amount of the approved claims. Additionally, while Board members typically signed the monthly warrants, some were not signed and none of the warrants indicated the date of approval. As a result, we could not sufficiently determine whether the Board approved certain claims and/or when they were approved.

While the claims we examined were for valid District purposes, we identified the following issues:

- 40 claims totaling \$41,749 were improperly paid prior to Board approval, including:

⁶ See *supra*, note 3.

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- One claim totaling \$7,800 for boat repairs,
 - Three claims totaling \$6,966 for various credit card purchases, such as conference registrations and lodging, office supplies and a printer,
 - One claim totaling \$5,492 for entry and truck bay doors, and
 - One claim totaling \$5,274 for fire pumper equipment.

Although Town Law Section 176 (4-a) permits the Board to pass a resolution authorizing payment in advance of an audit for allowable claims, such as light, telephone, postage and freight, these claims were not for the permitted purposes and should not have been paid prior to Board approval. Furthermore, there was no evidence the Board passed a resolution authorizing the Treasurer to pay allowable claims prior to audit.

The Treasurer told us the District's common practice was to pay credit card claims prior to Board audit to avoid late charges. However, there is no exception in the law that permits credit card claims to be paid prior to Board audit to avoid late charges. The Treasurer should contact the District's credit card company to adjust the statement billing period and due dates to better align with Board meeting dates. The Treasurer also told us that the Board sometimes delayed approving the monthly warrant until the following month if the Board found issues or had questions on certain claims. When this occurred, the Treasurer did not pay the claims questioned by the Board, but paid the remaining claims even though the Board did not approve them. However, this is not an acceptable practice because claims should not be paid without Board approval. If the Board has questions about certain claims, it should hold those claims and authorize the remaining claims to be paid. In addition, the Board meeting minutes should reflect what claims have been audited and whether they were allowed or disallowed, in whole or in part.

- 29 claims totaling \$19,716 lacked evidence to show whether the Board audited and approved them for payment. This included 15 claims totaling \$15,269 for which no warrants were signed and 14 claims totaling \$4,447 for which the original warrant was missing. These claims included credit card payments, utilities, vehicle and equipment repairs, snow removal contracts, insurance premiums, membership dues and supplies. Because there was no evidence that these claims were approved in the Board minutes or monthly warrants, we could not determine whether these claims were audited and approved by the Board.
- 18 claims totaling \$3,373 lacked sufficient documentation. For example, 13 claims totaling \$2,813 for mileage and meal reimbursements, conference registrations, utilities and pest control services had no supporting documentation and did not include itemized invoices, receipts or mileage logs. Furthermore, the other five claims totaling \$560 lacked key or complete supporting documentation, such as mileage and per diem meal calculations or itemized invoices.

When disbursements are made in advance of the Board's claims audit and approval, or claims are paid without clear Board authorization or adequate supporting documentation, there is an increased risk that payments could be made that are not for valid District purposes.

Recommendations

The Board should:

17. Ensure the Board meeting minutes include the claim number sequence and total dollar amount of claims approved for payment and whether any claims are disallowed.
18. Ensure the warrants are signed and dated by Board members.
19. Audit and approve claims prior to payment and ensure claims are adequately supported with itemized invoices or other supporting documentation.
20. 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 are subsequently audited by the Board at the next Board meeting.

The Treasurer should:

21. Ensure no claims against the District, other than those allowed by law, are paid prior to the Board's audit and approval.
22. Contact the credit card company to request a change in the billing period and payment due date to better align with the Board's monthly meetings.

Finding 7 – Community room revenues were not properly accounted for and were inappropriately used to pay miscellaneous expenditures outside of the Board's claims audit and approval process.

The District has a community room at the fire hall and it charges a rental fee to the public to use the room. The District's Operations Manager (Manager) is responsible for obtaining a room rental agreement when someone uses the community room and collecting the associated fees. Based on our review of community room rental agreements, the District collected 42 community room rental fees totaling \$1,005 (\$865 in cash and \$140 in checks) from January 1, 2023 through November 13, 2024.

The Manager kept the cash collections in a safe in the office at the fire hall and accounted for the cash in a handwritten ledger that showed the amount, date, description of revenues collected and a running cash balance. In addition to the community room rental fees, the ledger also showed that the Manager collected five cash donations totaling \$197 during the period we reviewed. The Manager told us he gave the checks to the Treasurer to deposit into a District bank account, but he retained the cash and

used it to make small purchases for the District.⁷ As a result, community room rental cash collections and cash donations totaling \$1,062 were not remitted to the Treasurer for deposit or recorded in the Treasurer’s accounting records from January 1, 2023 through November 13, 2024.

Based on the Manager’s manual ledger and our review of the supporting bills and payment receipts, the Manager disbursed \$802 of the cash collected to pay for various goods and services, such as office supplies, mowing services, boat ramp repairs, postage and small tools. While the disbursements were generally supported by invoices or receipts, they were made outside of the Board’s claims audit and approval process and the expenditures were not recorded in the District’s records.

We conducted a cash count of the funds held in the safe by the Manager and determined there was \$426 on hand as of November 13, 2024. This cash balance was consistent with the cash balance in the Manager’s manual ledger and the cash activity we reviewed as of November 13, 2024 (the cash collections per the room rental agreements and the supporting receipts for disbursements made). Figure 4 shows the collections, disbursements and the cash held by the Manager that was not recorded in the Treasurer’s accounting records.

Figure 4: Cash Activity Not Recorded in the Treasurer’s Accounting Records

Beginning Cash Balance as of January 1, 2023	\$166
Plus: Room Rental Cash Collections	865
Plus: Cash Donations	197
Less: Expenditures	(802)
Ending Cash Balance as of November 13, 2024	\$426

Although the Manager left checks received for community room rentals in the office for the Treasurer to deposit in the bank, the District did not have adequate procedures to document the transfer of funds from the Manager to the Treasurer. The Manager did not notify the Treasurer when funds were collected and available for deposit, and the Treasurer did not provide the Manager with a duplicate receipt when these funds were received. Of the four checks totaling \$140 that were collected for room rental fees, we were able to trace three checks totaling \$60 that were deposited into the District’s bank account. However, the Treasurer only recorded \$40 of these collections in the District’s accounting records. Furthermore, we found no evidence that the remaining check for \$80 was received, recorded or deposited by the Treasurer and the Treasurer was unable to locate the check.

The Chairman was aware that the Manager retained the cash collections and used the funds to make small purchases, and officials considered it to be similar to a petty cash fund. However, the District should not use cash collections as petty cash because it weakens controls when collections are not recorded in the Treasurer’s accounting records and funds are disbursed without Board review. Instead, the Board should authorize petty cash and designate a custodian. When petty cash funds are used, the custodian should periodically submit a claim with supporting documentation (e.g., receipts) to the Board to request reimbursement of petty cash expenditures. When the claim is approved by the Board, the Treasurer should issue a check to replenish the petty cash fund.

⁷ The Manager recorded the amount of the fee collected and check number (if paid by check) on the room rental agreement but did not include check collections in his manual ledger.

The Board did not develop written procedures to provide guidance to the Manager and Treasurer detailing how the community room rental fees should be maintained and accounted for. Without adequate recognition of the community room rental collections and expenditures in the District's accounting records and the Board's approval of purchases, the Board cannot adequately monitor the financial activity and there is an increased risk for funds to be lost or misappropriated without detection.

Recommendations

The Board should:

23. Establish written procedures for the oversight, collection, recordkeeping and reporting of community room rental fees and donations and ensure the revenues are accounted for in the Treasurer's records.
24. Ensure the cash held by the Manager and all future collections are remitted to the Treasurer in a timely manner for deposit into a District bank account.
25. Consider establishing a petty cash fund and designating a custodian to safeguard the fund. Require the custodian to submit a claim and supporting receipts to the Board to request reimbursement of petty cash expenditures when needed.

The Treasurer should:

26. Record all collections of community room rental fees and donations in the District's accounting records and deposit all collections in a District bank account in a timely manner.
27. Work with the Manager to follow up on the \$80 check for rental fees that could not be located.
28. Issue pre-numbered duplicate receipts to document the funds received from the Manager.

Appendix A: Profile, Criteria and Resources

Profile

The District provides fire protection and emergency services within the Town of Henderson in Jefferson County. The District is governed by an elected five-member Board that is responsible for the general management and control of financial activities and safeguarding of its resources.

Criteria – Financial Activities

To provide effective oversight of a district's financial activities, the board should establish a system of internal controls which includes policies and procedures that ensure all financial transactions are properly recorded, authorized, reviewed and reported. The board must routinely monitor financial activities, particularly when there is inadequate segregation of duties, and implement mitigating controls, such as additional reviews and approvals of the treasurer's activities.

The treasurer is responsible for receiving and having custody of district funds and for maintaining current, complete and accurate financial records that are relevant and useful for the board to adequately monitor financial activities. It is important that monthly bank reconciliations are prepared in a timely manner for all bank accounts and adjusted bank account balances agree with the cash balances in the accounting records. An adjusted bank balance is determined by adding deposits in transit and subtracting outstanding checks (and other pending charges) from the bank balance as of a certain date. Any discrepancies between adjusted bank balances and recorded cash balances should be promptly investigated and corrected in a timely manner to ensure cash balances are accurate and all cash activity is properly recorded.

The treasurer is responsible for providing the board with monthly financial reports to facilitate the monitoring of district financial affairs. These reports should typically include:

- A detailed listing of receipt and disbursement activity for the month,
- A budget-to-actual comparison of revenues and expenditures, and
- A balance sheet report showing the district's assets (e.g., cash), liabilities and fund balance.

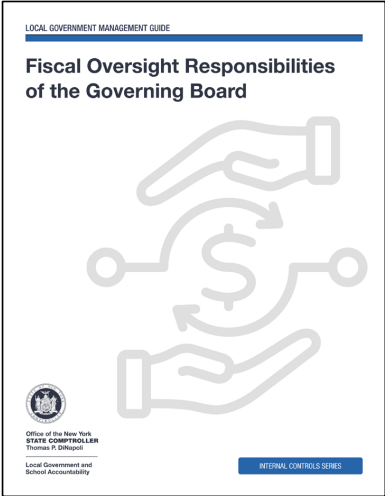
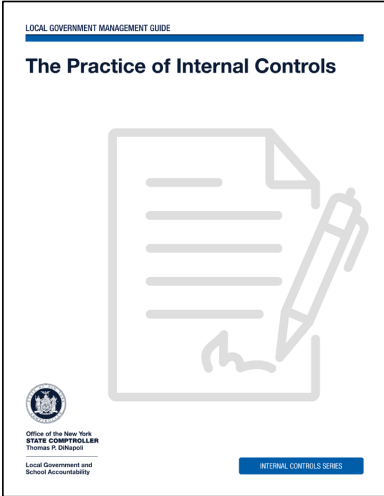
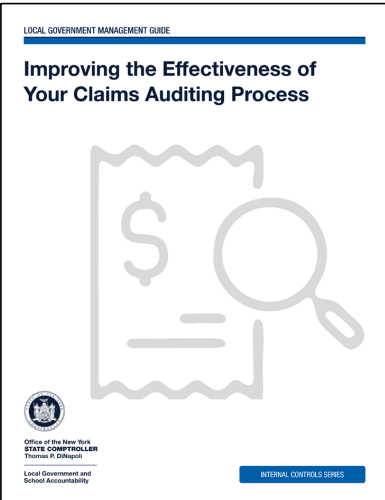
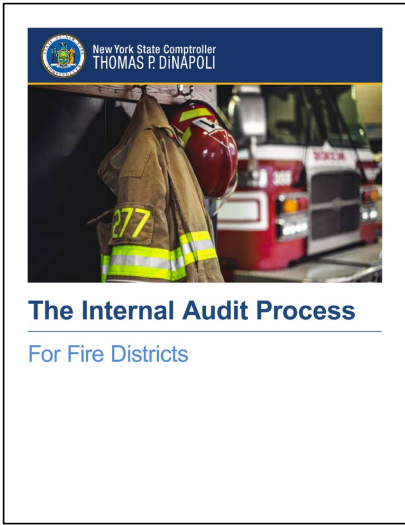
The treasurer must prepare and file the district's AFR with OSC within 60 days after the close of the fiscal year, as required by General Municipal Law Section 30. Filing timely and accurate AFRs is essential for transparency and financial oversight.

The board should require that the treasurer provides the board with all books, records, receipts, claim vouchers and canceled check images annually, as required by Town Law Section 177, so 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.

Town Law Section 176 (4-a) requires the board to audit claims against the district prior to payment and, by resolution, order the treasurer to pay the approved claims. An effective claims auditing process ensures that every claim against the district is subjected to a thorough and deliberate review to verify that each claim contains adequate supporting documentation to determine whether it is for valid and legal purposes and that the goods or services were received. This section of law also states that the board may, by resolution, authorize payment in advance of the audit for certain public utility services, including light, telephone, postage, freight and express charges. However, such claims must be presented for audit at the next regular board meeting. Furthermore, the approval of claims should be documented in the board meeting minutes by specifying the number and dollar amounts of the claims the treasurer is authorized to pay.

Additional Financial Activities Resources

Figure 5: OSC Publications

OSC Local Government Management Guides available on our website to help officials understand and perform their responsibilities.	
<i>Fiscal Oversight Responsibilities of the Governing Board</i>	<i>The Practice of Internal Controls</i>
 LOCAL GOVERNMENT MANAGEMENT GUIDE Fiscal Oversight Responsibilities of the Governing Board Office of the New York State Comptroller Thomas P. DiNapoli Local Government and School Accountability INTERNAL CONTROLS SERIES	 LOCAL GOVERNMENT MANAGEMENT GUIDE The Practice of Internal Controls Office of the New York State Comptroller Thomas P. DiNapoli Local Government and School Accountability INTERNAL CONTROLS SERIES
https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf	https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf
<i>Improving the Effectiveness of Your Claims Auditing Process</i>	<i>The Internal Audit Process for Fire Districts</i>
 LOCAL GOVERNMENT MANAGEMENT GUIDE Improving the Effectiveness of Your Claims Auditing Process Office of the New York State Comptroller Thomas P. DiNapoli Local Government and School Accountability INTERNAL CONTROLS SERIES	 New York State Comptroller THOMAS P. DINAPOLI The Internal Audit Process For Fire Districts
https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf	https://www.osc.ny.gov/files/local-government/resources/pdf/internalauditprocess.pdf

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From District Officials

Henderson Board of Fire Commissioners

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Henderson, New York 13650
Tel: (315) 938-5032 Fax (315) 938-5049 Emergency (315) 955-2800

Howard Furman, Jr.
Commissioner
Jody White
Commissioner
Tammy Clark
Secretary/Treasurer

Shayne Morris
Chairman

Barry Waite
Commissioner
Robert Aliasso Jr
Commissioner

Office of the State Comptroller
Syracuse Regional Office
State Office Building, Room 409
333 E Washington Street
Syracuse, New York 13202-1428

October 15, 2025

To Whom It May Concern:

This letter is in response to Audit #2025M - 67 covering the period of January 1, 2023 through February 27, 2025. The Henderson Fire District takes great pride in serving our community with dedication and transparency. We value the findings and recommendations presented by your audit team and take them very seriously. Our commitment to responsible governance and continuous improvement remains a top priority.

This audit focused on the District's adequacy in monitoring financial activities and to ensure the treasurer maintained appropriate records and reports. We wanted to share some background in the changes within our district since the COVID pandemic. Our previous Secretary/Treasurer was with the District for over 25 years, unfortunately due to illness; she had to step away and was not able to assist in training her replacement. The current treasurer is learning everyday and has taken recommendations from the audit team as the audit process evolved and made changes to her processes prior to the exit meeting and will follow new policies and procedures and seek outside training resources that are available to ensure the findings are addressed in a timely manner along with any guidance needed from the Board of Commissioners.

Upon the release of the final copy of the Comptroller Office's Financial Activities Report of Examination, we will again review it and complete a corrective action plan for your agency. We are confident that we can make corrective changes with the audit recommendations and other resources given during the exit meeting.

Thank you for your time and professionalism during this audit process for the Henderson Fire District.

Regards,

Shayne Morris
Chairman
Board of Commissioners

Cc:
Board of Commissioners
Secretary/Treasurer

Appendix C: Audit Methodology and Standards

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, District policies and procedures and various financial records to gain an understanding of the District's operations, internal controls and oversight of the Treasurer's duties, including the financial recording and reporting processes.
- We examined the District's June 2024 budget-to-actual report and compared the account balances to the balances in the computerized central accounting records to determine whether the reports agreed with the records.
- We reviewed and/or reperformed the bank reconciliations for all four District bank accounts as of December 31, 2023 to determine whether they were completed accurately and in a timely manner. We also determined whether the adjusted bank balances agreed with cash balances in the accounting records and cash balances reported to the Board.
- We reviewed bank statements for the District's three interest-bearing accounts from January 2023 to October 2024 to determine whether interest income was properly recorded in the accounting records.
- We examined all 33 collections (bank deposits) for real property taxes levied, payments from New York State (NYS) and other revenues totaling \$422,319 from January 1, 2023 through October 31, 2024 to determine whether they were properly recorded and supported. We compared the \$358,332 tax levy per the 2024 Board-adopted budget to the accounting records and bank deposits. Our audit testing also included other revenues totaling \$61,525 (including \$35,000 for the sale of equipment and \$11,000 for lease payments) and a payment from NYS totaling \$2,462.
- We used our professional judgment to select 83 disbursements totaling \$69,900 from a total population of 362 disbursements totaling \$295,279 made between January 1, 2023 and July 31, 2024 to determine whether they were properly supported, for valid District purposes, recorded and authorized. We selected the three months (February and June 2023 and January 2024) with the highest volume of disbursement activity and included all non-payroll-related disbursements from those months. Additionally, we reviewed bank statements and canceled check images, and selected high-risk disbursements for review, such as payments to District officials, disbursements to unknown vendors and large or even-dollar amounts.
- We reviewed all seven transfers out of District bank accounts totaling \$525,000 from January 1, 2023 through July 31, 2024 to determine whether the funds were deposited into other District accounts.
- We analyzed third-party payroll reports for the 2023 fiscal year and compared them to payroll transactions in the accounting records and bank statements to determine whether payroll expenditures were properly recorded and aligned with Board-approved amounts.

-
- We reviewed general ledger transactions and adjusting journal entry reports for all four cash accounts from January 1, 2023 through August 31, 2024 to identify any journal entries that reduced cash balances and/or appeared unusual.
 - We reviewed the salary paid to the Treasurer from January 1, 2023 through December 31, 2023 to determine whether the amount recorded and paid was in accordance with the amount authorized by the Board.
 - We reviewed the District's AFR filings from 2019 through 2024 to determine whether they were submitted to OSC within 60 days of the close of the fiscal year, as required.
 - We assessed the District's reserve fund accounting by reviewing accounting records and interviewing officials to determine whether separate records were maintained for each active reserve. We compared recorded reserve balances to bank statements as of December 31, 2023 to determine whether the accounting records accurately accounted for reserve fund balances.
 - We examined all community room rental agreements from January 1, 2023 through November 13, 2024 and compared them to bank statement deposits and accounting records to determine whether rental fees were properly recorded and deposited.
 - We conducted a cash count to determine the amount of cash held by the Manager for community room rental fees. We reconciled the cash on hand to the community room revenue ledger and compared the beginning balance, along with community room revenue and expenditure activity, to the ending balance of cash on hand. We also reviewed supporting receipts and invoices for disbursements that were made from the community room funds from January 1, 2023 through November 13, 2024.

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 relevant population size and the sample selected for examination.

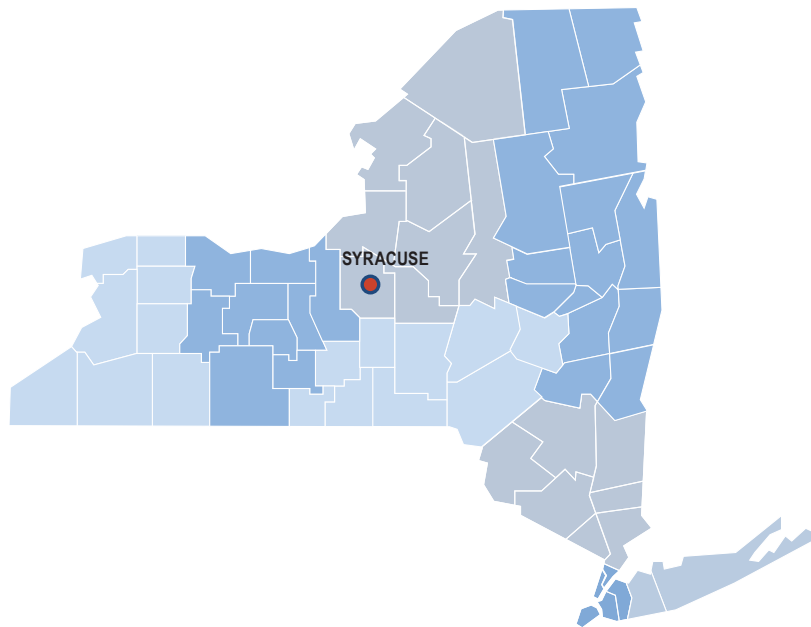
Contact

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