

Rhinecliff Fire District

Board Oversight

2024M-154 | May 2025

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Report Highlights

Rhinecliff Fire District

Audit Objective

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

Key Findings

The Board did not adequately provide oversight of financial operations. As a result, the Board hindered their ability to make informed financial decisions and cannot assure taxpayers and other interested parties that the District’s financial activities are adequately accounted for and reported. Specifically, the Board did not collectively complete mandated financial oversight training or:

- Ensure proper accounting records were maintained.
- Ensure that the District’s required Annual Financial Reports (AFR) were filed for the past 15 years. The 2009 AFR is almost 6,000 days late.
- Develop and adopt a code of ethics, investment policy or procurement policy, as required by New York State General Municipal Law (GML) sections 806, 808 and 39, respectively.
- Ensure bank reconciliations were performed.
- Conduct an annual audit of the Secretary-Treasurer’s (Treasurer) records.
- Develop and adopt written multiyear financial and capital plans.
- Adequately audit claims prior to payment.

Key Recommendations

- Develop and adopt policies, procedures and plans for the District’s financial operations.
- Ensure an annual audit is performed and the required AFRs are properly filed.
- Complete mandatory fiscal oversight training.
- Ensure that claims are properly audited and approved before payment.

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

Audit Period

January 1, 2023 – June 18, 2024

We extended our audit period to review the timeliness of required AFR submissions for 2009 through 2022, as well as through July 31, 2024.

Background

The Rhinecliff Fire District (District) is located in the Town of Rhinebeck in Dutchess County and all its members are volunteers.

The District is governed by a Board consisting of five elected Board members. The Board is responsible for the District’s general management and financial control with one member elected as chairperson.

The Board-appointed Treasurer is the chief fiscal officer and is responsible for receiving, disbursing and accounting for District funds, preparing financial reports and keeping the minutes of Board meetings.

Quick Facts	
2023 Budgeted Appropriations	\$98,730
2023 Real Property Tax Levy	\$71,730
Last Filed AFR with OSC for Fiscal Year	2008
Number of Years AFRs Have Not Been Properly Filed	15
Number of Days 2009 AFR Filed Late as of July 31, 2024	5,631

Board Oversight

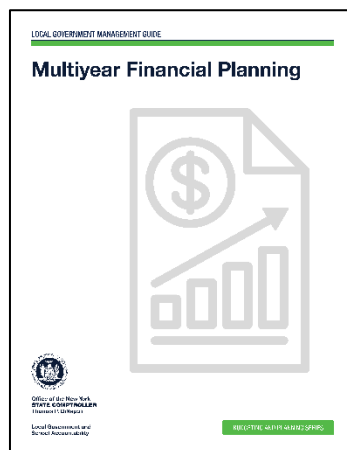
How Should a Board Provide Oversight of Financial Activities?

To provide oversight of a fire district's (district) financial operations, a district's board (board) should ensure the transactions are authorized, properly reviewed and recorded, and that financial reports are prepared accurately and filed in a timely manner. A board can help ensure this happens by developing written policies and procedures related to financial operations and ensuring they are implemented and complied with. These policies and procedures should include those required by law, including a procurement policy, investment policy, and a code of ethics, as well as policies for reserve funds and fund balance. These policies should be reviewed and updated annually by the board.

Additional information on how to properly develop multiyear financial plans, audit claims, and provide fiscal oversight can be found in publications and training tools offered by New York State Office of the State Comptroller (OSC), including our Local Government Management Guides (LGMGs) entitled *Multiyear Financial Planning*, *Improving the Effectiveness of Your Claims Auditing Process* and *Fiscal Oversight Responsibilities of the Governing Board* (Figure 1).

FIGURE 1

OSC Publications



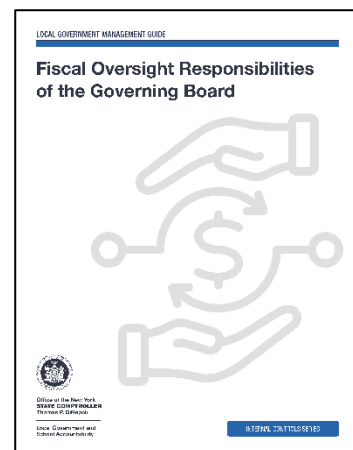
LGMG – Multiyear Financial Planning

<https://www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf>



LGMG – Improving the Effectiveness of Your Claims Auditing Process

<https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf>



LGMG – Fiscal Oversight Responsibilities of the Governing Board

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

Oversight becomes important when operations do not have adequate segregation of duties. If one person, such as a treasurer, performs all the district's financial duties (e.g., receives, disburses and transfers money; maintains accounting records; and performs bank reconciliations), it may weaken a board's control over financial operations. If segregating key financial duties is not possible, a board

should ensure that sufficient mitigating controls are implemented. Mitigating controls could include additional periodic reviews of financial records including bank reconciliations and approvals of the work performed by a treasurer. This added oversight can help prevent unauthorized, improper, or fraudulent activities, or just mistakes made by the treasurer.

A board should ensure a treasurer maintains complete and accurate accounting records to properly account for all district financial activities in a timely manner, and provide the board with monthly and annual financial reports. For example, budget-to-actual reports include essential information a board needs to effectively manage and safeguard district resources. A treasurer also maintains a district's financial records, including supporting documentation for claims. Additionally, a treasurer should reconcile bank account balances with the accounting records monthly, which allows a board and officials to determine whether all collection and disbursement transactions were captured and correctly recorded in a timely manner. A board should periodically review and verify the accuracy of these reports.

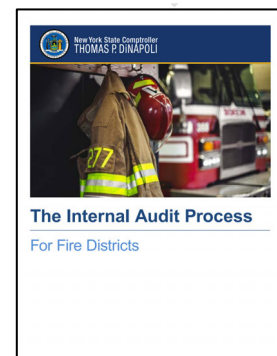
A board should also require that the treasurer provides the board with all books, records, receipts, claims and cancelled checks or check images annually so that the board can perform an annual audit of the treasurer's records to verify that the funds are properly accounted for, and transactions are properly recorded. OSC's publication, *The Internal Audit Process for Fire Districts*, contains guidance and a checklist to assist governing boards in performing an annual audit (Figure 2). In the absence of an annual audit, there is no independent verification that transactions have been properly recorded and funds properly accounted for. Annual audits are particularly important in small operations that are not able to adequately segregate financial duties.

A treasurer is required by GML Section 30 to prepare and file the district's AFR with OSC within 60 days after the end of each fiscal year. The AFR is an important fiscal tool that can provide a board with necessary information to monitor district operations and provide taxpayers and other interested parties with a summary of the district's financial activities.

New York State Town Law (Town Law) Section 176-e further requires every elected and appointed board member to attend and successfully complete a specific OSC-approved training course within 270 days of their first day in office. Town Law Section 176-e requires the training course to cover the board members' legal, fiduciary, financial, procurement, ethical, and any other responsibilities, as may be prescribed by OSC. Board members are required to complete the training each time they are elected, re-elected, appointed or reappointed to office.

FIGURE 2

OSC Publication



The Internal Audit Process for Fire Districts

[https://www.osc.ny.gov/files/
local-government/resources/pdf/
internalauditprocess.pdf](https://www.osc.ny.gov/files/local-government/resources/pdf/internalauditprocess.pdf)

Town Law Section 176 4-a also requires a board to audit all claims against the district prior to payment, and by resolution, order the treasurer to pay the approved claims. The law provides a board may, by resolution, authorize payment in advance of audit for claims for public utility services, postage, freight and express charges. All such claims shall be presented at the next regular meeting for audit, and the claimant and the officer incurring or approving the same shall be jointly and severally liable for any amount disallowed by the board.

The Board Did Not Provide Adequate Oversight of Financial Operations

The Treasurer performed all of the District's financial duties, including maintaining accounting records, paying claims and preparing and signing checks. Even though there was no segregation of duties, the Board did not develop policies and procedures for financial operations, nor did they provide sufficient oversight (such as routine monitoring) to ensure that District disbursements were reviewed and approved prior to payment and that financial records and reports were prepared.

- Policies and Procedures – The Board did not develop and adopt policies and procedures for the District's financial operations for areas such as procurement, reserve funds, investments, fund balance and a code of ethics. The Treasurer and the Chairman of the Board (Chairman) said that the District has never had policies and procedures. The Chairman also said that he always wanted to establish policies and procedures, but did not know they were needed.

While developing and adopting financial policies and procedures will not guarantee error-free financial operations, oversights or other potential issues, they will help to communicate the Board's role for oversight, expectations of District officials and members involved with financial operations, and if followed, help to reduce the risk for potential errors or irregularities occurring and not being identified and corrected. After the end of our fieldwork, the Treasurer provided us with the District's newly established and approved policy manual; however, we did not review its contents as part of our audit.

- Accounting Records and Reports – The Board did not provide sufficient guidance or oversight to ensure that the Treasurer maintained appropriate accounting records. Specifically, the only accounting records maintained were an informal report showing a list of all money the District received and disbursed. Although the Board received claims with supporting documents and the cash flow statement to approve claims during the Board meetings, the Board did not receive or request from the Treasurer any other reports, such as budget-to-actual reports, to help the Board facilitate budget monitoring. We determined that the Board monitors amounts received and disbursed monthly, but does not monitor the budget as evidenced in our review of Board minutes. The Board's ability to exercise financial oversight and make budget decisions based on financial information was hindered because the Board did not obtain regular, up-to-date financial reports to review.
- Bank Reconciliations – Although we interviewed Board members and learned they were unaware that the Board should receive and review bank reconciliations from the Treasurer, Board members signed a form each month that the bank reconciliations were reviewed even though no bank reconciliations were prepared for the Board to review. The Treasurer said he did not prepare bank reconciliations because he followed the same procedures as his predecessor. The Board's lack

of effective oversight resulted in an increased risk that errors and irregularities could occur and remain undetected and uncorrected.

- AFR Reporting – Although the Board and District officials said they were not aware of the AFR filing requirement, OSC notifies municipalities of their AFR filing requirements. OSC first sends an annual email notification to the Chief Fiscal Officer (CFO) indicating that the AFR is required to be filed after the close of the municipality’s fiscal year. When a municipality’s AFR is past due, OSC sends another email notifying the CFO that the AFR is delinquent. Most recently, OSC emailed notification to the Treasurer on May 14, 2024, that the District’s 2023 AFR was delinquent. Because the Board did not ensure the Treasurer filed the District’s required AFRs, as of July 31, 2024, the 2009 AFR was 5,631 days late. The District has not filed the statutorily required report for more than 15 years, see Appendix A for additional details on the number of days each filing is late.

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

- Mandatory Fiscal Oversight Training – Of the five Board members, three did not receive the mandatory financial training. The Chairman also has not completed his training within 270 days of his election. He stated he completed his training about 12-15 years ago but was unable to provide a certificate. All the Board members were aware of the requirement.
- Claims Auditing – During the Board meetings, claims paid were reviewed and approved by all Board members in attendance. However, the Board did not ensure that claims were properly audited and approved before payment, nor did the District pass a resolution to authorize the payment in advance of audit for claims for public utility services, postage, and freight and express charges.

We selected 51 claims totaling \$23,998, for January through April 2024, and determined that 50 claims were paid prior to the Board’s approval. The Board was not aware of the requirement to audit claims. However, District officials shared with us that they plan to enforce this requirement moving forward, and stated it is now addressed in their new policy manual.¹ While we determined that these 50 claims were for appropriate District purposes, when the Board does not audit and approve all claims prior to payment, there is an increased risk that claims could be paid that are not for valid District purposes.

- Annual Audit – We interviewed three Board members and reviewed Board meeting minutes for 2023 and January of 2024 and determined that the Board did not perform an annual audit of the Treasurer’s records and reports for 2023.

The Board was not aware of this requirement and did not know if or when an audit may have been performed. District officials told us they plan to implement this requirement, and shared that this requirement is outlined in their new policy manual.

¹ We did not review the new policy manual. Therefore, we cannot confirm whether this requirement is actually addressed in the District’s new policy manual.

In the absence of an annual audit, there is no independent verification that transactions have been properly recorded, and funds have been properly accounted for, diminishing the Board's ability to assess financial operations. Annual audits are particularly important in small operations that are not able to adequately segregate financial duties.

How Should a Board Establish Reserves or Multiyear Financial or Capital Plans?

A board should establish written policies for fund balance and reserves levels to maintain a reasonable level of fund balance, establish long-term financial and capital plans, and legally establish reserves to help endure short-run fiscal pressures such as revenue shortfalls or unanticipated revenues.

Districts are legally allowed to establish reserves and accumulate reasonable funds for certain future purposes (e.g. capital improvements, fire apparatus and repairs). As such, a board should formally establish necessary reserves, and a treasurer should maintain and document those resolutions. Combining a reasonable level of surplus fund balance with specific legally established reserves provides safeguards for unanticipated events and other identified or planned needs.

Planning on a multiyear basis allows officials to identify developing revenue and expenditure trends, determine the appropriate funding and use of reserve funds, and address equipment and capital needs by setting long-term priorities and goals. A board should use its fund balance policy and plans when developing realistic annual budgets to ensure that the fund balance is maintained at reasonable levels and include funding for necessary reserves in the budget as appropriate. The level of fund balance is the difference between revenues and expenditures accumulated over time. Utilizing these plans should also help officials and taxpayers see the impact of a board's fiscal decisions over time, ensuring the amount of real property taxes levied is not greater than necessary.

The Board Did Not Establish Reserve Funds or a Multiyear Financial or Capital Plan

The Board has not developed legally established reserve funds or developed a reserve fund policy, nor have they developed written multiyear financial and capital plans, or a fund balance policy. As a result, the District's unassigned fund balance at the end of 2023, totaling \$202,400, was 205 percent of the next year's budgeted appropriations. District officials told us they intend to use these funds for repairing the roof, other planned capital projects and purchasing equipment.

District officials were also not aware that they should have a written multiyear financial or capital plan. The establishment of multiyear plans, along with the legal establishment of reserves to aid in saving funds for future projects, would help guide officials as they develop future budgets and provide more transparency to taxpayers on the District's long-term financial and capital goals. The lack of written multiyear financial or capital plans limits the Board's ability to effectively manage finances and address future needs.

What Do We Recommend?

The Board should:

1. Establish policies to address financial operations: including investments, procurement, fund balance, reserves, and a code of ethics.
2. Ensure the Treasurer maintains appropriate accounting records and provides the Board with necessary documents for financial oversight, such as budget-to-actual reports, bank reconciliations, bank statements, and cancelled check images for review and approval monthly. The Board should review and approve these documents during the monthly Board meetings.
3. Ensure the Treasurer prepares and files the District's AFR with OSC within 60 days of the end of each fiscal year.
4. Ensure that all elected or appointed Board members complete mandatory fiscal oversight training.
5. Develop and adopt written multiyear financial and capital plans to transparently set aside funds for future building and equipment needs. These plans should be monitored and updated periodically.
6. Ensure that claims are properly audited and approved before payment. If the Board chooses to adopt a resolution allowing eligible claims to be paid in advance of audit (public utility services, postage, freight and express charges), it should audit those claims at its next regular meeting.
7. Perform an annual audit of the Treasurer's records and reports.

The Treasurer should:

8. Prepare appropriate accounting records such as budget-to-actual reports and bank reconciliations and provide them to the Board monthly, along with bank statements and cancelled check images for review and approval.
9. Submit AFRs to OSC within 60 days of the end of the fiscal year.

Appendix A: Unfiled AFRs

AFR Fiscal Year	Number of Days Late to File AFR as of July 31, 2024
2009	5,631
2010	5,266
2011	4,901
2012	4,536
2013	4,170
2014	3,805
2015	3,440
2016	3,075
2017	2,709
2018	2,344
2019	1,979
2020	1,614
2021	1,248
2022	883
2023	518

Appendix B: Response From District Officials

RHINECLIFF FIRE DISTRICT

P.O. Box 184

Rhinecliff, NY 12574

April 29, 2025

Office of the State Comptroller

110 State St, 12th Floor

Albany NY 12236

Dear Comptroller's Office,

Please accept this letter as acknowledgement and receipt of the findings to our recent OSC audit. We would like to thank the Comptroller's Office for the information and suggestions provided from the audit. The auditors conducting our audit were very courteous, professional, and helpful throughout the entire audit process. We look forward to moving forward and implementing the findings of the audit.

We have received the Report of Examiner's for the Rhinecliff Fire District and have discussed the findings with all Commissioner's and have begun to implement the suggestions and items requiring changes.

Attached is the Rhinecliff Fire District's response to the recommendations of the auditors. Most of them have been corrected. These were approved by all five Commissioner's at a regular meeting held on April 28, 2005.

Again, I thank you for the opportunity to provide suggestions so that we can improve our Board's oversight of the Fire District.

Sincerely,

Robert Fitzpatrick Jr.

Chairman of the Board, Rhinecliff Fire District

The Board should:

Here is the Rhinecliff Fire District's response to the DOS Board oversight recommendations:

Establish policies to address financial operations including investments, procurement, fund balance, reserves, and a code of ethics.

While the audit was being performed the Board contacted their attorney and developed a comprehensive Policy and Procedures manual. This manual addresses the items noted by the auditors. A copy was provided to the auditors prior to their exit review.

Assure that the Treasurer maintains appropriate accounting records and provides the Board with necessary documents for financial oversight, such as budget to actual reports, bank reconciliations, bank statements and cancelled check images for review and approval monthly. The Board should review and approve these documents during the monthly Board meetings.

Since this was brought to the Treasurer's and Boards attention the Treasurer has provided all these items to the Board at their monthly meeting and they are signed off on by the Commissioner's. In addition, it is the Board's intention to have the books audited on an annual basis. Also, the treasurer does not open the checking statement but gives it to a commissioner not on the signatory list to compare the checks vs the vouchers before returning to the Treasurer for reconciliation and presentation to the Board.

Ensure the Treasurer prepares and files the District's AFR with OSC within 60 days of the end of each financial year.

These reports have not been filed since 2009. The current treasurer has only been in office since the middle of 2022 and was not immediately aware of this requirement. He is currently working with OSC's DMU and training division to complete these reports.

Ensure that all elected or appointed Board members complete mandatory fiscal oversight training.

On April 25, 2025 four commissioner's and the Treasurer attended the Commissioner's and Secretary/Treasurer training offered by [REDACTED]. One Commissioner had received the training prior to the audit. Completion certificates will be forwarded by [REDACTED].

Ensure that claims are properly audited and approved before payment. If the Board choses to adopt a resolution allowing eligible claims to be paid in advance of audit (public utility services, postage, freight and express charges), it should audit those claims at the next regular meeting.

On advice of Council, the Board will not have any resolutions and bills will not be paid until the required three signatures are obtained.

The Treasurer should:

Prepare appropriate accounting records such as budget-to-actual reports and bank reconciliations and provide them to the Board monthly along with bank statements and cancelled check images for review and approval.

Since this was brought to the Treasurer's and Boards attention the Treasurer has provided all these items to the Board at their monthly meeting and they are signed off on by the Commissioner's. In addition, the treasurer does not open the checking statement but gives it to a commissioner not on the signatory list to compare the checks vs the vouchers before returning to the Treasurer for reconciliation and presentation to the Board.

Submit AFR's to OSC within 60 days of the end of the fiscal year.

These reports have not been filed since 2009. The current treasurer has only been in office since the middle of 2022 and was not immediately aware of this requirement. He is currently working with the DMU and training division to complete these reports.

Appendix C: 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 GML. 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 to gain an understanding of District operations, internal controls and oversight of the Treasurer's duties, including the financial recording and reporting process.
- We reviewed the Treasurer's accounting records to determine whether they were complete, adequate and accurate. We also reviewed the accounting records to determine whether bank reconciliations were performed, and bank statements were reconciled and accurate.
- We used our professional judgement to select 51 disbursements totaling \$23,998 to assess whether the claims were recorded, authorized, adequately supported and for proper District purposes.
- We requested and reviewed training information/certificate to verify if the Board completed the mandatory financial trainings.
- We reviewed the Oracle Business Intelligence Enterprise Edition (OBIEE) website and interviewed District officials to identify whether the District files AFRs annually.
- We reviewed Board meeting minutes to identify whether the Board monitors the budget and performs an annual audit of the Treasurer's records and reports.
- We analyzed the District's fund balance and calculated the 2023 fiscal year end unassigned fund balance amount and determined the percentage this amount was of the next year's budgeted appropriations.

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 D: 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

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Contact

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